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<http://mops.twse.com.tw/mops/web/index>

<https://www.cathayholdings.com/holdings/>

Stock code: 5846



國泰人壽保險股份有限公司

Cathay Life Insurance Co., Ltd.

2020 Annual Report

Dated: April 23, 2021

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III. Name of Institution for stock transfer: Cathay Life Insurance Co., Ltd.
Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.)
Tel: (02) 27551399

IV. Names of external auditors in recent years: Cheng-Hung Kuo, Shu-Wan Lin
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Websites: <http://www.deloitte.com.tw>

V. Overseas Listings and Access to the Listing Information: (None)

VI. Cathay Life Insurance official website:
<https://www.cathaylife.com.tw>

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One. Letter to Shareholders

I. Business Report for the year 2019

(I) 2019 Business Plan and Implementation Results

Facing the changing environment and development trend of FinTech, the company adheres to its core value of “Integrity, Accountability, and Innovation” and digital concept of “What if We Could,” and plans to enhance profitability with a stable operating attitude and innovative concept for digital transformation.

Meanwhile, the company adheres to the service concept of “customer orientation” and “advanced deployment” actions, implemented corporate sustainability, improved corporate governance, and continued to stabilize the workforce. Furthermore, the company correspond to IFRS 17 to provide more protection for Taiwan’s citizens, and accelerate the product structure adjustment, in order to uphold the nature of insurance and gain a leading position in the market.

Thanks to efforts of all employees, the company’s 2020 first-year premium income reached NT\$160.77 billion, with first-year premiums equivalent to NT\$62.18 billion, total insurance premiums of NT\$666.19 billion (including reinsurance premium) and after-tax profits of NT\$51.74 billion.

(II) 2019 budget implementation: None.

(III) Analysis of receipts, expenditures, and profitability

The company adheres to the business philosophy of stable development, and pursues the maximum value for all shareholders by dedicating efforts to innovation with diversified channels, promoting protection products, and continuous optimization of its marketing and management efficiency. In terms of asset management, we implemented risk control and timely adjusts asset allocation in order to improve the performance of capital utilization.

(IV) Status of research and development

1. Expenditures of research and development

The budgets on research and development in the last two years are shown in the table below:

Unit: NT\$ thousand

Year	2021 (Estimate)	2020	2019
Amount	394,387	277,498	248,741
Growth rate (%)	42.1%	11.6%	0.7%

2. Results of research and development

- (1) Product innovation: The company has been actively reacting to changes in social trends with innovative products and protections to meet the needs of different consumers. The company’s “Chih-le-huo Cognitive Dysfunction Term Health Insurance (XDT)” introduced in 2020 was the industry’s first attempt at providing protection for dementia, an issue of increasing concern. The policy provides complete protection for dementia from prevention to nursing care, and was the first in the industry to include cancer screening and vaccination as health promotion measures. The company continues to secure its position as the market’s leading brand with its ongoing innovation, and is the only insurance company to win the “Excellence

Award for Product Innovation” in “Taiwan Insurance Excellence Awards” for eight consecutive years.

- (2) Customer relationship management: New financial technologies and market developments present opportunities for new customer segmentation. From interaction, brand identification to precision marketing, the new segmentation model uses data to find the most successful and efficient approach at raising customers’ loyalty and conversion rate.
- (3) Digital development: The company has been undergoing transformations in line with its agile culture to adjust to the post-pandemic era, incorporating AI image identification into the underwriting process for more efficient review. The company was also rewarded with more than ten patents in 2020, which outperformed the year before.

3. Future research and development plans and progress

- (1) Product innovation: An aging population combined with longer life expectancy means that more people are living in an unhealthy state for extended periods of time. In an attempt to encourage self-motivated health management, the subsidiary continued taking steps to optimize its health promotion ecosystem in 2021, offering a broad range of health promotion incentives and usage-based products that provided the public with stronger motives to participate. These efforts help people improve their health conditions and eventually reduce the amount of medical spending to the mutual benefit of the public, the company and society.
- (2) Customer segment management: By expanding internal and external database, the subsidiary strives to develop better understanding of customers’ preference and apply a three-stage process of “knowing,” “growing,” and “referring” customers to improve customers’ loyalty and conversion rate. Through integration of resources across the ecosystem, the subsidiary hopes to interact with customers on multiple dimensions so that suitable products can be developed and distributed through the most appropriate channels. Using the incremental precision marketing approach, the subsidiary aims to develop the most efficient marketing model as Cathay’s unique added value.
- (3) Digital development: Inspired by the vision of Cathay as a Service (CaaS), the subsidiary will transition into a business model that focuses on customer experience, and collaborate with new partners by leveraging its digital data capabilities and financial expertise to create new scenarios for digital customers. This insurance ecosystem comprising participants from different industries will bring a greater level of convenience to customers’ lifestyles.

II. 2020 Business Plan

(I) 2020 business strategies

Cathay Life embraces its mission of providing “security in life” and values policyholders’ interests as well as social responsibilities. By incorporating sustainability values into insurance service, the subsidiary aims to raise its brand value and influence to become a global pioneer in sustainable practices. Inspired by a new vision towards “InsureTech, Happiness Get-Smart, Simple and Safe.” Cathay Life adopts an innovative mindset and invests in data and IT infrastructures to provide more efficient support for business activities.

1. Digital development

Convey the concept of “What if We Could” and adopt innovative financial technologies to create the ultimate digital insurance experience. Create a digital insurance ecosystem through innovation and cross-industry cooperation; aim to incorporate insurance services and products into consumers’ digital lifestyle for more convenient and customized consumer experience.

2. Business development

- (1) Having witnessed how marketing practices have changed rapidly in the digital era, the subsidiary takes the initiative in creating a data-empowered sales team, using new technologies and digital tools while offering technology training to the sales team to raise overall sales efficiency.
- (2) As the environment changes, the subsidiary will undergo adjustments and expand its part-time sales force to support organization growth.

3. Customer service

- (1) Utilize customer service designs to improve cross-sector learning and service efficiency. Through review of service history, the company will “gain insight into customers’ needs and strive to provide customers with services that are needed by customers”, while at the same time improving service satisfaction and referral rate.
- (2) Enforce fair customer treatment, protect customers’ interests, provide a diverse range of user-friendly financial services, and develop service procedures from customers’ perspective for optimal customer experience.
- (3) Promote consistent customer experience and enhance service quality through introduction of new data governance projects and sharing of information across channels.

4. Talent development

- (1) Internal: Adopt a “people-oriented” philosophy and incorporate training strategies from different fields, professions, and countries to shape a culture of “learning, feedback, and sharing” that effectively transfer knowledge within the organization to help build a stronger talent base.
- (2) External: Advocate fair customer treatment as part of the insurance profession, convey sustainable values of insurance, and exert influence as a life insurance company.

5. Internal control

- (1) Actions will be taken to enhance compliance, risk management, information security and the internal audit/control system. These actions will help strengthen culture within the organization, which serves as a solid foundation for corporate governance and sustainability.
- (2) Actions will be taken to combine corporate risk management practices and incorporate environmental, social, and governance (ESG) values into the risk management process. Technologies such as automation and AI will be developed, adopted, and incorporated to further improve internal control, and thereby support effective risk management and business growth.

(II) 2020 business targets

The 2021 total insurance premium of NT\$602.97 billion.

(III) Important production and sales policies

1. Product development

- (1) Enrich protection-oriented products in line with market development and regulatory reform to maintain sales momentum. To satisfy customer needs, the company’s wealth management products mainly include investment-linked, USD interest sensitive and other products.
- (2) Promote protection-oriented products while maintaining sale of investment products. Optimize product portfolio in ways that help accomplish the company’s financial and operational targets while taking into account risk management and market competitiveness.
- (3) Raise society’s awareness towards aging population and health promotion, develop insurance products such as long-term care or usage-based policies that meet the needs of the elderly, and design differentiated products to meet the needs of different customer segments.

2. Business promotion

- (1) Expand the business scope and contact tracing scenarios, in order to meet customer needs for financial products in different life scenarios, with effective services resource applications and optimized customer services for policyholders.
- (2) Focusing on the promotion of protection-oriented products, the company not only provide basic life insurance protection, but also close the gap in the insurance coverage for long-term care, critical illnesses, hospitalization, surgery and accidents according to customer needs, in order to fully upgrade the protection of Taiwan citizens.

3. Sales control

- (1) Establish a stringent code of conduct for solicitation, prevent improper solicitation, and strengthen risk management on the detection of abnormal contracts in order to prevent malpractices, with strict compliance with the law to ensure corporate and customer rights.
- (2) Integrate risk monitoring and service evaluation systems to develop control measures for risk prevention in advance.
- (3) Improve personnel management by integrating system exclusive tools of education and training and customer service, taking into account service satisfaction and operational efficiency.

III. Future development strategy

(I) To apply the core function of “people-oriented value”

Cathay Life embraces its mission as “Cathay Life, Sunshine in Your Life.,” and enforces its vision of “InsureTech, Happiness Get-Smart, Simple and Safe.” Focusing on “protection,” the company has built a seamless service network by cross-border thinking of insurance technology, aiming at stable and sound development in the insurance market, so that Cathay Life becomes the best partner for providing security in life.

(II) Enhance profitability and protect shareholders’ interests

In terms of business, the company continues to adopt a multi-channel strategy and digital transformations, entering markets and expanding the customer base, while aiming at better organization quality with younger staff and high growth performance. In terms of finance, the company secures income and maximize yield per dollar spent in order to enhance profitability.

(III) Improve customer satisfaction

The company will observe customers’ experience via big data analysis, and dedicate efforts to provide a good customer experience in each stage, in order to gain positive customer word of mouth about the high-quality customer experience they had with us.

(IV) Implement corporate sustainability and improve global visibility

The company will enforce its sustainable philosophy for the stability and well-being of society by contributing its financial expertise in cooperation with more stakeholders, and will continue to adopt PSI in order to bring visibility to Cathay Group with its international standards.

(V) Stable achievements and continuous improvement of corporate governance

The company continues to improve legal compliance, internal audit and internal control, and effectiveness of risk control with the aim of keeping in line with international information security standards. These actions will help build a compliance culture within the organization, which serves as a solid foundation for corporate governance and sustainability.

(VI) Improve company value and employee value to create a win-win culture.

The company will continue to incorporate accountability and innovation into its corporate culture,

and develop top-down organizational awareness for the stability of its workforce. In response to digital and environmental changes, the company has trained talents with the versatility to accomplish multiple fields of expertise for strengthening the competitiveness of companies and employees, and creating a win-win situation.

(VII) Develop growth momentum and continue on overseas layout

The company continues to obtain overseas market opportunities and develop future growth momentum, growing existing markets in China and Vietnam, and implementing the localization strategy, with continuous assessments on other opportunities in entering the overseas market and developing towards becoming “A Leading Financial Institution in the Asia Pacific.”

(VIII) Financial technology is the main focus on development, with continuous upgrades in digital transformation

Insurance businesses are undergoing some digital transformations in response to how financial technologies present opportunities and challenges to conventional financial businesses. In order to accelerate the momentum of FinTech innovation, the competent authorities established mechanisms such as the regulatory sandbox and innovative trials, and by use of emerging technologies and through innovation and interdisciplinary cooperation, insurance is regarded not only as a product, but also as a customer-oriented service provider in this digital era.

IV. The effect of external competition, the legal environment, and the overall business environment

(I) External competition

During the FinTech era, customer behavior shifted from passive to active amid expanded customer autonomy, and insurance companies will face more peer and interdisciplinary competition in terms of function, innovation and cost-effectiveness. In addition to government policies such as FSC’s Six Roadmaps to Prosperity in May 2020, including Corporate Governance 3.0 – Sustainable Development Roadmap, Green Finance Action Plan 2.0, FinTech Development Roadmap, Financial Security Action Plan, Trust 2.0, and the New Generation Insurance Solvency System, which thereby strengthen financial resilience, promote innovative finance, develop sustainable finance, and implement inclusive finance.

Taiwan is expected to become a hyper aged society in 2025 (20% of the population age 65 and above). In order to solve problems related to economic security for the elderly, the Financial Supervisory Commission established five main measures, including group annuity insurance with consumer empowerment, policy activation, long-term care insurance, the Housing Equity program in Credit Guarantee Fund, and encourage insurance companies to promote insurance products for the elderly.

Encouraged by government policies, financial institutions have actively developed products and services for the elderly market in order to seize early business opportunities in the aging society and mitigate the government’s social welfare burden.

(II) Legal environment

On August 27, 2020, the FSC officially announced a development roadmap for financial technology with the four major goals: inclusion, innovation, resilience, and sustainability. It also focused on the functions and the three principles including behavioral supervision, technology neutrality, and friendly innovation, promoting from eight aspects: single window platform, data sharing, regulations adjustment and ethical standards, capacity building, digital infrastructure, park ecosystem development, international linkage, and supervisory technology.

(III) Overall business environment

In response to the spread of COVID-19 pandemic in 2020, countries around the world have adopted lockdowns or border controls, which led to economic recession of various countries and severely affected global trade. Despite the prevention and control against the COVID-19 pandemic, the

Taiwanese economy is still dragged down by global economic recession. However, the relaunch of economic activities in major countries since the third quarter of 2020 has led to gradual economic recovery in the manufacturing industry in the second half of 2020. Accordingly, the IMF raised global economic growth to -4.4% (previous economic growth of -5.2%) at the end of 2020. Looking forward to 2021, given that the impact of the COVID-19 pandemic on Taiwan's economy may gradually fade amid low base period, major global trend forecasting agencies believe that global economic and trade growth in 2021 will significantly exceed that in 2020. According to the Taiwan Institute of Economic Research in November 2020, GDP growth will reach 4.01% in 2021.

Two. Company Profile

I. Date of Establishment

October 23, 1962

II. Company Profile

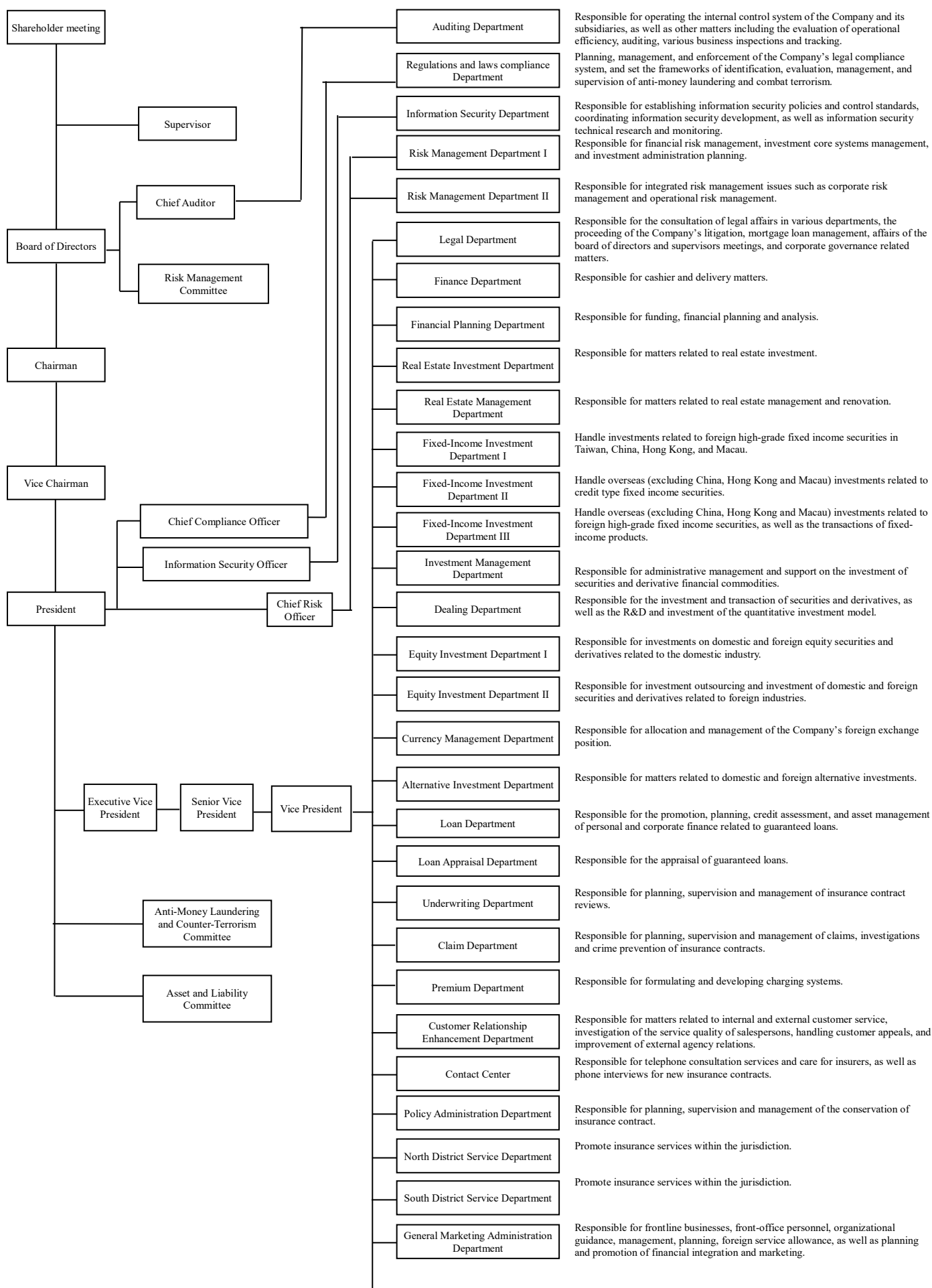
The company was incorporated on October 23, 1961. The head office is located at the Cathay Building, No. 90, Nanyang Street, Taipei, Taiwan. The head office was moved to the Cathay Trust Building at No. 1, Nanyang Street, Taipei, Taiwan on February 9, 1973, moved to Cathay Life Building at No. 1, Xiangyang Road, Taipei, Taiwan on September 9, 1977 and to No. 296, Sec. 4, Ren'ai Rd., Taipei, Taiwan on September 26, 1987.

In response to the government's policy on the popularization of securities and financial disclosure, the company applied for listing on March 1, 1963, and was officially listed on November 7, 1964. On December 31, 2001, Cathay Life Insurance Co., Ltd. was reincorporated as Cathay Financial Holding Co., Ltd. through stock conversion, while its shares were listed on Taiwan Stock Exchange (TWSE) on the same day by approval of the Ministry of Finance. The company was delisted on the same day to become a public offering company, and is one of the few popular Taiwan life insurance companies that discloses its financial information to the public.

As of December 31, 2020, the company's paid-in capital was NT\$58,515,273,950, which was collected in full amount.

Three. Corporate Governance Report

I. Corporate structure and the tasks of its principal divisions



Group Insurance Department	Responsible for group insurance businesses, front-office personnel, organizational guidance, management, planning, statistics, and foreign service allowance.
Direct Marketing Department	Responsible for trade marketing, front-office personnel, organizational guidance, management, planning, statistics, and foreign service allowance.
Bancassurance Department	Responsible for the planning and implementation of insurance agent businesses.
Education Training Department	Responsible for planning sales channel training, R & D of training content, digital learning, management of training measures, collection of company historical data.
Digital Marketing & Planning Department	Responsible for the Company's digital customer service strategy, digital insurance strategy, digital platform and sales channel digital auxiliary tool planning and operations, and e-commerce insurance.
Data and Intelligence Department	Responsible for the Company's data-driven business strategy and coordinate the Company's data science development and data governance.
Corporate Planning Department	Responsible for formulating the Company's mid- and long-term business strategies, research and development of new businesses/ new fields, and promoting corporate sustainability. It is also in charge of planning and execution on branding, customer relationships, and advertisement, as well as developing and managing marketing plans.
Product Management Department	Responsible for the payment system of front-office personnel, product strategy and other matters related to mathematical research and development.
Actuarial Department I	Responsible for withdrawing reserve funds, reversory bonus and statistical analysis.
Actuarial Department II	Responsible for the Company's capital, asset and liability management, setting up relative valuation systems, reinsurance, and R & D of related international standards, etc.
Investment Product Development Department	Responsible for the design, establishment and system introduction of investment-type insurance products.
Product Development Department	Responsible for the Company's product strategy, as well as the design, establishment and system introduction of traditional insurance products.
System Information Technology Department	Responsible for computer software, hardware and network management, as well as managing the host hardware, software, database, insured network deposit, testing and quality control, and information security management.
Life Insurance Information Technology Department	Responsible for the development and maintenance of the core life insurance system.
Investment Information Technology Department	Responsible for the development and maintenance of investment, finance, accounting, loan, general affairs systems.
Marketing Information Technology Department	Responsible for the development and maintenance of marketing channel support and insurer service system.
Human Resources Department	Responsible for internal personnel management and human resource development.
General Affairs Department	Responsible for document filing, general affairs, procurement, security of the head office building, protection and matters not covered by other departments.
Occupational Safety and Health Department	Responsible for occupational disaster prevention, as well as the planning and supervision of occupational safety and health in various departments.
Accounting Department	Responsible for accounting and statistics, budget and other related accounting matters.
Investment Accounting Department	Responsible for financial commodities investment, management and research of accounting matters.
North District Operation Management Department	Responsible for business supervision, channel integration, marketing and planning, reserving talent on sales management, as well as personnel management within the jurisdiction.
South District Operation Management Department	Responsible for business supervision, channel integration, marketing and planning, reserving talent on sales management, as well as personnel management within the jurisdiction.
Overseas Business Department	Responsible for overall overseas market development, overseas insurance management, overseas exchange among sectors of industry, government and academia, and cultivating overseas talents.
District	Divide counties and cities into several business regions, and set up special recruitment or exhibition departments to be responsible for business planning and supervision of frontline specialized recruitment and exhibition within the jurisdiction, as well as the education and management of front-office personnel.
Branch companies	Responsible for frontline business development.

II. Information on the company's directors, supervisors, president, vice presidents, and the supervisors of all the company's divisions and branch units

(I) Board Members and Supervisors:

1. Board Members and Supervisors Information (1):

March 31, 2020

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent positions at the company and other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Chairman	R.O.C.	Tiao-Kuei Huang	M	2020.6.12	3 years	1998.8.24	Note 1	Note 1	Note 2	Note 2	-	-	-	-	Chairman, Cathay Life Insurance; Former Vice Chairman and President, Cathay Life Insurance (M.S., National Tsing Hua University)	Director of Cathay Financial Holdings; Resident Supervisor of Cathay Medical Care; President of the Life Insurance Association of the R.O.C.				
Vice Chairman	R.O.C.	Ming-Ho Hsiung	M	2020.6.12	3 years	2002.5.18									Vice Chairman, Cathay Life Insurance; Former President, Cathay Life Insurance (M.S., University of Iowa, USA)	Director of Cathay Financial Holdings, Cathay Charity Foundation of Cathay Life, and Culture and Charity Foundation of the Cathay United Bank; Convener of Cathay Financial Holdings Corporate Governance and Nomination Committee, etc.				
Director	R.O.C.	Joseph Tsai	M	2020.6.12	3 years	2005.5.18									Vice Chairman of Cathay United Bank (J.D., Georgetown University, USA)	Director of Conning Holdings Limited, The Taiwan Entrepreneurs Fund Limited, 7-Eleven Malaysia Holdings Berhad and Srisawad Corporation Public company Limited; Vice President of Tung Chi Capital Co., Ltd., etc.				

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent positions at the company and other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Director	R.O.C.	Chung-Yan Tsai	M	2020.6.12	3 years	2006.8.11	Note 1	Note 1	Note 2	Note 2	-	-	-	-	Senior Vice President of Cathay Real Estate Development Co., Ltd. (M.A., San Francisco State University, USA)	Vice Chairman of Cathay Healthcare Management Co. Ltd.; Director of Cathay Real Estate Development Co., Ltd., Cathay Healthcare Management Co. Ltd., Cymbal Medical Network Co., Ltd., Xingde Co., Ltd. and Hsing Lin Medicine Industry Co., Ltd.; Vice President of Liang-Ting Co., Ltd., etc.				
Director	R.O.C.	Shang-Chi Liu	M	2020.6.12	3 years	2017.6.16									President of Cathay Life Insurance (M.B.A., National Taiwan University)	Director and medical consultant of Cathay Medical Care, etc.				
Director	R.O.C.	Chao-Ting Lin	M	2020.6.12	3 years	2013.6.27									Executive Vice President of Cathay Life Insurance (M.S., National Taiwan University)					
Director	R.O.C.	Yi-Tsung Wang	M	2020.6.12	3 years	2016.11.25									Senior Vice President of Cathay Life Insurance (M.B.A., Massachusetts Institute of Technology, USA)	Director of Cathay Securities Investment Trust				
Director	Canada	John Chu	M	2020.6.12	3 years	2014.12.16									Chairman of May Foong Woolen & Worsted Textile Mill. Ltd. (M.B.A., York University, Canada)	Chairman, May Foong Development Co., Ltd.; Director of Cathay Real Estate Development Co., Ltd.				

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent positions at the company and other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Independent Director	R.O.C.	Li-Ling Wang	F	2020.6.12	3 years	2019.6.26	Note 1	Note 1	Note 2	Note 2	-	-	-	-	President of Pension Fund Association, R.O.C.; Professor of Risk Management and Insurance Department, National Chengchi University; Former Vice President, National Chengchi University; Former Chairman, Financial Supervisory Commission Republic of China (Taiwan); Former Director, First Financial Holding; Former Independent Director, China Life Insurance Co., Ltd. (Ph.D. of Temple University (Dept. of Risk Management, Insurance, and Acturial Science), USA; Master of Hartford University (Dept. of Accounting), USA)	President of Pension Fund Association, R.O.C.; Professor of Risk Management and Insurance Department, National Chengchi University; Independent Director of Cathay Financial Holdings; Member of Cathay Financial Holdings Corporate Governance and Nomination Committee / Audit Committee; Chairperson of Cathay Life Risk Management Committee; Convener of Cathay Life Charter of Special Committee for Mergers and Acquisitions, etc.				

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent positions at the company and other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Independent Director	R.O.C.	Tang- Chieh Wu	M	2020.6.12	3 years	2019.6.26									Secretary-General, Taiwan Financial Services Roundtable; Former Chairman, Hua Nan Financial Holdings Co., Ltd., Hua Nan Bank, Land Bank of Taiwan; Former Political Deputy Minister, Ministry of Finance; Former Vice Chairman, Financial Supervisory Commission Republic of China (Taiwan); Former Director-General, Securities and Futures Bureau, Financial Supervisory Commission Republic of China (Taiwan) (Master of National Chengchi University (Dept. of Public Finance))	Consultant of Accounting Research and Development Foundation; Supervisor of Taiwan-Russia Association; Managing Director of Alumni Association of National Taipei University; Director of Foundation of Pacific Basin Financial Research and Development; Independent Director of Cathay Financial Holdings / Cathay United Bank / Cathay Century Insurance; Managing Director of Cathay United Bank; Member of Cathay Financial Holdings Remuneration Committee / Audit Committee; Chairperson of Cathay Century Risk Management Committee; Member of Cathay Life / Cathay Century / Cathay Securities Charter of Special Committee for Mergers and Acquisitions; Convener of Cathay United Bank Charter of Special Committee for Mergers and Acquisitions, etc.				
Resident Supervisor	R.O.C.	Chih- Ying Tsai	F	2020.6.12	3 years	2017.6.16	Note 1	Note 1	Note 2	Note 2	-	-	-	-	President of Ande Development Co., Ltd. (M.B.A., Pepperdine University, USA)	Director of Ande Development Co., Ltd.				

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent positions at the company and other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Supervisor	R.O.C.	Chih-Ming Lin	M	2020.6.12	3 years	2000.1.24									Former Director of Cathay General Hospital (MD, National Taiwan University)	Director and medical consultant of Cathay Medical Care Corporate				
Supervisor	R.O.C.	Yung-Chen Li	M	2020.6.12	3 years	2002.5.18									Former Director and Senior Vice President of Cathay Life (Master of Law, National Taiwan University)					
Supervisor	R.O.C.	Han-Chang Tsai	M	2020.6.12	3 years	2008.5.19									Former Director and Senior Vice President of Cathay Life (M.S. Applied Mathematics, National Chung Hsing University)					

Note 1: The company is a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd., directors and supervisors are legal representatives of the company, with a total of 5,851,527,395 shares held when appointed.

Note 2: Cathay Financial Holding Co., Ltd. holds 5,851,527,395 of common shares with 100% shareholding.

Note 3: Directors' and Supervisor' concurrent employments were accurate as of March 2021.

Major Shareholders of Institutional Shareholders:

April 13, 2021

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (15.71%), Lin Yuan Investment Co., Ltd. (13.72%), New Labor Pension Fund (2.83%), Shin Kong Life Insurance Co., Ltd. (1.98%), Labor Insurance Fund (1.44%), Nan Shan Life Insurance company Ltd. (1.32%), TransGlobe Life Insurance Inc. (1.30%), China Life Insurance company (1.07%), Chang Gung Medical Foundation (1.06%), Wanda Investment Co., Ltd. (0.99%)

Note 1: The name of the representative of institutional shareholder should be filled in for directors and supervisors that are representatives of institutional shareholders.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage (including common stock and preferred stock). Fill in Chart 2 below, if the major shareholders are institutions/corporate.

Note 3: For institutional shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

Major shareholders that are institutions/corporate:

April 13, 2021

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Wan Pao Development Co., Ltd.	Tung Chi Capital Co., Ltd. (19.96%), Chia Yi Capital Co., Ltd. (19.85%), Liang Ting Industrial Co., Ltd. (17.85%), Lin Yuan Investment Co., Ltd (14.70%), Wan Ta Investment Co., Ltd. (12.89%), Pai Hsing Investment Co., Ltd. (9.18%), Chen Sheng Industrial Co., Ltd. (3.57%), Tzung Lien Industrial Co., Ltd. (2.00%)
Lin Yuan Investment Co., Ltd.	Chia Yi Capital Co., Ltd. (19.75%), Tung Chi Capital Co., Ltd. (19.69%), Liang Ting Industrial Co., Ltd. (17.74%), Wan Pao Development Co., Ltd. (14.81%), Wan Ta Investment Co., Ltd. (13.01%), Pai Hsing Investment Co., Ltd. (9.45%), Chen Sheng Industrial Co., Ltd. (3.54%), Tzung Lien Industrial Co., Ltd. (2.01%)
Labor Pension Fund	None
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. 100%

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Labor Insurance Fund	None
Nan Shan Life Insurance Company, Ltd.	Trust account of Runcheng Investment Holdings entrusted to First Bank (55.56%), Runcheng Investment Holding Co., Ltd. (33.99%), Runhua Textile Co., Ltd. (1.34%), Ying-Tsung Tu (1.16%), Runtaixing Co., Ltd. (0.97%), Ruentex Development Co., Ltd. (0.23%), Ruentex Industries Ltd. (0.21%), YuanXin Investment Co., Ltd. (0.16%), Runtai Leasing Co., Ltd. (0.13%), Jipin Investment Co., Ltd. (0.11%)
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. (100%)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp. (47.30%), KGI Securities Co., Ltd. (8.66%), Videoland Inc. (2.42%), Cathay Life Insurance Co., Ltd. (1.27%), Ling-Lang Chan (1.24%), Kuang-Ming Sung (0.72%), iShares MSCI Taiwan ETF fund account entrusted to Standard Chartered Bank Department of Business (0.66%), Shih-Chin Chen (0.63%), Norges Bank Special Investment Account entrusted to Citi Taiwan (0.60%), Pei-Ju Huang (0.60%)
Chang Gung Medical Foundation	Nan Ya Plastics Corporation (19.51%), Formosa Chemicals & Fibre Corporation (15.02%), Formosa Plastics Corporation (14.41%), Yung-Tsai Wang (12.19%), Wang Yung-Ching (7.97%) (The above donation ratio is calculated based on the cumulated donations over the past years)
Wan Ta Investment Co., Ltd.	Cheng-Ta Tsai (97.6%), Lin Yuan Investment Co., Ltd. (1.97%), Liang Ting Enterprise Co., Ltd. (0.43%)

Note 1: The name of the institutional shareholder should be filled in for an institutional investor, like that in Chart 1.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage.

Note 3: For institutional shareholders that are not corporate entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

2. Board Members and Supervisors Information (2):

March 31, 2021

Name (Note 1)	Criteria	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 2)												Name of other Taiwanese Companies currently Serves as an independent Director
		An instructor of Commerce, Law Finance, Accounting, or other fields related to the Business Needs of the company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who possessed National Exam Certificate in profession necessary for the business of the company	Work experience in areas of commerce, law, finance, or accounting necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Tiao-Kuei Huang	✓		✓	✓			✓	✓					✓	✓	✓		
Ming-Ho Hsiung			✓	✓			✓	✓					✓	✓	✓		
Joseph Tsai			✓	✓			✓		✓		✓		✓	✓	✓		
Chung-Yan Tsai			✓				✓		✓	✓	✓		✓	✓	✓		
John Chu			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		
Shang-Chi Liu			✓				✓	✓	✓				✓	✓	✓		
Chao-Ting Lin			✓			✓	✓	✓	✓			✓	✓	✓	✓		
Yi-Tsung Wang			✓				✓	✓	✓		✓		✓	✓	✓		
Li-Ling Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Tang-Chieh Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Chih-Ying Tsai			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		
Chih-Ming Lin			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		
Yung-Chen Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Han-Chang Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note 1: The company is a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd., directors and supervisors are legal representatives of the company.

Note 2: Directors or supervisors who, during the two years before being elected or during the term of office, meet any of the following situations, please tick (✓) the appropriate corresponding boxes.

(1) Not an employee of the company or an affiliate.

- (2) Not a director or supervisor of the company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Securities and Exchange Act or local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate amount of 1% or more than the total outstanding shares of the company or ranked in the top-10 holdings.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor, or employee of any institutional shareholder that: 1. holds 5% or more of the company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the company according to Paragraph 1 or 2, Article 27 of The company Act. (This excludes concurrent independent director positions held within the company and its parent/subsidiary, or in other subsidiaries of the parent company that are compliant with the Securities and Exchange Act or local laws).
- (6) Not a director, supervisor, or employee of any other company that controls directorship in the company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the company and its parent/subsidiary, or in other subsidiaries of the parent company that are compliant with the Securities and Exchange Act or local laws).
- (7) Does not assume concurrent duty as Chairman, President, or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by a spouse. (This excludes concurrent independent director positions held within the company and its parent/subsidiary, or in other subsidiaries of the parent company that are compliant with the Securities and Exchange Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the company, or in the company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Securities and Exchange Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last two years, to the company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a relative within the second degree of kinship to any other director of the company.
- (11) Not been a person of any conditions defined in Article 30 of the company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the company Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branch offices:

December 31, 2020

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
President	R.O.C.	Shang-Chi Liu	M	2017.08.21							M.B.A., National Taiwan University	Director of Cathay Life Insurance Co., Ltd. and Cathay General Hospital				
Executive Vice President	R.O.C.	Chao-Ting Lin	M	2017.06.30							M.S., National Taiwan University	Director of Cathay Life Insurance Co., Ltd.				
Senior Vice President	R.O.C.	Chih-Te Sun	M	2020.03.12							M.B.A. & M.S., Harvard University, USA	Chief Officer of Cathay Financial Holding Co., Ltd.; Chairman of Cathay Securities Investment Consulting Co., Ltd.; Director of Cathay United Bank (Cambodia) Corporation Limited / Fulbright Taiwan, Foundation for Scholarly Exchange / Conning Holdings Limited and Quantifeed Holdings Limited				
Senior Vice President	R.O.C.	Yi-Tsung Wang	M	2013.07.13							M.B.A., Massachusetts Institute of Technology, USA	Director of Cathay Life Insurance Co., Ltd. and Cathay Securities Investment Trust Co., Ltd.				
Senior Vice President	R.O.C.	Ta-Kun Liu	M	2017.06.30							M.B.A., Massachusetts Institute of Technology, USA					
Senior Vice President	R.O.C.	Li-Chiu Wang	F	2017.06.30							M.S. Insurance, Feng Chia University					
Senior Vice President	R.O.C.	Chun-Hung Wu	M	2017.12.22							M.S. Statistics, National Tsinghua University	Director of Cathay Securities Investment Consulting Co., Ltd., Cathay Lujiazui Life Insurance Company Limited and Cathay Life Insurance (Vietnam) Co., Ltd.; Supervisor of Cathay Century (China)				
Senior Vice President	R.O.C.	Ming-Huan Chen	M	2019.01.31							Computer Science B., Soochow University	Director of Cathay Century (China)				
Vice President	R.O.C.	Chin-Shu Lin	M	2006.06.13							M.S. Risk Management, National Chengchi University	Chairman of Cathay Life Insurance (Vietnam) Co., Ltd. and Director of Cathay Lujiazui Life Insurance Company Limited				
Chief Compliance Officer	R.O.C.	Mao-Chi Chung	M	2008.01.25							M.B.A., Fudan University	Chief Committee of Cathay Life Employees' Welfare Committee				

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Vice President	R.O.C.	Shih-Chiao Lin	M	2013.01.10							M.B.A., National Taiwan University	Director of Rizal Commercial Banking Corporation(RCBC)				
Vice President	R.O.C.	Yi-Fang Tsai	F	2014.06.07							M.B.A., University of Illinois, USA					
Vice President	R.O.C.	Shu-Ying Wu	F	2018.07.01							M.B.A., University of Michigan, USA	Vice President of Cathay Financial Holding Co., Ltd.; Director of PSS Co., Ltd., Tianji Energy Co., Ltd., Kaitai Energy Co., Ltd., Hongtai Energy Co., Ltd., Limei Energy Co., Ltd., Longxian Water Resources Co., Ltd., Tianji Power Co., Ltd., Hongtai Power Co., Ltd. and Greenhealth Water Resources Co., Ltd.				
Vice President	R.O.C.	Ta-Ching Hung	M	2013.12.28							M.B.A., National Chengchi University	Vice President of Cathay Financial Holding Co., Ltd.; Supervisor of Taiwan Star Telecom Corporation Limited				
Vice President	R.O.C.	Cheng-Fu Huang	M	2015.02.07							M.S. Statistics, National Chengchi University					
Vice President	R.O.C.	Chao-Ming Chang	M	2014.12.16							Economics B., National Taiwan University					
Vice President	R.O.C.	Wen-Kai Kuo	M	2015.02.07							Business Mathematics B., Soochow University	Director of PSS Co., Ltd., Nan-Gang International 1 Corp. and Nan-Gang International 2 Corp.; Chairman of Lin Yuan (Shanghai) Real Estate Co., Ltd. and director of Cathay Woolgate Exchange Holding 1 Limited, Cathay Woolgate Exchange Holding 2 Limited, Cathay Walbrook Holding 1 Limited, and Cathay Walbrook Holding 2 Limited				
Corporate Governance Officer	R.O.C.	Tu-Chih Kung	M	2016.04.28							LL.B., National Taiwan University					
Vice President	R.O.C.	Hsun-Yu Li	M	2016.04.28							M.S., National Central University	Director/President of Cathay Life Insurance (Vietnam) Co., Ltd.				

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Vice President	R.O.C.	Ching-Lu Huang	M	2016.04.28							M.S. Statistics, National Tsinghua University	Chief Risk Officer of Cathay Financial Holding Co., Ltd.	Chief Risk Officer	Wen-Chi Chen	Spouses	
Vice President	R.O.C.	Ming-Hung Liao	M	2016.04.28							M.S. Insurance, Feng Chia University	Director/President of Cathay Lujiazui Life Insurance Company Limited				
Vice President	R.O.C.	Chu-Jui Hung	F	2016.04.28							Mathematics B., National Taiwan University	Vice President of Cathay Financial Holding Co., Ltd.				
Chief Auditor	R.O.C.	Shu-Chuan Chen	F	2016.11.22							Master degree in Law, American University Washington College of Law					
Vice President	R.O.C.	Fu-Min Wang	M	2017.03.30							Business Mathematics B., Soochow University	Vice President of Cathay Financial Holding Co., Ltd.; Supervisor of Cathay Life Insurance (Vietnam) Co., Ltd.				
Vice President	R.O.C.	Jung-Hsin Hu	M	2017.06.30							Business Management B., Chinese Culture University					
Vice President	R.O.C.	Tsung-Wei Wu	M	2017.06.30							M.B.A., Fudan University					
Vice President	R.O.C.	Yin-Shou Chang	M	2017.06.30							LL.B., National Chengchi University					
Vice President	R.O.C.	Chien-Hui Fan	F	2017.12.22							M.B.A., National Chengchi University					
Vice President	R.O.C.	Pei-Ching Lin	F	2017.12.22							M.S. IT management, National Taiwan University	Vice President of Cathay Financial Holding Co., Ltd.				
Vice President	R.O.C.	Wen-Jui Li	M	2019.01.31							M.S. Applied Mathematics, National Sun Yat-sen University					
Vice President	R.O.C.	Tsung-Nan Tsai	M	2019.11.14							M.B.A., Waseda University					
Chief Risk Officer	R.O.C.	Wen-Chi Chen	F	2020.06.13							M.B.A., National Taiwan University		Vice President	Ching-Lu Huang	Spouses	

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Li-Hua Lo	F	2016.04.28							Accounting B., Chung Yuan Christian University					
Assistant Vice President	R.O.C.	Chia-Lin Yang	M	2016.04.28							M.S. Public Finance, National Chengchi University					
Assistant Vice President	R.O.C.	Ying-Chi Hsin	F	2016.04.28							M.B.A. Finance, National Chengchi University					
Assistant Vice President	R.O.C.	Ju-Ping Chiu	F	2015.02.07							M.B.A., Boston University, USA	Director of Cathay Futures Co., Ltd.				
Assistant Vice President	R.O.C.	Su-Ling Kuo	F	2017.03.30							M.B.A., National Chung Cheng University					
Assistant Vice President	R.O.C.	Wei-Chi Li	F	2008.07.16							M.B.A. Finance, National Central University	Supervisor of Cathay Securities Investment Consulting Co., Ltd.; Director of Lin Yuan (Shanghai) Real Estate Co., Ltd.				
Assistant Vice President	R.O.C.	Yu-Chih Lai	M	2017.08.17							M.B.A., National Chung Cheng University					
Assistant Vice President	R.O.C.	Yu-Lien Li	F	2008.07.16							M.S. Insurance, National Chengchi University					
Assistant Vice President	R.O.C.	Tzu-Ling Ko	F	2017.08.17							M.B.A., National Taiwan University					
Assistant Vice President	R.O.C.	Chin-Hsiung Yen	M	2017.12.22							LL.B., Fu Jen Catholic University					
Assistant Vice President	R.O.C.	Ling-Hao Chang	M	2002.10.10							Economics B., Soochow University					
Assistant Vice President	R.O.C.	Chih-Jung Chen	M	2011.01.28							LL.B., Fu Jen Catholic University					
Assistant Vice President	R.O.C.	Hsiang-Fu Lin	M	2006.10.14							M.B.A., National Sun Yat-sen University					
Assistant Vice President	R.O.C.	Chieh-Fu Ting	M	2013.03.16							M.S. Risk Management and Insurance, National Kaohsiung University of Science and Technology					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Yi-Lien Wan	F	2013.10.29							M.S. Risk Management, National Chengchi University					
Assistant Vice President	R.O.C.	Min-Hsiung Chien	M	2007.11.21							Economics B., Fu Jen Catholic University					
Assistant Vice President	R.O.C.	Tse-Ming Kang	M	2016.01.29							Accounting B., Tamkang University					
Assistant Vice President	R.O.C.	Tsu-Yueh Hsueh	M	2014.07.22							M.S. Statistics, National Tsinghua University					
Assistant Vice President	R.O.C.	Ling-Yung Chiu	F	2014.06.07							M.S., National Taiwan University					
Assistant Vice President	R.O.C.	Yi-Ju Tu	F	2014.07.22							Statistics B., National Chung Hsing University					
Assistant Vice President	R.O.C.	Ching-Mei Kuo	F	2016.04.28							M.B.A., Massachusetts Institute of Technology, USA					
Assistant Vice President	R.O.C.	Chia-Lin Wu	M	2011.03.15							M.S. Insurance, Tamkang University	Vice President of Cathay Life Insurance (Vietnam) Co., Ltd.				
Assistant Vice President	R.O.C.	Hsu-Cheng Tsai	M	2011.01.28							M.S. Insurance, Tamkang University	President of Cathay Lujiazui Life Insurance Company Limited Fujian Branch				
Assistant Vice President	R.O.C.	Chien-Chang Li	M	2009.04.29							M.S. Applied Mathematics, National Cheng Kung University	Vice President of Cathay Lujiazui Life Insurance Company Limited and President of Henan Branch				
Assistant Vice President	R.O.C.	Hsu-Feng Cheng	M	2013.12.28							M.S. Accounting, National Taiwan University	Partner of Zhida Certified Public Accountants Co., Ltd.; Supervisor of Lin Yuan (Shanghai) Real Estate Co., Ltd., Lin Yuan Property Management Co., Ltd. and Daiwa-Cathay Capital Markets Co., Ltd.; Director of Cathay Woolgate Exchange Holding 1 Limited, Cathay Woolgate Exchange Holding 2 Limited				
Assistant Vice President	R.O.C.	Wen-Yu Cho	F	2016.04.28							Business Administration B., National Taiwan University of Science and Technology					
Assistant Vice President	R.O.C.	Chien-Chih Huang	M	2017.08.17							M.S. Statistics, National Tsinghua University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Chia-Ying Lin	F	2017.12.22							M.S. Agricultural Economics, National Taiwan University					
Assistant Vice President	R.O.C.	Fang-Hsing Wu	M	2013.01.10							M.S. Risk Management and Insurance, National Kaohsiung University of Science and Technology					
Assistant Vice President	R.O.C.	Tai-Chou Chen	M	2011.01.28							Business Management B., National Chengchi University					
Assistant Vice President	R.O.C.	Ping-Chieh Tsai	M	2017.03.30							M.S. Mathematical Statistics, National Chung Cheng University					
Assistant Vice President	R.O.C.	Ming-Hsien Wu	M	2017.11.08							M.S. Civil Engineering, National Cheng Kung University					
Assistant Vice President	R.O.C.	Ping-Yi Lin	M	2013.07.13							M.B.A., National Central University	Director of Shang Yang Enterprise Co., Ltd.				
Assistant Vice President	R.O.C.	Ying-Hsiang Kao	M	2007.01.03							M.B.A., National Chengchi University	Director of Lin Yuan Property Management Co., Ltd.				
Assistant Vice President	R.O.C.	Min-Hung Shih	M	2013.01.10							M.S. Architecture, National Cheng Kung University	Director of Lin Yuan Property Management Co., Ltd., Lin Yuan (Shanghai) Real Estate Co., Ltd., Cathay Woolgate Exchange Holding 1 Limited, Cathay Woolgate Exchange Holding 2 Limited, and Cathay Walbrook Holding 2 Limited				
Assistant Vice President	R.O.C.	Chi-Feng Chen	M	2013.01.10							Land Economics B., National Chengchi University					
Assistant Vice President	R.O.C.	Pi-Yu Tsao	M	2011.01.28							Cooperative Economics B., National Chung Hsing University					
Assistant Vice President	R.O.C.	Shu-Ming Chang	M	2016.04.28							M.S. Mathematics, Tamkang University					
Assistant Vice President	R.O.C.	Yu-Ju Liao	F	2016.05.24							Business Administration B., National Taiwan University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Wen-Hsuan Wu	M	2007.08.22							LL B., National Chung Hsing University					
Assistant Vice President	R.O.C.	Wan-Ju Lien	F	2017.08.17							M.S. Accounting, National Taiwan University					
Assistant Vice President	R.O.C.	Ko-Wen Chang	M	2017.03.30							M.S. Applied Mathematics, National Cheng Kung University					
Assistant Vice President	R.O.C.	Shih-Chieh Chen	M	2018.02.10							M.B.A, Tamkang University					
Assistant Vice President	R.O.C.	Fan-Jung Tseng	M	2018.08.16							LL.B., Chinese Culture University					
Assistant Vice President	R.O.C.	Chao-Cheng Chiang	M	2018.04.26							M.B.A. Finance, National Central University					
Assistant Vice President	R.O.C.	Hsiao-Han Chen	F	2019.01.31							M.B.A., National Taiwan University					
Assistant Vice President	R.O.C.	Cheng-Liang Chung	M	2019.07.11							M.S. Statistics, National Chengchi University					
Assistant Vice President	R.O.C.	Tien-Hsiang Hsu	M	2019.03.22							LL.B., Soochow University					
Assistant Vice President	R.O.C.	Chin-Chi Chen	M	2019.08.16							M.S. Economics, National Taiwan University	Director of Daiwa-Cathay Capital Markets Co., Ltd., Dali Energy Co., Ltd., Yong-Yue Energy Corp., Xiyi Co., Ltd., Baiyang Energy Co., Ltd., Xinritai Power Co., Ltd., Chinese Energy Holdings Limited, Cathy Sunrise Electric Power One Co., Ltd., Sunrise PV One Co., Ltd., Yunghan Co., Ltd., Cathy Sunrise Electric Power Two Co., Ltd., Taixu Energy Technology Co., Ltd., and Xinritai Energy Co., Ltd.				
Assistant Vice President	R.O.C.	Tai-Hsu Chen	M	2019.01.31							Applied Mathematics, Fu Jen Catholic University	Vice President of Cathay Life Insurance (Vietnam) Co., Ltd.				

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Yi-Hui Chien	F	2019.11.14							MBA, State University of New York	Director of Lin Yuan Property Management Co., Ltd. and Cathay Woolgate Exchange Holding 2 Limited				
Assistant Vice President	R.O.C.	Chien-Hsun Weng	M	2019.01.31							M.S., Feng Chia University					
Assistant Vice President	R.O.C.	Ming-Ta Liu	M	2019.01.31							M.S. Statistics, National Tsinghua University					
Assistant Vice President	R.O.C.	Chun-Ting Chen	F	2020.03.12							M.B.A., National Chiao Tung University					
Assistant Vice President	R.O.C.	Wen-Cheng Li	M	2020.04.30							Business Management B., Chinese Culture University					
Assistant Vice President	R.O.C.	Tsung-An Tsai	M	2020.06.13							M.S. International Business, National Chengchi University					
Assistant Vice President of Regional offices	R.O.C.	Shu-Ping Tu	F	2015.08.20							Chungyu Institute of Technology					
Assistant Vice President of Regional offices	R.O.C.	Han-Sung Wang	M	2012.12.21							Cooperative Economics B., Feng Chia University					
Assistant Vice President of Regional offices	R.O.C.	Kuo-Hsun Chen	M	2016.03.18							M.B.A. Finance, National Yunlin University of Science and Technology					
Assistant Vice President of Regional offices	R.O.C.	Hsiao-Hua Chu	M	2011.01.28							Industrial Management B., Tamsui Oxford University College					
Assistant Vice President of Regional offices	R.O.C.	Mei-Ling Wu	F	2008.12.30							KaiNan Vocational High School					
Assistant Vice President of Regional offices	R.O.C.	Chi-Yuan Hung	M	2015.04.30							Accounting B., Feng Chia University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President of Regional offices	R.O.C.	Li-Mei Chuang	F	2008.12.30							I-Lan Commercial Vocational Senior High School					
Assistant Vice President of Regional offices	R.O.C.	Yuan-Wen Lin	M	2017.03.30							Industrial Engineering and Management B., National Taipei University of Technology					
Assistant Vice President of Regional offices	R.O.C.	Lang-Ju Wu	M	2015.08.20							Economics B., Fu Jen Catholic University					
Assistant Vice President of Regional offices	R.O.C.	Kuo-Hsing Wan	M	2012.06.01							Textile & Garment Engineering B., Feng Chia University					
Assistant Vice President of Regional offices	R.O.C.	Wen-Cheng Yen	M	2014.12.16							LL.B., Chinese Culture University					
Assistant Vice President of Regional offices	R.O.C.	Mou-Yung Huang	M	2016.11.15							M.B.A., National Central University					
Assistant Vice President of Regional offices	R.O.C.	Kuo-Shou Lin	M	2006.06.07							History B., Tamkang University					
Assistant Vice President of Regional offices	R.O.C.	Wen-Yao Tsai	M	2008.06.03							Accounting B., Feng Chia University					
Assistant Vice President of Regional offices	R.O.C.	Kun-Cheng Lai	M	2013.10.16							Business Management B., Chung Chou University of Science and Technology					
Assistant Vice President of Regional offices	R.O.C.	Chia-Hsiang Lin	M	2017.01.26							M.S. Financial Insurance, Shu-Te University					
Assistant Vice President of Regional offices	R.O.C.	Yi-An Lu	M	2020.03.12							Business Management B., National Chung Hsing University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Assistant Vice President of Regional offices (proxy)	R.O.C.	Chun-Min Fang	M	2020.12.03							Business Management B., Tatung University					
Assistant Vice President of Regional offices (proxy)	R.O.C.	Chao-Ning Liao	M	2020.12.03							Business Management B., National Chung Hsing University					
Branch Manager	R.O.C.	Shih-Chieh Chen	M	2018.11.02							Industrial Management B., National United University					
Branch Manager	R.O.C.	Hung-Yi Huang	M	2007.08.22							Economics B., Soochow University	Director of Key Cook International Taiwan Inc.				
Branch Manager	R.O.C.	Tsung-Chi Chien	M	2009.07.24							Industrial Management B., National Taiwan University of Science and Technology					
Branch Manager	R.O.C.	Ying-Man Hsiao	F	2018.11.02							Management, Chiayi University					
Branch Manager	R.O.C.	Po-Cheng Liao	M	2018.11.02							Business Management B., National Chung Hsing University					
Branch Manager	R.O.C.	Hsing Lin	M	2017.03.09							Electrical Engineering B., Chien Hsin University					
Branch Manager	R.O.C.	Wen-Chen Wang	M	2020.08.21							Traffic and Transportation Engineering and Management B., Feng Chia University					
Branch Manager	R.O.C.	Ling-Chieh Chao	M	2017.04.27							Yuan Ze University					
Branch Manager	R.O.C.	Ming-Chin Chu	M	2018.06.21							Agricultural Engineering, National Chung Hsing University					
Branch Manager	R.O.C.	Chi-Chang Chang	M	2018.07.16							Banking and Insurance B., Feng Chia University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Branch Manager	R.O.C.	Hsiu-Chu Chang	F	2020.11.13							Senior Service Industry Management B., Minghsin University of Science and Technology					
Branch Manager	R.O.C.	Fu-Lung Li	M	2020.11.13							Theatre Arts, Chinese Culture University					
Branch Manager	R.O.C.	Kuo-Liang Huang	M	2016.03.18							International Trade B., Feng Chia University					
Branch Manager	R.O.C.	Chun-Liang Lin	M	2020.08.21							Horticulture, National Taiwan University					
Branch Manager	R.O.C.	Hui-Chuan Lin	F	2020.08.21							Accounting, Tainan Woman´s College					
Branch Manager	R.O.C.	Chih-Hua Tsai	M	2017.06.30							M.B.A., Asia University, Taiwan					
Branch Manager	R.O.C.	Che-Hao Huang	M	2018.11.02							Banking and Insurance B., Feng Chia University					
Branch Manager	R.O.C.	Chi-Kuan Huang	M	2016.04.28							Taxation and Finance B., Tamsui Oxford University College					
Branch Manager	R.O.C.	Li-Ju Lin	F	2016.03.18							Tatung Institute of Commerce and Technology					
Branch Manager	R.O.C.	Chien-Chiang Hung	M	2020.05.15							Economics, Feng Chia University					
Branch Manager	R.O.C.	Shih-Hsiung Chen	M	2020.08.21							Management, Chang Jung Christian University					
Branch Manager	R.O.C.	Shu-Man Lai	F	2019.08.16							Holy Savior High School					
Branch Manager	R.O.C.	Ping-Hung Chen	M	2016.08.18							Banking and Insurance B., Feng Chia University					
Branch Manager	R.O.C.	Chun-Fu Chang	M	2013.08.23							M.B.A., I-Shou University					

Title (Note 1)	Nationality	Name	Gender	Date Elected	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks (Note 3)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Branch Manager	R.O.C.	Chi-Hsien Wang	M	2019.07.11							International Business B., Cheng Shiu University					
Branch Manager	R.O.C.	Ming-Hung Chung	M	2017.01.26							International Business B., Tamkang University					
Branch Manager	R.O.C.	Hung-Chi Chen	M	2007.08.22							Business Management B., Soochow University					
Branch Manager	R.O.C.	Hsiu-Mei Lin	F	2020.03.12							I-Lan Commercial Vocational Senior High School					
Branch Manager	R.O.C.	Jen-Chieh Lin	M	2015.05.21							Business Management B., Soochow University					

Note 1: This should include all President, Vice Presidents, Assistant Vice Presidents, and those who hold the equivalent positions (regardless the job titles), as well as, key managers from each department and branch entity, must be disclosed.

Note 2: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.

Note 3: In situations where the company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and future improvement strategies.

III. Remuneration Paid to directors, supervisors, presidents, vice presidents in the latest fiscal year

(I) Remuneration Paid to Directors (including independent directors)

Unit: NT\$ thousand

Title	Name (Note 1)	Remuneration Paid to Directors								Sum of A, B, C and D as percentage of after- tax net income		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C ,D, E, F and G as percentage of after-tax net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Pension upon retirement (B)		Director remuneration (C)		Service Expenses (D)				Base Compensation, Bonuses, and Allowances (E)		Pension upon retirement (F)		Employee remuneration (G)						
		The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company		Consolidated subsidiaries		The company	Consolidated subsidiaries	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Cathay Financial Holding Co., Ltd. Tiao-Kuei Huang	57,115	57,115	-	-	-	-	1,320	1,320	0.11%	0.11%	87,964	87,964	-	-	7	-	7	-	0.28%	0.28%	5,205
Vice Chairman	Cathay Financial Holding Co., Ltd. Ming-Ho Hsiung																					
Director	Cathay Financial Holding Co., Ltd. Joseph Tsai																					
Director	Cathay Financial Holding Co., Ltd. Chung-Yan Tsai																					
Director	Cathay Financial Holding Co., Ltd. Shang-Chi Liu																					
Director	Cathay Financial Holding Co., Ltd. Chao-Ting Lin																					
Director	Cathay Financial Holding Co., Ltd. Yi-Tsung Wang																					
Director	Cathay Financial Holding Co., Ltd. John Chu																					
Independent Director	Cathay Financial Holding Co., Ltd. Li-Ling Wang (Note 2)	-	-	-	-	-	-	330	330	-	-	-	-	-	-	-	-	-	-	-	9,320	
Independent Director	Cathay Financial Holding Co., Ltd. Tang-Chieh Wu (Note 2)																					
<div>1. Please explain the policy, system, standards, and structure by which independent director remuneration is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed: In accordance with the company's Remuneration Policy for Directors and Supervisors, the allowances for independent directors to exercise their official powers include monthly payment for professional practices and attendance bonus for each board meeting.</div> <div>2. Apart from the aforementioned disclosure, the remunerations for directors of the company providing services (such as serving as a consultant that is not an employee) to consolidated subsidiaries: None.</div>																						

Remuneration Paid to Directors by Range	Directors Name			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The company	Consolidated subsidiaries	The company	Parent company and all invested businesses
Under NT\$1,000,000	Note 2	Note 2	Note 3	Chung-Yan Tsai, John Chu,
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	—	—	—	Joseph Tsai
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	—	—	—	—
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	—	—	—	Li-Ling Wang
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	—	—	—	Tang-Chieh Wu
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—	—	—
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Tiao-Kuei Huang, Ming-Ho Hsiung	Tiao-Kuei Huang, Ming-Ho Hsiung	Tiao-Kuei Huang, Ming-Ho Hsiung, Shang-Chi Liu, Chao-Ting Lin	Ming-Ho Hsiung, Shang-Chi Liu, Chao-Ting Lin
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	—	—	Yi-Tsung Wang	Tiao-Kuei Huang, Yi-Tsung Wang
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	10	10	10	10

Note 1: The company is a wholly-owned subsidiary of Cathay Financial Holding Co. Ltd., directors and supervisors are legal representatives of the company.

Note 2: Includes Joseph Tsai, Chung-Yan Tsai, Shang-Chi Liu, Chao-Ting Lin, Yi-Tsung Wang, John Chu, Li-Ling Wang and Tang-Chieh Wu

Note 3: Includes Joseph Tsai, Chung-Yan Tsai, John Chu, Li-Ling Wang and Tang-Chieh Wu

(II) Remuneration Paid to Supervisors

Unit: NT\$ thousand

Title	Name (Note 1)	Remuneration Paid to Supervisors						Sum of A, B and C as percentage of after-tax net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Remuneration (B)		Service Expenses (C)				
		The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	
Resident Supervisor	Chih-Ying Tsai (Note 2)	3,048	3,048	1,730	1,730	607	607	0.01%	0.01%	1,500
Supervisor	Tso-Hsing Hsu (Note 2)									
Supervisor	Chih-Ming Lin (Note 2)									
Supervisor	Yung-Chen Li (Note 2)									
Supervisor	Han-Chang Tsai (Note 2)									

Remuneration Paid to Supervisors by Range	Name of Supervisor	
	Total Remuneration from (A+B+C)	
	The company	Parent company and all invested businesses
Under NT\$1,000,000	Tso-Hsing Hsu, Chih-Ming Lin, Yung-Chen Li, Han-Chang Tsai	Tso-Hsing Hsu, Chih-Ming Lin, Yung-Chen Li, Han-Chang Tsai
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	-	-
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Chih-Ying Tsai	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	-	Chih-Ying Tsai
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000	-	-
Total	5	5

Note 1: The company is a wholly-owned subsidiary of Cathay Financial Holding Co. Ltd., directors and supervisors are legal representatives of the company.

Note 2: Cathay Financial Holding Co., Ltd. has appointed Chih-Ying Tsai, Tso-Hsing Hsu and Chih-Ming Lin as the 19th term supervisors, and appointed Chih-Ying Tsai, Chih-Ming Lin, Yung-Chen Li and Han-Chang Tsai as the 20th term supervisors.

(III) Remuneration Paid to Presidents and Vice Presidents

Unit: NT\$ thousand

Title (Note 1)	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of after-tax net income (%)		Compensation from parent company or business investments other than subsidiaries
		The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company		Consolidated subsidiaries		The company	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Shang-Chi Liu	90,456	96,552	-	-	163,298	167,807	79	-	79	-	0.49%	0.50%	26,320
Executive Vice President	Chao-Ting Lin													
Senior Vice President	Yi-Tsung Wang													
Senior Vice President	Ta-Kun Liu													
Senior Vice President	Li-Chiu Wang													
Senior Vice President	Chun-Hung Wu													
Senior Vice President	Ming-Huan Chen													
Senior Vice President	Chih-Te Sun (Note 2)													
Vice President	Chin-Shu Lin													
Chief Compliance Officer	Mao-Chi Chung													
Vice President	Chao-Chi Tsai (Note 3)													
Vice President	Shih-Chiao Lin													
Vice President	Yi-Fang Tsai													
Vice President	Ta-Ching Hung													
Vice President	Cheng-Fu Huang													
Vice President	Chao-Ming Chang													
Vice President	Wen-Kai Kuo													
Vice President	Tu-Chih Kung													
Vice President	Hsun-Yu Li													
Chief Risk Officer	Wen-Chi Chen (Note 4)													
Vice President	Ching-Lu Huang													
Vice President	Ming-Hung Liao													
Vice President	Chu-Jui Hung													
Chief Auditor	Shu-Chuan Chen													
Vice President	Fu-Min Wang													
Vice President	Jung-Hsin Hu													
Vice President	Tsung-Wei Wu													
Vice President	Yin-Shou Chang													
Vice President	Chien-Hui Fan													
Vice President	Pei-Ching Lin													
Vice President	Wen-Jui Li													
Vice President	Tsung-Nan Tsai													
Vice President	Shu-Ying Wu													

Remuneration to President and Vice Presidents (NT\$) Remuneration Range	President & Vice President Name	
	The company	Parent company and all invested businesses
Under NT\$1,000,000	Ming-Hung Liao, Chih-Te Sun	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Wen-Chi Chen	Wen-Chi Chen
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Chao-Chi Tsai	-
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Note 5	Note 6
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Note 7	Note 8
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	-	Yi-Fang Tsai, Shu-Ying Wu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Shang-Chi Liu, Chao-Ting Lin, Yi-Tsung Wang	Shang-Chi Liu, Chao-Ting Lin, Yi-Tsung Wang, Chih-Te Sun
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	33	33

Note 1: Name of position as of 2020.

Note 2: Senior Vice President Chih-Te Sun of Cathay Financial Holdings Co., Ltd. concurrently served as the Senior Vice President of Cathay Life since March 12, 2020.

Note 3: Vice President Chao-Chi Tsai have retired on June 8, 2020.

Note 4: Chief Risk Officer Wen-Chi Chen have took offices on June 13, 2020.

Note 5: Includes Tsung-Wei Wu, Yin-Shou Chang, Chien-Hui Fan, Pei-Ching Lin, Mao-Chi Chung, Shu-Chuan Chen and Tsung-Nan Tsai.

Note 6: Includes Chao-Chi Tsai, Tsung-Wei Wu, Yin-Shou Chang, Chien-Hui Fan, Pei-Ching Lin, Tsung-Nan Tsai, Mao-Chi Chung and Shu-Chuan Chen.

Note 7: Includes Ta-Kun Liu, Li-Chiu Wang, Chun-Hung Wu, Ming-Huan Chen, Chin-Shu Lin, Shih-Chiao Lin, Yi-Fang Tsai, Ta-Ching Hung, Cheng-Fu Huang, Chao-Ming Chang, Wen-Kai Kuo, Tu-Chih Kung, Hsun-Yu Li, Ching-Lu Huang, Chu-Jui Hung, Fu-Min Wang, Jung-Hsin Hu, Wen-Jui Li and Shu-Ying Wu.

Note 8: Ta-Kun Liu, Li-Chiu Wang, Chun-Hung Wu, Ming-Huan Chen, Chin-Shu Lin, Shih-Chiao Lin, Ta-Ching Hung, Cheng-Fu Huang, Chao-Ming Chang, Wen-Kai Kuo, Tu-Chih Kung, Hsun-Yu Li, Ching-Lu Huang, Ming-Hung Liao, Chu-Jui Hung, Fu-Min Wang, Jung-Hsin Hu and Wen-Jui Li.

(IV) Employee Remuneration Distributed to Managers and Distribution Situation:

The remuneration allocated to managers and above shall be 5% of the total amount of employee compensation by resolution of the board of directors, and shall be evenly distributed according to the total number of managers. Please refer to “Chapter Three, II.” for the manager’s name and title for details. The amount of stock dividend is NT\$0 thousand, and the amount of cash dividend is NT\$250 thousand, giving a total of NT\$250 thousand, representing 0% of after-tax net income.

(V) None of the company chairman, president, and managerial officer in charge of financial or accounting affairs has served with the CPA Office or the affiliation thereof over the past year.

(VI) Compare respectively the ratio of the total amount of the remuneration paid to directors (including independent directors), supervisor, president and vice presidents of the company and all companies covered in the consolidated financial statements in the past two years to after-tax net income shown through the individual or respective financial statements along with explanations of the policies, standards and composition for remuneration payment, procedures to fix remunerations and the interrelationship between business performance and future risks.

1. Directors’ (including independent directors’), Supervisors’, President’s and Vice Presidents’ remuneration are determined according to the company’s “Director/Supervisor Compensation Guidelines” and “Manager Compensation Guidelines” based on an overall assessment of directors’ and managers’ duties, the salary level, their individual contributions, performance assessments, and expected or actual risks.
2. Total remuneration paid in the consolidated financial statements amounted to NT\$328,588 thousand dollars in 2020 and NT\$311,670 thousand dollars in 2019, representing 0.62% of 0.81% of after-tax net income in the respective years.
3. In the “Director/Supervisor Compensation Guidelines” (referred to as the “Guidelines” below), a director’s compensation includes fees, remuneration, transportation subsidy, and other allowances.
 - (1) Only the company’s Chairman/Vice Chairman may be paid a fixed monthly fee, whereas other directors will be paid a transportation subsidy and other allowances. The fixed monthly fee for the Chairman/Vice Chairman is determined by the board of directors based on the level of the Chairman’s/Vice Chairman’s participation and contribution to the company’s operations, and the usual peer level, and additional bonuses are paid using the same standards as managers. This performance bonus is linked to the company’s overall performance and the performance of individual subjects during the year.
 - (2) Director remuneration is determined according to the company’s Articles of Incorporation, which states that up to 0.1% of annual profit may be allocated and distributed at the percentages outlined in the Guidelines.
4. Managers’ compensation includes monthly salary, performance bonus, and retirement benefits. Managers’ monthly salaries are determined based on their responsibilities, performances, competence, and the industry compensation benchmark. Salaries are approved by the Chairman according to the company’s “Manager Compensation Guidelines.”

IV. Implementation of Corporate Governance

(I) Functionality of the board of directors:

The 19th board of directors (data range: 2020/01/01-2020/06/11)

A total of 5 meetings (A) were held in the last year; below are directors' and supervisors' attendance records:

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Tiao-Kuei Huang	5	0	100%	
Director	Ming-Ho Hsiung	5	0	100%	
Director	Joseph Tsai	5	0	100%	
Director	Chung-Yan Tsai	5	0	100%	
Director	John Chu	5	0	100%	
Director	Shang-Chi Liu	5	0	100%	
Director	Chao-Ting Lin	5	0	100%	
Director	Yi-Tsung Wang	5	0	100%	
Independent Director	Li-Ling Wang	5	0	100%	
Independent Director	Tang-Chieh Wu	5	0	100%	
Resident Supervisor	Chih-Ying Tsai	4	0	80%	
Supervisor	Tso-Hsing Hsu	5	0	100%	
Supervisor	Chih-Ming Lin	5	0	100%	

The 20th board of directors (data range: 2020/06/12-2020/12/31)

A total of 4 meetings (A) were held in the last year; below are directors' and supervisors' attendance records:

Title	Name (Note 1)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Tiao-Kuei Huang	4	0	100%	
Director	Ming-Ho Hsiung	4	0	100%	
Director	Joseph Tsai	4	0	100%	
Director	Chung-Yan Tsai	4	0	100%	
Director	John Chu	4	0	100%	
Director	Shang-Chi Liu	4	0	100%	
Director	Chao-Ting Lin	4	0	100%	
Director	Yi-Tsung Wang	4	0	100%	
Independent Director	Li-Ling Wang	4	0	100%	
Independent Director	Tang-Chieh Wu	4	0	100%	
Resident Supervisor	Chih-Ying Tsai	4	0	100%	
Supervisor	Chih-Ming Lin	4	0	100%	
Supervisor	Yung-Chen Li	4	0	100%	Appointed on June 12, 2020
Supervisor	Han-Chang Tsai	4	0	100%	Appointed on June 12, 2020

Note 1: Where directors and supervisors are corporate entities, the names of institutional shareholders and their representatives are stated.

Note 2: (1) The date of resignation is specified for directors or supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendance during active duty.

(2) If a re-election of directors or supervisors had taken place prior to the close of the financial year, directors/supervisors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the director/supervisor was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of board meetings held

during each director's term and the number of meetings actually attended by that director.

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the company's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act. Details are described as follows:

Meeting date and term	Motion	Opinions of independent directors and the company's resolution of said opinions
2020.4.29 14th meeting of the 19th board of directors	Subsidiary loan	None
2020.4.29 14th meeting of the 19th board of directors	Transactions with Stakeholder	None
2020.4.29 14th meeting of the 19th board of directors	Leasing transactions with stakeholder	None
2020.5.14 15th meeting of the 19th board of directors	The Board of Directors entitled to execute stockholders' meeting functions on formulation and partial amendments to the company's Articles of Incorporation	None
2020.5.14 15th meeting of the 19th board of directors	Establishment of a project company for solar energy	None
2020.5.14 15th meeting of the 19th board of directors	Investment of private fund	None
2020.5.14 15th meeting of the 19th board of directors	Transactions with San-Ching Engineering Co., Ltd.	None
2020.5.14 15th meeting of the 19th board of directors	Passed the real estate transaction	None
2020.5.14 15th meeting of the 19th board of directors	Transactions with Stakeholder	None
2020.6.12 1st meeting of the 20th board of directors	Election of the Chairman and Vice Chairman	None
2020.6.12 1st meeting of the 20th board of directors	Appointment of Vice President and Chief Risk Officer	None

Meeting date and term	Motion	Opinions of independent directors and the company's resolution of said opinions
2020.6.12 1st meeting of the 20th board of directors	Participate in public investment and establish a project company after winning the bid	None
2020.8.20 2nd meeting of the 20th board of directors	Formulation and partial amendments to the company's Articles of Incorporation	None
2020.8.20 2nd meeting of the 20th board of directors	Transactions with Stakeholder	None
2020.8.20 2nd meeting of the 20th board of directors	Removal of restrictions imposed against the company's directors for involving in competing businesses.	None
2020.8.20 2nd meeting of the 20th board of directors	Acquisition of shares issued by stakeholders	None
2020.8.20 2nd meeting of the 20th board of directors	Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.	None
2020.8.20 2nd meeting of the 20th board of directors	Transactions with San-Ching Engineering Co., Ltd.	None
2020.8.20 2nd meeting of the 20th board of directors	Transactions with Cathay General Hospital	None
2020.8.20 2nd meeting of the 20th board of directors	Transactions with Symphox Information Co., Ltd. and Think Zone Technologies Co., Ltd.	None
2020.8.20 2nd meeting of the 20th board of directors	Adjustment of discretionary investment management contract for Conning, Inc.	None
2020.10.23 3rd meeting of the 20th board of directors	Passed the real estate transaction	None
2020.11.12 4th meeting of the 20th board of directors	Appointment of financial statement auditors and review of audit remuneration for 2021	None
2020.11.12 4th meeting of the 20th board of directors	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the company's Articles of Incorporation	None
2020.11.12 4th meeting of the 20th board of directors	Transaction with Cathay United Bank Co., Ltd.	None

Meeting date and term	Motion	Opinions of independent directors and the company's resolution of said opinions
2020.11.12 4th meeting of the 20th board of directors	Transaction with Cathay United Bank Co., Ltd. (Singapore).	None
2020.11.12 4th meeting of the 20th board of directors	Transactions with Stakeholder	None
2020.11.12 4th meeting of the 20th board of directors	Transactions with San-Ching Engineering Co., Ltd.	None
2020.11.12 4th meeting of the 20th board of directors	Acquisition of shares issued by stakeholders	None
2020.11.12 4th meeting of the 20th board of directors	Transactions with Lin Yuan Property Management Co. Ltd.	None
2021.1.15 5th meeting of the 20th board of directors	Passed the capital increase of the Cathay Life Insurance (Vietnam) Co., Ltd.	None
2021.2.3 6th meeting of the 20th board of directors	Appointment of Senior Vice President	None
2021.2.3 6th meeting of the 20th board of directors	Removal of restrictions imposed against the company's Manager for involving in competing businesses.	None
2021.2.3 6th meeting of the 20th board of directors	Application of establishing a subsidiary (non-regulated) in Shanghai by Hong Kong subsidiary Conning Asia Pacific Limited of Conning Holdings Limited owned by Cathay Life	None
2021.2.3 6th meeting of the 20th board of directors	Transactions with Symphox Information Co., Ltd.	None
2021.2.3 6th meeting of the 20th board of directors	Approval of year-end bonus, special bonus, and long-term incentives of the company's Chairman, Vice Chairman, and Resident Supervisor in 2020.	None
2021.3.10 7th meeting of the 20th board of directors	Passed the 2020 earnings distribution	None
2021.3.10 7th meeting of the 20th board of directors	Removal of restrictions imposed against the company's Manager for involving in competing businesses.	None

Meeting date and term	Motion	Opinions of independent directors and the company's resolution of said opinions
2021.3.10 7th meeting of the 20th board of directors	Investment of private fund	None
2021.3.10 7th meeting of the 20th board of directors	Acquisition of shares issued by stakeholders	None

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: Details are described as follows:

Meeting date and term	Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
2020.4.29 14th meeting of the 19th board of directors	Shang-Chi Liu Chao-Ting Lin Yi-Tsung Wang	Amendments to the 2020 audit plan	Financial inspection requesting on the independence of auditors	Disassociated from discussion and voting
2020.4.29 14th meeting of the 19th board of directors	Joseph Tsai	Transactions with Stakeholder	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.4.29 14th meeting of the 19th board of directors	Chung-Yan Tsai John Chu	Transactions with Stakeholder	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.5.14 15th meeting of the 19th board of directors	Chung-Yan Tsai John Chu	Establishment of a project company for solar energy	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.5.14 15th meeting of the 19th board of directors	Joseph Tsai	Establishment of a project company for solar energy	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.5.14 15th meeting of the 19th board of directors	Chung-Yan Tsai Joseph Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.5.14 15th meeting of the 19th board of directors	Joseph Tsai	Transactions with stakeholder	Matters involving directors' personal interests	Disassociated from discussion and voting

Meeting date and term	Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
2020.6.12 1st meeting of the 20th board of directors	Li-Ling Wang	Agreement of Industry – Academia Collaboration and Research Grant with National Chengchi University	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.6.12 1st meeting of the 20th board of directors	Joseph Tsai	Participate in public investment and establish a project company after winning the bid	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Chung-Yan Tsai John Chu	Acquisition of shares issued by stakeholders	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Chung-Yan Tsai John Chu	Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Chung-Yan Tsai Joseph Tsai John Chu	Removal of restrictions imposed against the company's directors for involving in competing businesses.	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Chung-Yan Tsai Joseph Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Tiao-Kuei Huang Shang-Chi Liu Chung-Yan Tsai Joseph Tsai	Transactions with Cathay General Hospital	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Joseph Tsai Yi-Tsung Wang Tang-Chieh Wu	Transactions with TPI Software Corporation.	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Joseph Tsai	Transactions with Symphox Information Co., Ltd. and Think Zone Technologies co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.8.20 2nd meeting of the 20th board of directors	Joseph Tsai	Adjustment of discretionary investment management contract for Conning, Inc.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting

Meeting date and term	Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
2020.11.12 4th meeting of the 20th board of directors	Chung-Yan Tsai Joseph Tsai	Participation in cash capital increase of Kaitai Energy Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Shang-Chi Liu Chao-Ting Lin Yi-Tsung Wang	Formulation of the company's "2021 Audit Plan"	Financial inspection requesting on the independence of auditors	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Yi-Tsung Wang	Adjustment of the discretionary investment management fee for Cathay Securities Investment Trust	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Joseph Tsai Yi-Tsung Wang Tang-Chieh Wu	Renewal partnership with the NBA brand	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Joseph Tsai Yi-Tsung Wang Tang-Chieh Wu	Transactions with Sun Net Technology Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Joseph Tsai Tang-Chieh Wu	Transaction with Cathay United Bank Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Joseph Tsai Tang-Chieh Wu	Transaction with Cathay United Bank Co., Ltd. (Singapore)	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Joseph Tsai	Transactions with Stakeholder	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Chung-Yan Tsai Joseph Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Chung-Yan Tsai John Chu	Acquisition of shares issued by stakeholders	Matters involving directors' personal interests	Disassociated from discussion and voting
2020.11.12 4th meeting of the 20th board of directors	Chung-Yan Tsai John Chu	Transactions with Lin Yuan Property Management Co. Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting

Meeting date and term	Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
2021.2.3 6th meeting of the 20th board of directors	Joseph Tsai	Establishment of a subsidiary (non-regulated) in Shanghai by Hong Kong subsidiary Conning Asia Pacific Limited of Conning Holdings Limited owned by Cathay Life	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2021.2.3 6th meeting of the 20th board of directors	Joseph Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
2021.2.3 6th meeting of the 20th board of directors	Tiao-Kuei Huang Ming-Ho Hsiung	Approval of year-end bonus, special bonus, and long-term incentives of the company's Chairman, Vice Chairman, and Resident Supervisor in 2020.	Matters involving directors' personal interests	Disassociated from discussion and voting
2021.3.10 7th meeting of the 20th board of directors	Chung-Yan Tsai John Chu	Acquisition of shares issued by stakeholders	Matters involving directors' personal interests	Disassociated from discussion and voting

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed

(I) Board Performance Assessment for the most recent fiscal year

The company conducts board of directors' performance evaluation once every year in accordance with Article 4 of "the Board and Performance Evaluation Policy and Evaluation Methods." In 2020, the performance evaluation questionnaire of all directors was filled in, and the evaluation results exceeded performance standards.

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2020.1.1~2020.12.31	Board of directors performance assessment	Board of directors internal self-assessment	<ol style="list-style-type: none"> 1. Level of participation in the company's operations. 2. Improvement of board decision quality. 3. Composition of the board of directors. 4. Board members and ongoing education. 5. Internal control.

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2020.1.1~2020.12.31	Performance assessment of individual directors	Peer assessment	<ol style="list-style-type: none"> 1. Other directors' understanding and participation in discussion meetings. 2. Interactions between other directors and the business team. 3. Functionality of the board of directors and functional committees. 4. Other legal compliance of other directors. 5. Other directors' understanding of board functionality and roles. 6. Whether other directors fully exert their powers and functionality. 7. Whether other directors actively strengthen corporate governance. 8. Other directors' understanding of the company, the company's management team and industry. 9. Other matters designated by the competent authority or the board of directors.
Once a year	2020.1.1~2020.12.31	Performance assessment of individual directors	Director self-assessment	<ol style="list-style-type: none"> 1. Attendance (excluding proxy attendance) at board meetings. 2. Understanding and participation in discussion meetings. 3. Interactions with the business team. 4. Legal compliance. 5. Enhancement of corporate governance. 6. Ongoing education of corporate governance-related courses. 7. Understanding of the company, the company's management team and industry. 8. Other matters designated by the competent authority or the board of directors.

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2020.1.1~2020.12.31	Supervisor self-assessment	Supervisor member self-assessment	<ol style="list-style-type: none"> 1. Attendance at board meetings. 2. Interaction with audit department. 3. Execution of compliance tasks. 4. Enhancement of corporate governance. 5. Ongoing education of corporate governance-related courses. 6. Other matters specified by the authority.

(II) Risk Management Committee Performance Assessment for the most recent fiscal year

In accordance with Article 10 of Organization Rules for Risk Management Committee in Cathay Life Insurance company, the committee performance assessment shall be conducted annually. In 2020, the performance assessment questionnaire was filled by all committee members, and the final result was assessed as “beyond standard.”

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2020.1.1~2020.12.31	Risk Management Committee performance assessment	Risk Management Committee self-assessment	<ol style="list-style-type: none"> 1. Level of participation in the company's operations. 2. Improvement of functional committee's decision quality. 3. Functional committee composition. 4. Election and ongoing education of functional committee members. 5. Internal control.

IV. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements:

(I) Directors' and supervisors' ongoing education

Title	Name	Course date	Exam Administrator	Course name	Course hours
Chairman	Tiao-Kuei Huang	2020.7.1	Securities and Futures Institute	Employee Remuneration Strategy and Instrument Utilization Study	3
		2020.7.2	Securities and Futures Institute	Discussion on Information Security Governance of Corporates – Legal Practice Oriented Discussion	3
		2020.9.14	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.9.14	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.10.13	Deloitte & Touche	IFRS 17 Conference for Directors and Supervisors	3
Vice Chairman	Ming-Ho Hsiung	2020.9.15	Securities and Futures Institute	International Taxation Trend Topic Analysis and Response in Practice under New Version of Corporate Governance Blueprint	3
		2020.10.22	Securities and Futures Institute	Mechanics and Applications of AI	3
		2020.11.26	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.11.26	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.11.26	Deloitte & Touche	Education Training of IFRS 17	3
Director	Joseph Tsai	2020.01.07	Cathay United Bank	Business Management Conference	6
		2020.07.22	Cathay United Bank	Business Management Conference	6
		2020.09.10	Cathay United Bank	Supervisor Consensus Camp	12
		2020.10.14	Google Taiwan	Finance Industry Trend	2
		2020.11.10	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.3	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.3	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5

Title	Name	Course date	Exam Administrator	Course name	Course hours
Director	Chung-Yan Tsai	2020.9.30	Securities and Futures Institute	Prevent Insider Trading and Stock Trading Seminar	3
		2020.10.30	Taiwan Corporate Governance Association	Audit Committee's Role in Financial Reporting	3
		2020.11.10	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.8	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.8	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
Director	Shang-Chi Liu	2020.9.30	Insurance Bureau, Financial Supervisory Commission, Executive Yuan	Corporate Governance Seminar	5.5
		2020.10.23	Accounting Research and Development Foundation	New Vision for Insurance Seminar	3
		2020.12.16	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.16	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
Director	Chao-Ting Lin	2020.9.22	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.9.22	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.10.13	Deloitte & Touche	IFRS 17 Conference for Directors and Supervisors	3
		2020.10.23	Accounting Research and Development Foundation	New Vision for Insurance Seminar	3
Director	Yi-Tsung Wang	2020.9.17	Insurance Bureau, Financial Supervisory Commission, Executive Yuan	Conference for the enhancement of compliance system of insurance companies	5
		2020.10.20	Taiwan Academy of Banking and Finance	Core Concepts and Evaluation of FinTech Revolution	3
		2020.11.27	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.18	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.18	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5

Title	Name	Course date	Exam Administrator	Course name	Course hours
Director	John Chu	2020.4.8	Insurance Institute of the Republic of China	IFRS17 Core Review and Its Impact on Non-Life and Life Insurance Enterprises	3
		2020.5.29	Taiwan Corporate Governance Association	Complete Guideline to Information Security for Directors and Supervisors	3
		2020.12.9	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.9	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
Resident Supervisor	Chih-Ying Tsai	2020.6.19	Insurance Institute of the Republic of China	Strengthening Corporate Governance in the Insurance Industry – ICP Development	3
		2020.7.3	Taiwan Corporate Governance Association	The Vision of Global Corporate Sustainability – From Vision 2050 to Action 2020	3
		2020.10.13	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.23	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.23	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
Supervisor	Chih-Ming Lin	2020.6.30	Securities and Futures Institute	Analysis and Discussion on Transactions of Directors, Supervisors and Related Parties	3
		2020.9.14	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.9.14	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.9.30	Taiwan Federation of Industry	Discussion on the Remuneration for Employees and Directors – Amendment to Article 14 of the Securities Exchange Act	3
		2020.11.27	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.8	Taiwan Corporate Governance Association	Financial Statement Fraud Red Flags	3
Supervisor	Yung-Chen Li	2020.10.21	Securities and Futures Institute	Discussion on Financial Statement Fraud in Businesses	3
		2020.11.25	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.11.25	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.11.30	Deloitte & Touche	Education Training of IFRS 17	3

Title	Name	Course date	Exam Administrator	Course name	Course hours
		2020.12.17	Taiwan Corporate Governance Association	Corporate Governance Legal Compliance	3
Supervisor	Han-Chang Tsai	2020.11.17	Taiwan Corporate Governance Association	Latest Trend of Corporate Governance Evaluation Indicators that Directors and Supervisors Need to Know – Intellectual Property Management	3
		2020.11.25	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.11.25	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.11.25	Deloitte & Touche	Education Training of IFRS 17	3
		2020.12.8	Securities and Futures Institute	Board Functions from the Perspective of Corporate Fraud	3
Independent Director	Li-Ling Wang	2020.9.22	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.9.22	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5
		2020.10.23	Accounting Research and Development Foundation	New Vision for Insurance Seminar	3
		2020.10.27	Taiwan Corporate Governance Association	ESG Development Trend and Social Responsible Investment (SRI)	3
Independent Director	Tang-Chieh Wu	2020.1.6	Industrial Development Bureau, MOEA (IDB)	Intellectual Property Management Obligation Promotional Education Event for Board of Directors of Publicly Listed Companies	2.5
		2020.4.8	Insurance Institute of the Republic of China	IFRS17 Core Review and Its Impact on Non-Life and Life Insurance Enterprises	3
		2020.7.24	Insurance Institute of the Republic of China	Directors’/Supervisors’ Responsibilities and Liability Insurance for Directors, Supervisors and Key Staff	3
		2020.8.26	Insurance Institute of the Republic of China	International Anti-Corruption and Whistleblower Protection Practice	3
		2020.11.26	Insurance Institute of the Republic of China	AI and Technology Law	3
		2020.12.2	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2020.12.2	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	0.5

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors:

The 19th board of directors (data range: 2020/01/01-2020/06/11)

A total of 5 meetings (A) were held in the last year; below are supervisors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Resident Supervisor	Chih-Ying Tsai	4	0	80%	
Supervisor	Tso-Hsing Hsu	5	0	100%	
Supervisor	Chih-Ming Lin	5	0	100%	

The 20th board of directors (data range: 2020/06/12-2020/12/31)

A total of 4 meetings (A) were held in the last year; below are supervisors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Resident Supervisor	Chih-Ying Tsai	4	0	100%	
Supervisor	Chih-Ming Lin	4	0	100%	
Supervisor	Yung-Chen Li	4	0	100%	
Supervisor	Han-Chang Tsai	4	0	100%	

Note: Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Other items to be stated:

I. Constitution and responsibilities of supervisors:

(I) Communication between supervisors and employees/shareholders: The supervisor shall communicate directly with employees and shareholders when necessary.

(II) Communication between Independent Director and Supervisors and internal auditors

1. The company has an Audit Division established directly under the board of directors to oversee organization and responsibilities of the internal audit system. A chief auditor has been assigned to oversee audit tasks and report the audit progress to the board of directors on a regular basis.
2. The company's Audit Office presents monthly internal audit reports prepared by the company and subsidiaries to independent directors for review.

3. The company's Audit Office constantly keeps track of findings or weaknesses raised by the financial supervisory authority, the parent company, the CPAs, the internal audit unit and internal departments self-inspection, as well as improvements prompted in the declaration of internal control system. Any progress made on such findings are reported to the board of directors in writing.
4. At the end of each financial year, the company's Audit Office prepares audit plans for the upcoming year and submits them for approval by the independent directors and supervisors, which were then recorded and reported for the board's resolution.
5. The Audit Office follows Article 7 of "Corporate Governance Best-Practice Principles for Financial Holding Companies" and Article 3 of "Corporate Governance Best-Practice Principles for Insurance Enterprises," and convenes "internal control system defect review seminars" separately with the independent directors and supervisors, where all independent directors and supervisors are invited to discuss with internal auditors about defects within the internal control system. Detailed minutes are recorded and presented to the board of directors during meetings.

Time	Communication channels	Participating staff members	Communication matters	Communication results
2020.4.23	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor and Managerial Officers of the Audit Office	1. Inspection Report on the Prevention of Conflicts of Interest Involving Domestic Equity Investments in 2019 2. 2018 General Business Inspection Penalties 3. 2018 E-commerce Inspection Deficiencies and Improvement Status	Handled based on the proposals
2020.4.28	Audit Symposium	Chih-Ying Tsai (Resident Supervisor) Tso-Hsing Hsu (Supervisor) Chih-Ming Lin (Supervisor) Chief Auditor Managerial Officers of the Audit Office	1. Inspection Report on the Prevention of Conflicts of Interest Involving Domestic Equity Investments in 2019 2. 2018 General Business Inspection Penalties 3. Inspection Report on the Compliance of IFRS 9 in 2019	Handled based on the proposals
2020.4.29	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor and Managerial Officers of the Audit Office	Reporting of Financial Supervisory Commission's Opinions on the company's 2019 Inspection Report on the Compliance of IFRS 9	Handled based on the proposals

Time	Communication channels	Participating staff members	Communication matters	Communication results
2020.4.29	Audit Symposium	Li-Ling Wang (Independent Director) Chief Auditor and Managerial Officers of the Audit Office	1. Inspection Report on the Prevention of Conflicts of Interest Involving Domestic Equity Investments in 2019 2. 2018 General Business Inspection Penalties 3. Inspection Report on the Compliance of IFRS 9 in 2019	Handled based on the proposals
2020.5.4	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor and Managerial Officers of the Audit Office Vice President and Assistant Vice President of the Real Property Department	1. 2018 General Business Inspection Penalties 2. 2018 E-commerce Inspection Deficiencies and Improvement Status 3. Introduction to the Internal and External Audit Systems 4. Securities Investment Inspection Deficiencies and Improvement in 2018	Handled based on the proposals
2020.7.28	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor and Assistant Vice President of the Audit Office	The company's Response to FSC's General Inspection	Handled based on the proposals
2020.12.22	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor and Managerial Officers of the Audit Office	Reporting of recent important businesses	Handled based on the proposals
2021.2.18	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Chief Auditor Managerial officer	Reporting of General Inspections in 2020	Handled based on the proposals

II. If a supervisor expresses an opinion in the Board of Directors Meeting, the minutes concerned shall clearly state the meeting date, term, contents of motions, the company's resolution and opinions of all supervisors: None.

III. Supervisor's e-mail

Company Home Page > About Us > Corporate Governance, website:

<https://www.cathaylife.com.tw/cathaylife/about/info/Governance/Governance-Content/Contact-Supervisor>

(III) Functionality of the Risk Management Committee

A total of 5 meetings (A) were held in the last year (data range: 2020/01/01-2020/12/31)

The attendance records are summarized as below:

Title	Name	Actual attendance (B) (Note 1)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Independent Director	Li-Ling Wang	5	0	100%	Re-elected on June 15, 2020
President	Shang-Chi Liu	5	0	100%	Re-elected on June 15, 2020
Executive Vice President	Chao-Ting Lin	5	0	100%	Re-elected on June 15, 2020
Senior Vice President	Yi-Tsung Wang	4	0	80%	Re-elected on June 15, 2020
Senior Vice President	Ta-Kun Liu	5	0	100%	Re-elected on June 15, 2020
Chief Compliance Officer	Mao-Chi Chung	5	0	100%	Re-elected on June 15, 2020
Chief Risk Officer	Ching-Lu Huang	3	0	100%	Newly appointed on November 1, 2018; retired in June 12, 2020; required attendance: 3 sessions
Chief Risk Officer	Wen-Chi Chen	2	0	100%	Newly appointed on June 15, 2020; required attendance: 2 sessions

I. Composition and responsibilities of the Risk Management Committee (Note 3):

The committee has 6-9 members, one of which is the chief committee position assumed by the independent director with a professional background related to financial insurance, accounting, or finance.

II. Duties of the Risk Management Committee (Note 4):

The committee functions are as follows:

- (I) The committee should develop risk management policies, framework and organizational function and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing such policies and standards to the board regularly and making necessary suggestions for improvement.
- (II) The committee should execute the risk management decisions set by the board of directors and evaluate the results of developing and executing risk management mechanisms.
- (III) The committee should assist and monitor the risk management activities.
- (IV) The committee should adjust the risk category, risk limits, and risk taking tendency according to the change of the environment.
- (V) The committee should enhance cross-department interaction and communication.

III. Meeting schedule of the Risk Management Committee (Note 5):

The committee chairman shall call a meeting on a quarterly basis and chairs the meeting. If necessary, a committee meeting may be called on shorter notice.

- Note 1: The date of resignation is specified for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- Note 2: If a re-election of members had taken place prior to the close of the financial year, members of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the members was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of Committee meetings held during each member's term and the number of meetings actually attended by that member.
- Note 3: In accordance with Article 3 of The Organization Rules for Risk Management Committee
- Note 4: In accordance with Article 2 of The Organization Rules for Risk Management Committee
- Note 5: In accordance with Article 6 of The Organization Rules for Risk Management Committee

Discussion proposals and resolutions of the Risk Management Committee for the most recent fiscal year:

Meeting	Date	Motion	The board's resolution
1st meeting in 2020	2020.3.5	The company's risk appetite and risk limits in 2020, as well as the amendment to the "Risk Management Policies."	Motion was passed as proposed by all members.
		Partial amendments to "the company's Capital Adequacy Management Rules."	Motion was passed as proposed by all members.
		Partial amendments to "Rules for Securities Investment Risk Limits."	Motion was passed as proposed by all members.
		Risk Management Committee Performance Assessment Result for 2019.	Motion was passed as proposed by all members.
2nd meeting in 2020	2020.5.8	Partial amendment of "the company's Own Risk and Solvency Assessment Policy."	Motion was passed as proposed by all members.
4th meeting in 2020	2020.8.13	Amendment to Article 7 of "the company's Policies for Risk Management."	Motion was passed as proposed by all members.
		Amendment to Article 4 of "the Guidelines for Country Risk Management."	Motion was passed as proposed by all members.
		Amendment to the performance evaluation survey questions in the Appendix of "the company's Organization Rules for Risk Management Committee."	Motion was passed as proposed by all members.
		Establishment of "Business Continuity Management Guidelines" of the company.	Motion was passed as proposed by all members.
		Partial amendments to "Rules for Securities Investment Risk Limits."	Motion was passed as proposed by all members.
		Partial amendments to "Derivatives Transaction Plan for Enhancing the Investment Efficiency."	Motion was passed as proposed by all members.
		Partial amendments to "the company's Regulations Governing Transactions Other Than Loans to Interested Parties."	Motion was passed as proposed by all members.
5th meeting in 2020	2020.11.3	Partial amendment to "Self-Discipline on Transactions Other Than Loans to Counterparties."	Motion was passed as proposed by all members.
		Partial amendments to "Cathay Financial Holdings Financial Asset Impairment Control Procedures."	Motion was passed as proposed by all members.

(IV) Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons for such departures:

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
I. Has the company established and disclosed corporate governance principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies”?	Yes		The company is an unlisted company, and has formulated the “Cathay Life Insurance Corporate Governance Best-Practice Principles” on April 28, 2014 (amended on August 20, 2020) in accordance with the “Corporate Governance Best-Practice Principles for Insurance Enterprises” and disclosed it in the company’s official website and the Insurance Industry Public Information Observation Station.	In compliance with “Corporate Governance Best-Practice Principles for Insurance Enterprises.”
II. Equity structure and shareholders’ rights of the company	Yes		(I) The company is a wholly-owned subsidiary of Cathay Financial Holdings, with no issues of shareholder opinions or disputes.	According to provisions in the Corporate Governance Best-Practice Principles for Insurance Enterprises regarding the rights of shareholders’ meetings, the Board of Directors are entitled to execute shareholders’ meeting functions in compliance with Paragraph 1, Article 15 of the Financial Holding company Act and Paragraph 1, Article 128-1 of the company Act as the company is a single institutional shareholder. Hence, the company’s the Board of Directors are entitled
(I) Whether the company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?			(II) The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. The parent company reports changes in share ownership of major shareholders on a monthly basis, and compares details of the shareholder registry on every book closure date for timely monitoring of major shareholders’ ownership position.	
(II) Whether the company controls the financial holding company’s major shareholders and who are their ultimate owners?				

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
<p>(III) Whether the company establishes or implements some risk control and firewall mechanisms between the company and its affiliates?</p> <p>(IV) Whether the company has established internal regulations to prohibit securities trading by use of the company's internal undisclosed information?</p>			<p>(III) The company has already established and implemented the risk control and firewall related mechanisms between the company and its affiliates:</p> <ol style="list-style-type: none"> 1. Cathay Life Insurance Firewall Policy 2. Regulations Governing Transactions Other Than Loans between Cathay Life Insurance Co., Ltd. and Interested Parties. 3. Self-Discipline on Trading between Cathay Life Insurance Co., Ltd. and Counterparties. <p>(IV) The company has clearly stated in the "Cathay Life Insurance Firewall Policy" that due to the interactive use of information or duties, relevant members or personnel of the company shall not perform securities trading within a certain period before or after the actual knowledge of the client's undisclosed information.</p>	to execute shareholders' meeting functions related to the company's regulations on corporate governance.
<p>III. Composition and responsibilities of board of directors</p> <p>(I) Does the board of directors formulate and implement a policy on diversified membership?</p>	Yes		<p>(I) The company's "Procedures for Election of Directors and Supervisors" stipulates that board members ought to take into consideration the company's diversification, and set up appropriate diversification policies based on the operational framework, business development needs, such as basic conditions (i.e. gender, age, nationality, culture, etc.), professional knowledge/skills (i.e. business, finance/accounting, law, banking, actuarial/mathematics, foreign investments, and risk</p>	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
(II) Is the company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?			<p>management), and industry experience (banks, insurance, securities, asset management, construction/ real property, medical care/health management). The company currently has 10 directors, including non-executive directors and 2 independent directors (including Ms. Li-Ling Wang). The average age of the board of directors is 57 years old, 1 director is in the age range of 71–77 years old, 3 directors are in the age range of 61–70 years old, 3 directors are in the age range of 51–60 years old, and 3 directors in the age range of 41–50 years old.</p> <p>(II) The company has established the risk management committee to strengthen the risk management mechanism and integrated risk management communication platform. In accordance with Article 10 of Organization Rules for Risk Management Committee in Cathay Life Insurance company, the committee performance assessment shall be conducted annually. In 2020, the performance assessment questionnaire was filled out by 7 committee members and submitted to the board of directors. The self-assessment covers five dimensions (including Level of participation in company operations, Enhance the quality of the Committee decision making, Composition and structure of the Committee, Appointment and continuing education of the Committee members, and internal control) with a total of 17 indicators, and the final result was assessed as “beyond standard.”</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
<p>(III) Has the company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?</p> <p>(IV) Does the company conduct regular assessments regarding the independence of its financial statement auditors?</p>			<p>(III) The company conducts board of directors' performance evaluation once every year in accordance with "the Board and Performance Evaluation Policy and Evaluation Methods," of which evaluation methods include overall board performance, self-evaluation of individual directors, peer evaluation, and the review of self-evaluation by the supervisor. The overall board of directors' performance evaluation results were reported to the board in 2020, while self-evaluation results of the board members have been submitted to Cathay Financial Holdings as reference for appointing directors (independent directors) or supervisors, as well as for the human resources department on the distribution of the remuneration for directors/supervisors.</p> <p>(IV) The company has formulated the "CPA Accountability and Performance Evaluation Method," which annually evaluates professionalism and independence of CPAs, and the evaluation results are submitted to the board of directors for resolution and approval.</p>	
<p>IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a Chief Corporate Governance Officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information</p>	Yes		<p>The company has allocated corporate governance staff and appointed a corporate governance officer in accordance with "Corporate Governance Code of Conduct."</p> <p>The company's Corporate Governance Team of the Legal Affairs Office is the board meeting unit responsible for handling meetings and affairs of</p>	<p>In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."</p>

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?			directors, supervisors, and M&A special committees, supporting directors and supervisors in performing their duties and legal compliance, as well as other matters related to corporate governance matters.	
V. Does the company have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers, suppliers etc), and set up an area for stakeholders on the official website for adequate response to major CSR issues concerned by stakeholders?	Yes		Cathay Life Insurance provides a 24-hour service hotline 0800-036599 which is responsible for communicating with customers. The official website also has a “Contact Us” page responsible for replying and handling insurance related issues. In addition, the company has set up insurance service centers throughout Taiwan, which provides comprehensive services including consulting, insurance policy servicing and complaints handling, as well as a dedicated unit to handle complaints and appeals, in order to protect policyholders’ rights. The supervisor’s E-mail is disclosed on the company website to establish a channel of direct communication between the supervisor and all stakeholders. The company has also set up employee discussion areas, employee care service, and the Chairman’s mailbox to promote labor-management communications. The company has also disclosed and update the implementation status of corporate social responsibility regularly on the company website.	In compliance with “Corporate Governance Best-Practice Principles for Insurance Enterprises.”

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
VI. Does the company appoint a stock agency to be responsible for affairs related to the shareholders' meeting.	Yes		The company is a wholly-owned subsidiary and sole institutional shareholder of Cathay Financial Holding Co., Ltd. In accordance with Article 128-1 of the company Act and Article 15 of the Financial Holding company Act, the rights and functions of the shareholders' meeting of the company shall be exercised by the board of directors, and the provisions of the company Act with respect to shareholder meetings shall not apply.	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."
VII. Information Disclosure			Information disclosure shall be subject to relevant laws and regulations:	
(I) Establishment of a corporate website to disclose information concerning financial affairs and corporate governance?	Yes		(I) The company's official website has been established to disclose the following information: 1. Finance Business: https://www.cathaylife.com.tw/cathaylife/about/info/finance 2. Corporate Governance https://www.cathaylife.com.tw/cathaylife/about/info/public-info/info-governance	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	Yes		(II) Other means to disclose information: 1. Assignment of specific personnel to collect and disclose corporate information on the following website: https://www.cathaylife.com.tw/cathaylife/about/info/public-info/company-profile 2. English website: https://www.cathaylife.com.tw/website/PFWeb/html/eng/index.html 3. Implementation of spokesperson system.	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
(III) Does the company publish and make official filing of annual financial reports within two months after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?		No	(III) The company publishes and makes official filing of annual financial reports within three months after the end of an accounting period in accordance with Article 36 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. As the company is not a TWSE/TPEX listed company, it is not required to publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates.	Not applicable.
VIII. Other important information enabling a better understanding of the company's corporate governance (including but not limited to employee rights and interests, employee care, investor relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, purchase of liability insurance by the company for directors and supervisors, and donations to political parties, interested parties and public welfare groups)?	Yes		<p>(I) The company attaches great importance to social and service aspect of the insurance industry, and emphasizes the ethical behavior of employees by formulating the "Employee Code of Conduct" and "Ethical Behavior Guidelines," in the aim to regulate all employees on implementing management policies related to anti-money laundering and combat terrorism, as well as to comply with professional ethics. In addition, the company conducts "behavior observation" on a regular basis for advanced training and to detect suspicious behavior. Meanwhile, the company established an abnormal notification process to facilitate real-time progress and status, and annually report the results to the board of directors.</p> <p>(II) The company is committed to the practice of "Happy Workplace" so that every employee of Cathay Life can work happily in the high-quality working environment. Therefore, the company attaches great importance to employee welfare, education and training, and</p>	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>occupational safety:</p> <p>1. Employee Benefits</p> <p>The company adheres to the concept that employees are the company's important assets, with employee welfare as one of the four main business perspectives. The company values the balance between work and life to provide employees with five main benefits as follows:</p> <p>(1) Protection benefits</p> <p>Employee Benefits Group Insurance and Accident Insurance.</p> <p>(2) Financial benefits</p> <p>Moon Festival and Dragon Boat Festival gifts, birthday gifts, marriage allowance and maternity allowance, educational subsidies for children of employees, and mortgage discounts.</p> <p>(3) Recreation benefits</p> <p>Employee travel subsidies, mountain hiking on family day, singing competitions, fun competitions, health product subsidies, and year-end festival subsidies.</p> <p>(4) Training and development benefits</p> <p>Internal and external training courses (full payment), foreign language course subsidies, professional examination subsidies, lectures at Lin Yuan Life Plaza (more than 30 events are organized throughout the year), and community activities.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>(5) Service benefits Senior staff bonuses, uniform subsidies. In order to promote a friendly workplace and improve employee care, three employee benefits are provided as follows:</p> <p>(1) Established the Cathay Pregnancy Club, providing employees with three-stage pregnancy care, as well as gifts including “Love Mummy,” “Baby Care,” and “Handsome Daddy”, and planning parent-child classrooms from time to time to assist new parents in seizing opportunities during the critical period of childhood learning and development.</p> <p>(2) Formulated the “Pregnancy Checkup, Paternity, and Maternity Leave” provisions that are superior to other regulations: 5 days paid maternity leave and 2 days paid paternity leave, and lifted restrictions to provide paid maternity leave (miscarriage), in order to optimize maternity benefits and encourage pregnancy.</p> <p>(3) The company has launched the “Cathay Star Volunteer Program” in order to encourage employees to participate in volunteer activities. Volunteers can receive one day of paid annual leave as encouragement for their support in public welfare services, so that the love from individuals can put forward infinite positive energy.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>2. Education Training</p> <p>The company has enhanced its ability in business operation and company development, continuously invested large amount of resources in cultivating financial professionals, and designed various trainings based on functional requirements for different management levels. In order to train staff on providing the best front-line support, the company has set up a phased and systematic comprehensive training plan, which is aimed to train key talents based on organizational development and training needs of colleagues and supervisors at different career stages.</p> <p>3. Occupational Safety</p> <p>(1) In the aim to promote the health of employees and provide a safe and healthy work environment, Cathay Life has become the first domestic life insurance company to gain ISO-45001 and TOSHMS certification in March 2019, in order to implement occupational safety and health policies and develop the correct safety and health concepts among employees.</p> <p>(2) In order to maintain a safe working environment, the company has set up five occupational safety and health managers to conduct workplace safety inspections on a regular basis in accordance with relevant laws, including the machinery and equipment for constructions and the workplace, as well as the introduction of</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>risk assessment mechanisms for high-risk workplaces, and has dedicated efforts to prevent falls, electric shocks, cuts, pinches and other disasters in order to prevent occupational disasters.</p> <p>(3) The company has appointed 16 nurses responsible for labor health care service in accordance with relevant laws to provide on-site health services, health care education and consultation for employees, health lectures, fitness testing, cancer screening and other health promotion activities, as well as conducting general health check-ups on a regular basis.</p> <p>(4) The health management system was introduced in August 2019 to improve the health management effectiveness of medical staff.</p> <p>(5) In December 2019, the company became the first life insurance company in Taiwan to obtain the “Workplace Health Promotion Certification” for all its bases (a total of 199 locations).</p> <p>(III) In order to pay attention to each employee, the company has attached importance on the communication and care of employees, and established a diversified communications system to receive employee opinions while conducting a variety of activities for employee health care:</p> <p>1. Communication Channels</p> <p>(1) The company conducts employee engagement on a regular basis to</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>understand employee satisfaction on corporate policies, discuss employee rights and interests via labor-management meetings, and provide appropriate channels including employee discussion areas, the Chairman's mailbox in order to listen to the opinions of colleagues, and simultaneously assign a special unit to be responsible for responding to the suggestions from colleagues.</p> <p>(2) The Human Resources Department has set up an employee care hotline (5880 help service) and sexual harassment prevention hotline to support the communication between employees, managers and colleagues, and help solve relevant concerns and problems.</p> <p>(3) The external professional consulting for the employee assistance program (EAP) was introduced to provide 24-hour consulting services, giving advice and assistance in psychological of which the contents are kept confidential throughout the process to protect employees.</p> <p>2. Employee Health</p> <p>(1) Managers are provided with a selection of health examination plans, and regular health examination for employees once every 3 years. The company appointed contract doctors to provide health examination services (including blood pressure and blood glucose testing), medical consultation, disaster</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>hospitalization subsidy, medical and hospitalization offers, health lectures, CPR first aid training, infection control and preventive care (flu vaccination, setting of alcohol hand sanitizer, and measuring body temperature) with outsourced hospitals, and provide 24-hour consulting services to care for employees' mental health.</p> <p>(2) Meanwhile, to actively promote employees to develop the habit of exercising, we also organize health promotion activities (such as brisk walking and weight loss activities), while the Employee Welfare Committee subsidizes various sports clubs.</p> <p>(IV) In order to implement internal control management, the company conducts internal control measures such as self-inspection and legal compliance tests every six months, with the effectiveness of internal control as the performance evaluation indicator.</p> <p>(V) Regarding stakeholder rights, Cathay Financial Holdings shall handle all matters related to the "Directors and Officers Liability Insurance."</p> <p>(VI) Apart from detailed explanation of the new insurance contract by agent, the dedicated outbound team also ensure that the customer has fully understood the insurance product so that customers can correctly select insurance products based on their demand. The team proactively assists customers to understand</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
			<p>the insurance policy, while making sure that the process of solicitation is in compliance with requirements in order to prevent disputes. The service agent also verifies the customers' contact information to ensure that customers can receive the notification in the future.</p> <p>company</p> <p>(VII) Directors' and supervisors' ongoing education: Disclosures have been made on the company's website: (https://www.cathaylife.com.tw/cathaylife/about/info/public-info/info-governance) and the MOPS.</p> <p>(VIII) CFH's renewal of liability insurance for the company's directors and supervisors has already been reported to the board of directors in August 2020.</p>	
IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. (Not required if the company is not one of the evaluated subjects)			Not applicable.	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."

(V) Describe the composition, duties and operations of the remuneration committee established by the company, if any: None.

(VI) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
I. Has the company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (Note 3)	Yes		(I) Please refer to the company's 2019 Corporate Sustainability Report: 1. Complying with the PSI (p.1–2, p.69–70) 2. Stakeholders and major issues Materiality (p.13 – 14) 3. Sustainability Strategy Blueprint (p.12) (II) Download the company's 2019 Corporate Sustainability Report on the website: https://patron.cathaylife.com.tw/ODAB/ODAB8000	No significant difference.
II. Whether the company establishes a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	Yes		The President of Cathay Life is one of the members of the Corporate Sustainability Committee, which has six working groups for corporate sustainability. The Committee conducts quarterly meetings to review the implementation status and effectiveness of corporate sustainability, and submits its working progress to the board of directors every six months.	No significant difference.
III. Environmental issues (I) Has the company established environmental policies suitable for the company's industrial characteristics?	Yes		(I) Since 2012, the company has lead the industry in introducing ISO 14001 (environment management system) and ISO 50001 (energy management system), and has planned various actions by examining the environmental benefits and impacts of its operating process according to international standards, followed by reviews and modifications, in order to achieve circular management and continuous	No significant difference.

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
			<p>improvement. Since 2017, it further implemented systems integration with affiliates so that the environment and energy management system cover the entire group. Internally, the company has appointed dedicated energy-saving personnel in all units to be responsible for the advocacy of various energy-saving measures and environmental education, and enhance the sustainability awareness of all employees (up to 30,000 employees in the company) via diversified events including weekly environmental education briefings, monthly internal CSN programs, E-sports competitions in the summer, and fitness activities. Externally, the company launched various activities, including beach clean-ups, coastal adoption, and campus rain water harvesting tank, in the aim to fulfill corporate social responsibility. The company has won the “National Corporate Environmental Protection Awards” and “Low-carbon Product Award” organized by Environmental Protection Administration of the Executive Yuan in 2020 regarding its continuous, diversified and in-depth environmental protection measures.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
(II) Does the company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?			(II) The company introduced the ISO 20400 Sustainable Procurement-Guidance, giving priority to green products with low environmental impact for purchasing various commodities. With that, it received the Green Purchasing Enterprise Commendation from the Taipei City Department of Environmental Protection and Environmental Protection Administration for several consecutive years, in order for sustainability in reducing the environmental impact. In addition, the company also started to cut down energy consumption and use of resources for core products. Since 2012, the company provided services such as mobile phone insurance and electronic insurance. Through online multiple services, the company has provided more efficient services and reduced paper use. In 2019, the company launched the “Insurance Service Carbon Footprint” program, and calculated the carbon emissions of each insurance contract based on ISO 14067 Carbon Footprint calculations and Life Insurance Carbon Footprint Product Category Rules (PCR) of the Environmental Protection Agency, followed by third-party verification. In April 2020, the company obtained the Carbon Reduction Label accredited by the Environmental Protection Agency of the Executive Yuan, and all insurance contracts are approved as green products by the competent authority.	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
<p>(III) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?</p> <p>(IV) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water, and waste?</p>			<p>(III) Please refer to page 22–25 of Cathay Life’s 2019 Corporate Sustainability Report (Sustainability Advocate: Governance, Strategy, and Risk Management).</p> <p>(IV) Since 2012, the company has launched the greenhouse gas inventory for verification of greenhouse gas emission. The company has completed verification (ISO 14064-1) of all bases year by year since 2017, and in 2019, inventory statistics are expanded to include water consumption (all bases) and waste (key buildings). Corresponding to the policies of Cathay Financial Holdings, we formulated short-, medium- and long-term carbon reduction policies and action plans. In response to the government’s green energy development policy, we not only subscribed for renewable energy certificates and set up rooftop solar panels in recent years, but also signed the first domestic power purchase agreement (PPA) for public welfare renewable energy in 2019, in order to achieve carbon reduction and renewable energy consumption in cooperation with the society, protecting the environment and forming a positive cycle.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
<p>IV. Social issues</p> <p>(I) Whether the company establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions?</p> <p>(II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?</p>	Yes		<p>(I) To increase the respect and support from the company and staff, the company stipulated "Ethical Behavior Guidelines", "Employee Code of Conduct", and "Regulations Governing Reporting Unethical or Dishonest Behavior Cases". The company also adopted with relevant laws and regulations to amend and publicly announced "Work Rules". In addition, the content of regulations provided by labor laws is included into the inspection items in the regular law compliance self-assessment operation in order to ensure the compliance of labor laws and international human rights.</p> <p>(II) 1. The company's four major business concepts and six major working policies clearly stipulate on "enhancing employee welfare" and "work and benefits rationalization" to allow colleagues to feel reassured in the workplace. Employee welfare can be summarized into five key matters (such as security, economic, recreation, development, and service).</p> <p>2. The company has formulated the distribution method for year-end bonuses, with the company's operating performance (after-tax profit/loss) linked to the base amount of year-end bonus. The monthly salaries of employees are annually reviewed in April, and the budget for salary adjustment is allocated based on the operating results.</p>	No significant difference.

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
(III) Whether the company provides the existence of a safe and healthy work environment; regular safety and health training to company employees?			<p>(III) 1. In the aim to promote the health of employees and provide a safe and healthy work environment, Cathay Life has become the first domestic life insurance company to gain ISO-45001 and TOSHMS certification in March 2019, in order to implement occupational safety and health policies and develop the correct safety and health concepts among employees.</p> <p>2. In order to maintain a safe working environment, the company has set up 5 occupational safety and health managers to conduct workplace safety inspections on a regular basis in accordance with relevant laws, including the machinery and equipment for constructions and the workplace, as well as the introduction of risk assessment mechanisms for high-risk workplaces, and has dedicated efforts to prevent falls, electric shocks, cuts, pinches and other disasters in order to prevent occupational disasters.</p> <p>3. The company has appointed 16 nurses responsible for labor health care service in accordance with relevant laws to provide on-site health services, health care education and consultation for employees, health lectures, fitness testing, cancer screening and other health promotion activities, as well as conducting general health check-ups on a regular basis.</p> <p>4. The health management system was introduced in August 2019 to improve the</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
			<p>health management effectiveness of medical staff.</p> <p>5. In December 2019, the company became the first life insurance company in Taiwan to obtain the “Workplace Health Promotion Certification” for all its bases (a total of 199 locations).</p> <p>6. Managers are provided with a selection of health check-up plans, and regular health check-ups for employees once every 3 years. The company appointed contract doctors to provide health check-up services (including blood pressure and blood glucose testing), medical consultation, disaster hospitalization subsidy, medical and hospitalization offers, health lectures, CPR first aid training, and infection control and preventive care (flu vaccination, setting of alcohol hand sanitizer, and measuring body temperature) with outsourced hospitals. The company provides 24-hour consulting services to care for employees’ mental health. In addition, to actively promote employees to develop the habit of exercising, the Employee Welfare Committee also subsidizes a various sports clubs and health promotion activities (such as brisk walking and weight loss activities).</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
(IV) Has the company established-effective career development training plans for employees?			(IV) The company has enhanced its ability in business operation, continuously invested a large amount of resources in cultivating financial professionals, and designed trainings based on functional requirements for various management levels. In addition, in order to train key staff, the company developed a training plan for potential managers, and set up a phased and systematic comprehensive training plan based on organizational development and training needs of all employees at different career stages in the aim to continue to enhance team competitiveness.	
(V) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?			(V) 1. The company has complied with relevant rules of stipulated by the Financial Supervisory Commission with respect to the sale, marketing and labeling of products and services, and has implemented "Cathay Life Insurance Co., Ltd. Business Solicitation Policy and Procedures" based on Article 5 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises," as well as the "Cathay Life Insurance Co., Ltd. International Business Solicitation Policy and Procedures" based on Article 13 of the "Regulations Governing Offshore Insurance Branches" to regulate the referral and solicitation of agents and sales representatives. In accordance with the Insurance Act, Fair Trade Act, Consumer Protection Act, Financial Consumer	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
			<p>Protection Act, and Self-Regulatory Rules Governing Marketing Advertisements of Insurance Industry, the company has established the “Cathay Life Insurance Co., Ltd Sales and Educational Material Management Policy” to ensure that commodity sales documents are in compliance with relevant laws and regulations.</p> <p>2. In order to protect consumer rights and interests and enhance the awareness of each unit as well as to improve the efficiency and quality of handling consumer disputes, the company has stipulated the “Resolution Procedures for Consumption Disputes” in accordance with the Financial Consumer Protection Act and other relevant laws and regulations. Each company stipulates a policy of treating customers fairly with principles in accordance with the “Principles of Treating Customers Fairly” promulgated by FSC, and established the Treating Customers Fairly Committee, which is consistent with Cathay Financial Group’s service principles of “Start from the heart, treat customers with integrity, impress our customers, and create value,” and established the core corporate culture of “Full Service; Fair Hospitality” for sustainable development.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?			<p>(VI) Cathay Financial Holdings enforces sustainability in its procurement practices, and exerts influence over the conduct of its suppliers in the upstream. Cathay Financial Holdings and subsidiaries have adopted ISO 20400:2017 – Sustainable Procurement Guidelines, which makes Cathay world's first financial institution to obtain the certification. Cathay Financial Holdings has developed Cathay Financial Holdings Sustainable Purchase Policy based on the seven principles of sustainable purchase. Implementation of robust "Sustainable Purchase Procedures" combined with the support of online procurement platform, supplier sustainability self-assessment, 100% suppliers' commitment to Cathay sustainability statement, sustainability training and annual supplier conference, Cathay Financial Holdings is able to systematically influence supply partners and help them take steps toward achieving sustainability goals such as compliance, human rights protection and local employment.</p> <p>As part of Cathay Financial Holdings' supplier management practice, all potential suppliers are required to undergo assessment for compliance with the following codes before establishing business relationship; violators will have active status revoked:</p> <ol style="list-style-type: none"> 1. Environmental protection regulations. 2. Regulations governing occupational safety and health management. 	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
			<p>3. Labor rights regulations.</p> <p>4. Ethical norms regulations.</p> <p>Cathay Financial Holdings added CSR clauses in the contracts with suppliers, in which requires suppliers to comply with laws and regulations governing environmental protection, labor conditions, labor safety and health, and labor rights. The company requires suppliers to jointly fulfill CSR with actual conducts. If a supplier is confirmed violating or failing to meet the norms, the company may set a period and urge the supplier to fulfill or improve. If a supplier is confirmed violating or failing to meet the norms, the company may set a period and urge the supplier to fulfill or improve. If the supplier fails to fulfill or improve within that period, the company may terminate or rescind the contract.</p> <p>Furthermore, the company has adopted ISO 45001 and implemented “Contractor and Outsource Safety and Health” guidelines for enhanced management over contractors. In addition to hazard warnings and coordination meetings, the subsidiaries also perform random safety inspections at work sites to ensure that occupational safety and health are maintained above satisfactory levels.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
V. Does the company prepare corporate social responsibility reports or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	Yes		Adhering to the Principles for Sustainable Insurance (PSI) of the United Nations, Cathay Life is required to annually disclose its results of complying to the four principles of PSI. In order for better integrity and quality of information disclosure, the company also prepared the “2019 Cathay Life Corporate Sustainability Report” in accordance with GRI Standards. The report was entrusted to PwC to conduct limited assurance in accordance with Assurance Standards No. 1 “Assurance Cases of Auditing or Reviewing Non-Historical Financial Information” (stipulated in accordance with International Standard on Assurance Engagements ISAE3000) promulgated by Accounting Research and Development Foundation. The Limited Assurance Report is attached in the Appendix of the CSR Report.	No significant difference.
<p>VI. If the company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>The practical implementation of the company’s CSR has no discrepancy with the principles. The company has not fully combined the employee performance evaluation system with the corporate CSR policy, but has incorporated the comprehensive planning department on the implementation of CSR.</p>				
<p>VII. Other information useful to the understanding of corporate social responsibilities:</p> <p>(I) The company has long dedicated itself to corporate social responsibilities. Depending on changes in domestic and international corporate sustainability trends which focuses on the influence of cash flows in the financial industry. The Corporate Sustainability Committee of Cathay Financial Holdings has set up six working groups including responsible investment, sustainable governance, responsible product and services, employee happiness, green operations, and social prosperity, and formulated short/medium/long-term sustainability plans to be in line with global trends.</p> <p>The result in 2020 was excellent, and the key excellent performances are as follows:</p> <p>1. Cathay Life Insurance has won “Sports Sponsorship Award” organized by Sports Administration, for 12 consecutive years as a “Sponsor” and “Promoter,” and has been certified for “Long-term Sponsorship” for 8 years.</p>				

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
<p>2. Cathay Life won the “iSports Award” organized by Sports Administration for the once more.</p> <p>3. In the Micro Insurance Contest of the Financial Supervisory Commission’s Insurance Competition, Cathay Life ranked first and won the Excellent Award in the Micro Insurance Category; certified for the Elderly Friendly Award for Small Amount Whole Life Insurance for 7 consecutive years; and won the new Sustainable Care Award.</p> <p>4. Cathay Life received Silver Award during the “Second National Corporate Environmental Protection Awards” organized by Environmental Protection Administration, Executive Yuan.</p> <p>5. Cathay Life won the “4th Term CSR Impact Bronze Award” organized by PwC and Cannes Lions, which has been the 4th consecutive year in winning the award.</p> <p>6. Cathay Life won the “Innovative Growth Award,” “Social Inclusion Award” and “Talent Development Award” of the “13th TCSA Taiwan Corporate Sustainability Award” organized by Taiwan Institute for Sustainable Energy.</p> <p>(II) Cathay Life makes good use of the company’s resources and volunteer network, and actively implements the original brand concept of “Happiness is Bringing Happiness to Others,” promoting services on social welfare and public interests, visit and care for disadvantaged families, and conduct volunteer activities such as charity auctions and blood donations for helping others, and advanced programs for cultivating the second generation of new residents, children and youth students from remote areas, to enable them to build up confidence in progressing towards their dreams.</p> <p>The main public welfare projects in 2020 are briefly described as follows:</p> <p>1. Social welfare activities</p> <p>(1) Child welfare</p> <p>With the growing second generation of new residents, the company has continued to form deep partnerships with the Eden Social Welfare Foundation, Dongshan District Schools of Tainan City, and the Chongwen Women’s Association of Yunlin County. This provides learning support for the children of the second generation, such as “Multiple Smarts Training Course” and “after-school care,” which strengthen the children of the second generation on their cultural competitiveness in order to increase their confidence.</p> <p>In addition, the company joined the Eden Social Welfare Foundation, YMCA Taichung and YMCA Kaohsiung to organize 3 “Environmental Protection Auctions.” More than 14,000 participated and a sum of NT\$3.65 million was raised. All the raised money will be used to support the education of the second generation.</p> <p>The company organized the 7th “Cathay Children’s Dream Come True Program” in which 24 remotely located elementary schools were selected to receive more than NT\$3 million in donations, thereby helping passionate teachers inspire their students to embrace their dreams. A Dream Come True Documentary Award was organized to encourage teachers to document their efforts.</p> <p>The company organized the “Giving Winter Warmth” event before Christmas and the Spring Festival, where employees’ donations were distributed to 97 remotely located elementary schools nationwide across 15 counties/cities and 65 townships/districts, including Nanao of Yilan, Sandimen of Pingtung, Dawu of Taitung, Ruisui of Hualien, Alishan of Chiayi, and Qimei of Penghu, which benefited more than</p>				

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
7,150 children.				
(2) Low-income households and medical subsidies				
In 2020, Cathay volunteer groups also cared for and supported 200 disadvantaged families, and paid approximately NT\$2.183 million of subsidies after internal review in order to help disadvantaged families to overcome financial difficulties. In addition, village offices and local volunteer groups continue to promote micro insurance for low and middle-class households, or to subsidize disadvantaged children in urgent need of medical care.				
(3) Scholarships for Financially Disadvantaged Students				
The Cathay Scholarship has been donated to a total of 50 financially disadvantaged students with excellent performances to help reduce financial difficulties so that they can concentrate on their studies and develop future competitiveness.				
(4) Benefits for the disabled				
Support the disabled in the “Mixed Comprehensive Arts and Entertainment” performance group, with 9 shows in campuses and prisons. In addition to providing a stage for the disabled, the life story of the performance group members also convey the value of life to high school, junior high school students and juvenile prisoners, which inspired nearly 5,000 people in cherishing their lives.				
(5) Temporary donations and volunteer services				
Sponsor various social welfare activities, subsidize college servicing clubs, provide emergency and disaster relief assistance, and praise the enthusiastic volunteers of the Group who for their services on public welfare.				
2. Social welfare activities				
(1) Cathay Scholarship				
Continuously organize the “Cathay Scholarship” program to provide support for students with exceptional contributions, and encourage individuals or teams to be involved in specialized research or public projects with an innovative vision for positive development of the society, focusing on education and community development, sustainability, FinTech, and emerging issues, of which a total of 38 outstanding individuals and groups were awarded in 2020.				
(2) Summer Blood Donation				
For 21 consecutive years, the Charity Foundation of Cathay Life cooperated with the Taiwan Blood Services Foundation to conduct blood donation activities during the summer holidays to combat blood shortage. In 2020, there were 476 blood donation stations across Taiwan, which have collected a total of 64,315 bags of donated blood from 43,501 people, hitting a record high, with a total of more than 427,000 bags of donated blood over the past 21 years.				
(3) Tree planting activities				
Due to the COVID-19 pandemic, Cathay Volunteers only organized three tree plantation events in Tainan, Taipei, and Yilan in collaboration with local community and non-profit organizations, with a total of 1,100 participants. 400kg of bitter vines were removed, 2,200 trees were planted for creating a sustainable lifestyle for enterprises and society, and protecting the environment while giving back				

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summary (Note 2)	
to society.				
(4) “Teach For Taiwan” program				
Cathay Public Welfare Group continued to jointly support TFT’s recruitment and training of local teachers with TFT’s three foundations, encouraging young talents in learning at classrooms, and to create an equal educational environment for children in remote areas with improved educational quality.				
(5) Elderly care activities				
Since Taiwan is close to becoming a hyper aged society, the Charity Foundation of Cathay Life focuses on mutualism in the community to establish a good interactive relationship with community residents through local forces together with corporate volunteers, while investing in non-toxic organic production, introducing core business functions, promoting financial anti-fraud board games, and assisting in asset protection and asset management of elderlies. To promote a healthy mental and physical development and good interpersonal development of the elderly, so that they can achieve the vision of aging in place and enjoying their retirement life. There was a total of 66 activities, and 1,556 participants.				
(6) DFC Nationwide Teachers Enhancement Program:				
This program gives teachers in remote areas adequate access to complimentary and creative teaching resources, and eliminates some of their locational disadvantages. Through organization of local workshops, teachers were taught on the 4-step teaching approach of DFC, which they can apply to teach and lead students to greater effect and develop more localized, suitable, and relevant courses and materials to arouse students’ interest in learning.				

Note 1: If Implementation Status is specified “Yes,” please explain the key policies, strategies and measures taken and the current progress; if Implementation Status is specified “No,” please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: Where the company has prepared a Corporate Social Responsibility Report, the summary thereof may not be required only if this report specifies that please refer to the Corporate Social Responsibility Report, or may be replaced by the index page number.

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the company’s investors and stakeholders.

(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies:

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Enactment of ethical management policy and program	Yes			No Difference.
(I) Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?			(I) Cathay Financial Holdings has implemented “Ethical Behavior Guidelines” and a “Business Integrity Code of Conduct” to serve as standards for ethical behavior of employees of the financial group and strengthen core values. The company also has an “Employee Code of Conduct” formulated by the Board of Directors to strengthen the code of conduct for insurance personnel. In addition, the company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent unethical behavior, the company formulated the “Procedures for Ethical Management and Guidelines for Conduct” in accordance with the “Cathay Financial Holdings Integrity Code of Conduct.”	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(II) Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?			<p>(II) 1. The company’s “Employee Code of Conduct” has clearly stipulated that the heads of all units shall periodically evaluate their subordinates and be aware of unethical behaviors of subordinates in daily operations management.</p> <p>2. The company established the “Business Integrity Procedures and Behavioral Guidelines” in order to implement the integrity management policy and actively prevent dishonest conducts. The standard preventive measures include:</p> <p>(1) Prohibition against providing or accepting improper benefits.</p> <p>(2) Procedures for receiving regular social gifts and entertainment.</p> <p>(3) Procedures for handling political contributions.</p> <p>(4) Procedures for handling charitable donations or sponsorships.</p> <p>(5) Recusal.</p> <p>(6) Confidentiality and protection of intellectual properties.</p> <p>(7) Prohibition against unfair competition.</p> <p>(8) Prohibition against damage to an interested party.</p> <p>(9) Prohibition against insider trading and the confidentiality regime.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(III) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?			(III) The company not only formulated the “Business Integrity Procedures and Behavioral Guidelines,” but also stipulated various violations, disciplinary standards, opinions and appeal procedures in the “Employee Rewards and Punishments Policy,” with reviews and amendments for changes in relevant laws and regulations.	
II. Implementation of ethical management	Yes		(I) Chapter IV of the company’s Procurement Management Policy covers review of supplier qualifications and relevant prohibitions, which includes provisions requiring review of supplier qualifications and credit investigation, and rejects transactions of suppliers that violate the integrity of transactions. The example of the contract covers provisions including sub-contract prohibitions, guarantee clauses, confidentiality obligations, rights and interests, personal protection, legal compliance, corporate social responsibility, and legal relations in order to have integrity restrictions on counterparties.	No Difference.
(I) Has the company assessed a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?			(II) 1. The company’s “Business Integrity Procedures and Behavioral Guidelines” clearly stipulates that Cathay Life’s Corporate Sustainability (CS) team shall be responsible for monitoring the implementation of business integrity, of which its subordinating Sustainable Governance team is responsible for	
(II) Does the company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?				

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>enforcing business integrity related matters, while the human resources department is responsible for business integrity planning and implementation of related education and training.</p> <p>2. The Corporate Sustainability (CS) team is directly supervised by the president. It not only conducts quarterly meetings to review the implementation status and effectiveness of corporate sustainability, but also submits its working progress to the board of directors on a regular basis (twice every year). The progress report covers the CS promotion plan for the whole fiscal year (including goal setting) and the implementation status.</p> <p>3. The company conducts behavior observation on a regular basis (twice a year) on board members and all colleagues, and verifies whether business integrity is implemented via performance evaluation and review of ethical behavior, which covers money laundering, terrorism, and ethical conduct. The annual implementation results are then reported to the board of directors.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(III) Has the company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?			(III) The company has formulated the “Regulations Governing Transactions Other Than Loans between Cathay Life Insurance Co., Ltd. and Interested Parties,” as well as the “Regulations for Extending Loans by Cathay Life Insurance Co., Ltd. to Interested Parties and Potential Counterparties” to prevent conflicts of interest. In addition, the company has appropriate communication channels for insurers and employees, including the insurer complaints hotline, fax and e-mail, as well as the Chairman’s e-mail.	
(IV) Has the company implemented an effective accounting policy and internal control system to maintain business integrity? Has the internal audit unit or an entrusted accountant been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees’ compliance with various preventions against dishonest conduct?			(IV) The company has established an effective accounting system and internal control system. The audit unit conducts periodic audits, and an entrusted accountant was appointed to conduct audits for the internal control system to ensure continuous and effective implementation of the system. Relevant operations are handled in accordance with the “Business Integrity Procedures and Behavioral Guidelines.”	
(V) Has the company organized internal/external education training program for ethical management periodically?			(V) Arrange training for new employees, managers and colleagues. 1. New employees: Arrange a company introduction course on the first day to communicate corporate culture and core values (Integrity, Accountability and Creativity) 2. Managers: The manager meeting involves communications between managers on the company’s business strategy and corporate vision. The President not only gives	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			<p>instructions, but also encourages managers to abide by the Business Integrity Code of Conduct in order to maximize enterprise value.</p> <p>3. Colleagues: During the departmental meeting, the company's four business concepts ("attach importance on business ethics and professional conscience" is one of them) and six work policies are advocated. In addition, the company's education and training program incorporates the online courses on "Employees Code of Ethical Conduct," in order to remind colleagues to abide by the Business Integrity Code of Conduct during business promotions.</p>	
<p>III. Status of the company's complaint system</p> <p>(I) Has the company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p>	Yes		<p>(I) The company has established a whistleblower system that has been approved by the board of directors, which provides multiple and convenient whistleblower channels to be disclosed on the company's website, including the complaints mailbox, whistleblowing hotlines, e-mail, and postal mail. The company also designated a legal compliance unit with independent functions to accept and investigate the reported issues. In addition, the "Rewards and Punishments for Employees" has been established, which specify the principles, reporting procedures and types of rewards and punishment, as well</p>	No Difference.

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
<p>(II) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> <p>(III) Has the company adopted any measures to prevent the complainants from being abused after filing complaints?</p>			<p>as providing examples for corresponding behaviors. Except the rewards and punishments for audits of the auditing department which are transferred to the human resources department, the rewards and punishments of other units transfer to each personnel management unit after it is submitted to the top-level manager by the audit authorities or the employee's direct manager. Employees verified to have violated the regulations may be appropriately punished based on relevant conditions in accordance with relevant laws and internal company regulations, or shall be delivered to the court and assume on his own the civil, criminal or legal liabilities.</p> <p>(II) The company has established standard procedures for handling, filing and investigation of reported misconducts in the reporting system. If any major incident or violation is discovered after investigation, the company will report to the competent authority, or file a notice or report to the procuratorate, and ensure confidentiality in related procedures.</p> <p>(III) In addition to confidentiality of the complainants' identity, the company has also adopted measures to protect complainants, stipulating that it shall not dismiss, demote, reduce the wage of, or render other unfair treatment to a complainant after he/she files a complaint.</p>	

Scope of assessment	Implementation Status (Note 1)			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
IV. Enhancing Information Disclosure Has the company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	Yes		The company has disclosed its ethical management matters on the corporate website: https://www.cathaylife.com.tw/cathaylife/about/info/governance/governance-content	No Difference.
V. If the company has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: In order to establish the company’s corporate culture and sound development on business integrity, the parent company formulated the “Cathay Financial Holdings Integrity Code of Conduct” with reference to the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies” for CFH’s subsidiaries (including the company) and other enterprises or juristic persons directly or indirectly controlled by the company.				
VI. Other information material to the understanding of ethical management operation: (e.g. discussion of an amendment to the ethical management best practice principles defined by the Bank) The company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent unethical behavior, the company formulated the “Procedures for Ethical Management and Guidelines for Conduct” in accordance with the “Cathay Financial Holdings Integrity Code of Conduct,” specifically regulating the matters that the employees shall be aware of when performing their duties.				

Note 1: Regardless if “Yes” or “No,” the status shall be stated in the Remarks section.

(VIII) Disclosure of how the corporate governance best-practice principles or related bylaws are to be searched:

1. The company has stipulated regulations such as the Articles of Incorporation (specifying the organization, qualifications and rights of the board of directors in Articles 21 to 22), Regulations Governing Procedure for Board of Directors Meetings, Terms of Reference of Independent Directors, Corporate Governance Principles, and the Board and Performance Evaluation Policy.
2. The search method is as follows: Cathay Life website → information disclosure → corporate governance → relevant rules and regulations (<https://www.cathaylife.com.tw/cathaylife/about/info/governance/regulations>)

(IX) Other information material to the understanding of corporate governance within the company: None.

(X) Implementation of internal control system:

1. Declaration of Internal Control System:

Cathay Life Insurance Co., Ltd.

Declaration of Internal Control System

Declaration of the company's internal control system from January 1 to December 31, 2020 according to the results of self-inspection are as follows:

- I. The company has already set up the system regarding the responsibility of the board of directors and management level on establishment, implementation and maintenance of the internal control system. The purpose of the internal control system is to provide reasonable assurance for achieving the objectives for business operations, financial reporting and legal compliance. The company's business objective is the effectiveness and efficiency of operations, including profitability, performance and safeguarding of asset security. The objective of financial reporting is the reliableness of external financial reporting, while the objective of legal compliance is to comply with relevant laws and regulations. The legal compliance system is part of the internal control system for achieving legal compliance. The financial records and statements are prepared on a consistent basis in accordance with the Insurance Act and relative laws and regulations, including part of the achievements of the internal control system for financial reporting.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the company's internal control system has a self-monitoring mechanism which will take corrective actions in a timely manner once the deficiencies are identified.
- III. The company has established the self-inspection system in accordance with "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" (hereinafter referred to as "the regulations") of the Financial Supervisory Commission to assess on effective design and implementation of the internal control system with respect to the assessment items stipulated in "the regulations." The internal control system is classified into five elements: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision. Each element also includes several assessment items. For the aforementioned assessment items, please refer to the provisions of "the regulations."
- IV. The company has already applied the above items for judging the internal control system in order to verify the effectiveness of the design and implementation of the internal control system.
- V. Based on inspection results in the preceding paragraph, the company believes that apart from the matters listed in the table, the design and implementation of the internal control system (including business operations, financial reporting and legal compliance) is effective during aforementioned period, and reasonably ensures that the board of directors and managers understand the extent of achievement of the business objective and that the financial reporting and legal compliance objectives have already been achieved. The company also believed that The financial records and statements are prepared on a consistent basis and is presented fairly and correctly in accordance with the Insurance Act and relative laws and regulations.
- VI. This statement forms an integral part of the company's Annual Report of the Shareholders Meeting and public prospectus, and shall be duly disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the board of directors on March 10, 2021.

For
Financial Supervisory Commission

Declarers:

Chairman:	Tiao-Kuei Huang	(signature)
President:	Shang-Chi Liu	(signature)
Chief Auditor:	Shu-Chuan Chen	(signature)
Chief Compliance Officer:	Mao-Chi Chung	(signature)

March 10, 2021

Cathay Life Insurance Co., Ltd. Areas of Improvement and Rectification of the Internal Control System

(Baseline date: December 31, 2020)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
The company did not implement appropriate verification practices for reports of conflicting domestic equity interest.	The senior manager declaring verification mechanism was established in February 2020. Before the end of each month, the Legal Compliance Department performs the verification in order to ensure that senior managers have completed the reporting operation timely.	Already completed.
When reclassifying self-occupied real estate into investment property, the company was found to have negotiated and signed lease agreements with tenants and made half-yearly reports to the board of directors beforehand, and did not complete the reclassification until the board of directors had made the final resolution. This practice did not conform with Subparagraph 4, Note 3 of the FSC's Instruction No. Jin-Guan-Bao-Cai-Zi No. 10804945921 dated August 23, 2019.	The company has amended the "Real Estate Management Rules" (please refer to the Attachment for details) of the company after the approval of the board of directors' meeting on May 14, 2020, specifying that "for the reclassification operation between self-occupied real estate and investment property, it is required to submit a report on the legality, appropriateness, and rationality, and it shall be approved by the board of directors in advance."	Already completed.
With regard to complaints about sales representatives having persuaded customers to terminate insurance policies or undertake financed purchase of investment-linked policies, the company failed to develop adequate control systems to check transaction patterns and prevent sales representatives from engaging in improper solicitation.	For the control of the purchase of new policies with loans, a new system verification system has been established and the telephone operation has also been implemented in order to confirm that customers are aware of relevant possible risks.	Already completed.
One of the branches of a Mainland insurance company that the subsidiary is a co-investor of was issued the administrative penalty to suspend new accident insurance services by the local financial authority, but the company did not notify FSC in time upon receiving news of the administrative penalty.	Cathay Lujiazui Life will summarize documents of material events and subsequent handling process, inspection notices of the competent authority, results and subsequent improvement plans, etc., on a weekly basis for reporting and submission to the company, and a reporting system has been established.	Already completed.

<p>The subsidiary did not develop proper underwriting procedures for corporate insurance applicants. Furthermore, the subsidiary lacked reasonable controls to evaluate whether changes in insurance applicant or beneficiary are consistent with the initial insurance purpose.</p>	<p>The company's "Guidelines for Institutional Legal Person Insurance Enrollment Operation" has been established in accordance with the Support Financial Supervisory Commission's June 14, 2019 "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" in order to improve the review control system for legal person policy underwriting and contract change processes.</p>	<p>Already completed.</p>
<p>Inappropriate sales talks were found in telemarketing activities.</p>	<p>Telephone marketing personnel are prohibited from using the sales pitch involving the technique of comparison with term deposit, and such restriction shall be included in the recording guidelines. Any violators shall be suspended from solicitation and penalized with point deduction according to the type of violation. In addition, education on such matter will continue to be implemented individually for each case in order to improve the sales pitch appropriateness of telephone marketing personnel.</p>	<p>Already completed.</p>
<p>The subsidiary did not adopt reasonable measures to verify customers' identity; customer due diligence and enhanced due diligence measures were not fully enforced; insurance policies of high policy value reserve are considered to exhibit high money laundering risk, but online sale of which was not subjected to risk assessment and transaction pattern monitoring.</p>	<ol style="list-style-type: none"> 1. New contract legal entity group AML/CFT verification form has been designed, and review personnel are required to perform inspection item by item during the review of legal entity cases in order to prevent any omissions. 2. For policyholders' due diligence and financial underwriting operation, in addition to the enhancement of education on the operation procedures, the AML customer risk level threshold is also adjusted. For example, when the risk score reaches a certain threshold, it is considered as high-risk level for enhanced due diligence, and enhanced review is also performed during the payment. 3. In addition to the original 5 monitoring types, new monitoring types of customer's short-term online enrollment exceeding a specific amount and customer's change of occupation from high risk to low risk within half a year, etc., are further included. 	<p>Already completed.</p>
<p>Investigation found that the subsidiary had not followed up on a policyholder's complaint about the private cash exchange between sales representatives and insured that may give rise to consumer dispute. The subsidiary had not implemented its awareness promotion and management over the issue.</p>	<p>The education and training have been implemented during the weekly legal compliance educational training promotion of the business unit, and monthly CSN videos are used during the training of the sales representatives in order to prevent occurrence of such disputes.</p>	<p>Already completed.</p>

For structured note-linked insurance products, policyholders are issued “Insurance Principal Overdue Collection Advice” (via ordinary mail) and contacted by phone if proceeds are uncollected within 2 months after maturity, but no call record is maintained.	<div>1. The company established a lateral contact system on April 29, 2019.</div> <div>2. The company will continue to contact the policyholders to inform the collection of the insurance principals, and notification records will be preserved.</div> <div>3. Up to the date of December 21, 2019, among the 489 cases of overdue collection, 404 cases have been paid with a total payment amount of NT\$210 million. The reasons for the failure of payments for the remaining 85 cases are as follows:</div> <table><tr><th>Reason of Failure of Payment</th><th>Ratio</th></tr><tr><td>Policyholder indicates he or she is aware of such matter and expresses that he or she will handle the matter individually</td><td>33%</td></tr><tr><td>Loss of contact, and cannot reach the policyholder</td><td>33%</td></tr><tr><td>Exchange rate or no foreign currency account is available such that it is pending further handling</td><td>21%</td></tr><tr><td>Other individual factors</td><td>12%</td></tr></table>	Reason of Failure of Payment	Ratio	Policyholder indicates he or she is aware of such matter and expresses that he or she will handle the matter individually	33%	Loss of contact, and cannot reach the policyholder	33%	Exchange rate or no foreign currency account is available such that it is pending further handling	21%	Other individual factors	12%	Already completed.
Reason of Failure of Payment	Ratio											
Policyholder indicates he or she is aware of such matter and expresses that he or she will handle the matter individually	33%											
Loss of contact, and cannot reach the policyholder	33%											
Exchange rate or no foreign currency account is available such that it is pending further handling	21%											
Other individual factors	12%											
Post-investment management on venture capital companies was too focused on performance evaluation, and lacked analysis and disclosure on whether investment positions are consistent with investment plans.	Fund report is prepared quarterly, and in addition to the inspection on the investment position performance of the venture capitals, investments are also reviewed to determine whether they comply with the purpose of investment.	Already completed.										
Did not evaluate the necessity of SWIFT user accounts that were unused for an extended period of time, in order to keep user access to the minimum; monitoring of abnormal activities in the event log was limited only to transactions completed during non-office hours, and there was no monitoring of other abnormal activities.	<div>1. The necessity of accounts has been evaluated, and accounts that have not been used for a long period of time are deleted.</div> <div>2. For the system abnormality behavior monitoring, since February 1, 2019, abnormal events of multiple login attempts with failure, error in identity verification and change of user group, etc., have been included in the periodic review and monitoring items.</div>	Already completed.										

2. The CPAs' audit report for which the company has retained CPAs to exclusively audit its internal control systems:

The CPAs' audit report of the internal control system

To: Board of Directors of Cathay Life Insurance Co., Ltd.

Attached is the statement on March 10, 2021 that Cathay Life Insurance Co., Ltd.'s internal control system (including the report for the competent authority in accordance with the financial reporting internal control system) is a valid declaration for design and implementation from January 1 to December 31, 2020, and is part of the legal compliance system (based on items stipulated in Tai-Cai-Bao-Zi No.0930014734 of the Ministry of Finance) that has been audited by a CPA. The company's managers are responsible for maintaining an appropriate internal control system and assessing its effectiveness, while CPAs are designated to express audit opinions on the effectiveness of the internal control system and the company's declaration of internal control system according to audit results.

The CPA conducts audits based on the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises," "Regulations Governing Foreign Investments by Insurance Companies," and the letter of Tai-Cai-Bao-Zi No. 0930014734 issued on March 30, 2004 by the Ministry of Finance. The procedures include understanding the internal control system, evaluating the process by which management assesses the effectiveness of the overall internal control system, testing and evaluating the effectiveness of the design and implementation of internal control system, and other inspection procedures deemed necessary by the CPA. The audits are believed to serve as a reasonable basis for supporting the CPA review opinion.

Since any internal control system has its inherent limitations, the internal control system of Cathay Life Insurance Co., Ltd. may still fail to prevent or detect mistakes or malpractices that have already occurred. In addition, the extent of compliance to the internal control system may also be reduced in face of the changing environment in the future. Therefore, a current effective internal control system does not imply that it would still be effective in the future.

According to the CPA's opinion, Cathay Life Insurance Co., Ltd.'s declaration on the effective design and implementation of the internal control system from January 1 to December 31, 2020 with respect to financial reporting (including the accuracy of financial information the company files with the competent authority based on the internal control system stated in the financial report), and safeguarding of asset security (preventing unauthorized acquisition, use, and disposition of assets) is based on the assessment items of the internal control system in accordance with the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" and the "Regulations Governing Establishment of Internal Control Systems by Public Companies," except for improvements prompted in the declaration of internal control system of Cathay Life, the declaration is determined to maintain its effectiveness in all significant respects. On March 10, 2021, Cathay Life's declaration on effective design and implementation of internal control system with respect to external financial reporting and safeguarding of asset security (including call reports for the competent authority

and legal compliance based on the internal control system stated in the financial report) from January 1 to December 31, 2020 is determined to be fair presentation in all significant respects.

Deloitte & Touche

Certified Public Accountant

Cheng-Hung Kuo

Certified Public Accountant

Shu-Wan Lin

March 23, 2021

Cathay Life Insurance Co., Ltd. Areas of Improvement and Rectification of the Internal Control System

(Baseline date: December 31, 2020)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
The company did not implement appropriate verification practices for reports of conflicting domestic equity interest.	The senior manager declaring verification mechanism was established in February 2020. Before the end of each month, the Legal Compliance Department performs the verification in order to ensure that senior managers have completed declaring operation timely.	Already completed.
When reclassifying self-occupied real estate into investment property, the company was found to have negotiated and signed lease agreements with tenants and made half-yearly reports to the board of directors beforehand, and did not complete the reclassification until the board of directors had made the final resolution. This practice did not conform with Subparagraph 4, Note 3 of the FSC's Instruction No. Jin-Guan-Bao-Cai-Zi No. 10804945921 dated August 23, 2019.	The company has amended the "Real Estate Management Rules" (please refer to the Attachment for details) of the company after the approval of the board of directors' meeting on May 14, 2020, specifying that "for the reclassification operation between self-occupied real estate and investment property, it is required to submit a report on the legality, appropriateness, and rationality, and it shall be approved by the board of directors in advance."	Already completed.
With regard to complaints about sales representatives having persuaded customers to terminate insurance policies or undertake financed purchase of investment-linked policies, the subsidiary failed to develop adequate control systems to check transaction patterns and prevent sales representatives from engaging in improper solicitation.	For the control of the purchase of new policies with loans, a new system verification system has been established and the telephone confirmation has also been implemented in order to confirm that customers are aware of relevant possible risks.	Already completed.
One of the branches of a Mainland insurance company that the company is a co-investor of was issued the administrative penalty to suspend new accident insurance services by the local financial authority, but the company did not notify FSC in time upon receiving news of the administrative penalty.	Cathay Lujiazui Life will summarize documents of material events and subsequent handling process, inspection notices of the competent authority, results and subsequent improvement plans, etc., on a weekly basis for reporting and submission to the company, and a reporting system has been established.	Already completed.

<p>The company did not develop proper underwriting procedures for corporate insurance applicants. Furthermore, the company lacked reasonable controls to evaluate whether changes in insurance applicant or beneficiary are consistent with the initial insurance purpose.</p>	<p>The company's "Guidelines for Institutional Legal Person Insurance Enrollment Operation" has been established on June 14, 2019 in accordance with the Support Financial Supervisory Commission's "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" in order to improve the review control system for legal person policy underwriting and contract change processes.</p>	<p>Already completed.</p>
<p>Inappropriate sales talks were found in telemarketing activities.</p>	<p>Telephone marketing personnel are prohibited from using the sales pitch involving the technique of comparison with term deposit, and such restriction shall be included in the recording guidelines. Any violators shall be suspended from solicitation and penalized with point deduction according to the type of violation. In addition, education on such matter will continue to be implemented individually for each case in order to improve the sales pitch appropriateness of telephone marketing personnel.</p>	<p>Already completed.</p>
<p>The company did not adopt reasonable measures to verify customers' identity; customer due diligence and enhanced due diligence measures were not fully enforced; insurance policies of high policy value reserve are considered to exhibit high money laundering risk, but online sale of which was not subjected to risk assessment and transaction pattern monitoring.</p>	<ol style="list-style-type: none"> 1. New contract legal entity group AML/CFT verification form has been designed, and review personnel are required to perform inspection item by item during the review of legal entity cases in order to prevent any omissions. 2. For policyholders' due diligence and financial underwriting operation, in addition to the enhancement of education on the operation procedures, the AML customer risk level threshold is also adjusted. For example, when the risk score reaches a certain threshold, it is considered as high-risk level for enhanced due diligence, and enhanced review is also performed during the payment. 3. In addition to the original 5 monitoring types, new monitoring types of customer's short-term online enrollment exceeding a specific amount and customer's change of occupation from high risk to low risk within half a year, etc., are further included. 	<p>Already completed.</p>
<p>Investigation found that the company had not followed up on a policyholder's complaint about the private cash exchange between sales representatives and insured that may give rise to consumer dispute. The company had not implemented its awareness promotion and management over the issue.</p>	<p>The education and training have been implemented during the weekly legal compliance educational training promotion of the business unit, and monthly CSN videos are used during the training of the sales representatives in order to prevent occurrence of such disputes.</p>	<p>Already completed.</p>

For structured note-linked insurance products, policyholders are issued “Insurance Principal Overdue Collection Advice” (via ordinary mail) and contacted by phone if proceeds are uncollected within 2 months after maturity, but no call record is maintained.	<div>1. The company established a lateral contact system on April 29, 2019.</div> <div>2. The company will continue to contact the policyholders to inform the collection of the insurance principals, and notification records will be preserved.</div> <div>3. Up to the date of December 21, 2019, among the 489 cases of overdue collection, 404 cases have been paid with a total payment amount of NT\$210 million. The reasons for the failure of payments for the remaining 85 cases are as follows:</div> <table><tr><td>Reason of Failure of Payment</td><td>Ratio</td></tr><tr><td>Policyholder indicates he or she is aware of such matter and expresses that he or she will handle the matter individually</td><td>33%</td></tr><tr><td>Loss of contact, and cannot reach the policyholder</td><td>33%</td></tr><tr><td>Exchange rate or no foreign currency account is available such that it is pending further handling</td><td>21%</td></tr><tr><td>Other individual factors</td><td>12%</td></tr></table>	Reason of Failure of Payment	Ratio	Policyholder indicates he or she is aware of such matter and expresses that he or she will handle the matter individually	33%	Loss of contact, and cannot reach the policyholder	33%	Exchange rate or no foreign currency account is available such that it is pending further handling	21%	Other individual factors	12%	Already completed.
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Exchange rate or no foreign currency account is available such that it is pending further handling	21%											
Other individual factors	12%											
Post-investment management on venture capital companies was too focused on performance evaluation, and lacked analysis and disclosure on whether investment positions are consistent with investment plans.	Fund report is prepared quarterly, and in addition to the inspection on the investment position performance of the venture capitals, investments are also reviewed to determine whether they comply with the purpose of investment.	Already completed.										
The company did not evaluate the necessity of SWIFT user accounts that were unused for an extended period of time, in order to keep user access to the minimum; monitoring of abnormal activities in the event log was limited only to transactions completed during non-office hours, and there was no monitoring of other abnormal activities.	<div>1. The necessity of accounts has been evaluated, and accounts that have not been used for a long period of time are deleted.</div> <div>2. For the system abnormality behavior monitoring, since February 1, 2019, abnormal events of multiple login attempts with failure, error in identity verification and change of user group, etc., have been included in the periodic review and monitoring items.</div>	Already completed.										

(XI) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:

1. The following defects were found during the FSC's 2018 general inspection:

- (1) With regards to complaints about sales representatives having persuaded customers to terminate insurance policies or undertake financed purchase of investment-linked policies, the subsidiary did not develop adequate control systems to check transaction patterns and prevent sales representatives from engaging in improper solicitation.
- (2) One of the branches of a Mainland insurance company that the subsidiary is a co-investor of was issued the administrative penalty to suspend new accident insurance services by the local financial authority, but the company did not notify FSC in time upon receiving news of the administrative penalty.
- (3) Did not develop proper underwriting procedures for corporate insurance applicants. Furthermore, the subsidiary lacked reasonable controls to evaluate whether changes in insurance applicant or beneficiary are consistent with the initial insurance purpose.
- (4) Inappropriate sales talks were found in telemarketing activities.
- (5) Did not adopt reasonable measures to verify customers' identity; customer due diligence and enhanced due diligence measures were not fully enforced; insurance policies of high policy value reserve are considered to exhibit high money laundering risk, but online sale of which was not subjected to risk assessment and transaction pattern monitoring.
- (6) Investigation of policyholders' complaint found that the subsidiary had not followed up on policyholder's complaint about the private cash exchange between sales representatives and customers that may give rise to consumer dispute. The subsidiary should enhance its awareness promotion and management over the issue.
- (7) For structured note-linked insurance products, policyholders are issued "Insurance Principal Overdue Collection Advice" (via ordinary mail) and contacted by phone if proceeds are uncollected within 2 months after maturity, but no call record is maintained.
- (8) Post-investment management on venture capital companies was too focused on performance evaluation, and lacked analysis and disclosure on whether investment positions are consistent with investment plans.
- (9) Did not evaluate the necessity of SWIFT user accounts that were unused for an extended period of time, in order to keep user access to the minimum; monitoring of abnormal activities in the event log was limited only to transactions completed during non-office hours, and there was no monitoring of other abnormal activities.

The Financial Supervisory Commission imposed NT\$5.6 million in fines and issued 6 orders of correction on February 18, 2020.

Improvement: The company has rectified the defect.

2. The following defects were found during the Financial Supervisory Commission's (FSC) 2018 general inspection (September to October) on the company:

When reclassifying self-occupied real estate into investment property, the subsidiary was found to have negotiated and signed lease agreements with tenants and made half-yearly reports to the board of directors beforehand, and did not complete the reclassification until the board of directors had made the final resolution. This practice did not conform with Subparagraph 4, Note 3 of the FSC's Instruction No. Jin-Guan-Bao-Cai-Zi No. 10804945921 dated August 23, 2019.

The Financial Supervisory Commission issued the order of rectification on April 22, 2020.

Improvement: The company has rectified the defect.

3. The following defects were found during FSC's special inspection on the company regarding the prevention of conflicting domestic equity interest:

The company did not implement appropriate verification practices for reports of conflicting domestic equity interest.

The Financial Supervisory Commission issued the order of rectification on July 31, 2020.

Improvement: The company has rectified the defect.

(XII) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report:

1. Major resolutions of the Board of Directors entitled to execute stockholders' meeting functions and the execution progress

Time	Major resolutions	Implementation Status
2020.4.29	Acknowledgment of 2019 Business Report and financial statements.	Announced to the public after resolution.
2020.4.29	Acknowledgment of the company's 2019 earnings appropriation.	Announced to the public after resolution.
2020.5.14	Formulation and partial amendment of the "Articles of Incorporation" and "Procedures for the Acquisition or Disposal of Assets"	Amendments announced to the public after resolution.
2020.8.20	Removal of restrictions imposed against the company's directors for involving in competing businesses	Announced to the public after resolution.
2020.11.12	Formulation and partial amendment of the "Procedures for the Acquisition or Disposal of Assets"	Amendments announced to the public after resolution.

2. Major resolutions approved by the Board of directors

- (1) April 29, 2020, 14th meeting of the 19th board of directors

Subsidiary loan.

Transactions with Stakeholder.

Leasing transactions with stakeholder.

- (2) May 14, 2020, 15th meeting of the 19th board of directors
- Establishment of a project company for solar energy.
 - Investment of private fund.
 - Transactions with San-Ching Engineering Co., Ltd.
 - Passed the real estate transaction.
 - Transactions with Stakeholder.
- (3) June 12, 2020, 1st meeting of the 20th board of directors
- Election of the Chairman and Vice Chairman.
 - Appointment of Vice President and Chief Risk Officer.
 - Participate in public investment and establish a project company after winning the bid.
- (4) August 20, 2020, 2nd meeting of the 20th board of directors
- Transactions with Stakeholder.
 - Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.
 - Transactions with San-Ching Engineering Co., Ltd.
 - Transactions with Cathay General Hospital.
 - Transactions with Symphox Information Co., Ltd. and Think Zone Technologies Co., Ltd.
 - Adjustment of discretionary investment management contract for Conning, Inc.
- (5) October 23, 2020, 3rd meeting of the 20th board of directors
- Passed the real estate transaction.
- (6) November 12, 2020, 4th meeting of the 20th board of directors
- Transaction with Cathay United Bank Co., Ltd.
 - Transaction with Cathay United Bank Co., Ltd. (Singapore).
 - Transactions with Stakeholder.
 - Transactions with San-Ching Engineering Co., Ltd.
 - Transactions with Lin Yuan Property Management Co. Ltd.
- (7) January 15, 2021, 5th meeting of the 20th board of directors
- Passed the capital increase of the Cathay Life Insurance (Vietnam) Co., Ltd.

(8) March 27, 2020, 13th meeting of the 19th board of directors

Establishment of a subsidiary (non-regulated) in Shanghai by Hong Kong subsidiary Conning Asia Pacific Limited of Conning Holdings Limited owned by Cathay Life.

Transactions with Symphox Information Co., Ltd.

(9) March 10, 2021, 7th meeting of the 20th board of directors

Passed the 2020 distribution of compensation for employees.

Passed the 2020 distribution of compensation for directors and supervisors.

Passed the 2020 financial statements.

Passed the 2020 earnings distribution.

2021 business targets.

2021 financial targets.

Investment of private fund.

Transactions with TPISoftware Corporation.

(XIII) The main contents of important resolutions passed by the Board of Directors regarding in which directors or Supervisors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.

(XIV) A summary of resignations and dismissals, during the most recent fiscal year and up to the date of the publication of the annual report, of the company's Chairman, President, accounting officer, financial officer, internal audit officer, and R&D officer: None.

V. Professional Fees to the CPA

Accounting firm name	Names of Auditors		Audit period	Remarks
Deloitte & Touche	Cheng-Hung Kuo	Shu-Wan Lin	2020.1.1~2020.12.31	

Unit: NT\$ thousand

Range \ Fee Item		Audit Fee	Non-audit Fee	Total
1	Under NT\$2,000,000			
2	NT\$2,000,000 (inclusive) ~ NT\$4,000,000			
3	NT\$4,000,000 (inclusive) ~ NT\$6,000,000			
4	NT\$6,000,000 (inclusive) ~ NT\$8,000,000			
5	NT\$8,000,000 (inclusive) ~ NT\$10,000,000			
6	Over NT\$10,000,000 (inclusive)	20,073	8,902	28,975

- (I) The non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto:

Unit: NT\$ thousand

Accounting firm name	Names of Auditors	Audit Fee	Non-audit Fee					Audit period	Remarks
			Designing regulations	Business registration	Human resources	Others	Subtotal		
Deloitte & Touche	Cheng-Hung Kuo	20,073				8,902	8,902	2020.1.1~2020.12.31	Other items include project and advisory service charges.
	Shu-Wan Lin								

- (II) The company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
- (III) The audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more: None.

VI. Information of Independent Auditor replacement:

Due to internal adjustments of Deloitte Taiwan in 2020, CPAs Cheng-Hung Kuo and Li-Chi Chen were replaced as CPAs Cheng-Hung Kuo and Shu-Wan Lin, starting from fourth quarter of 2020.

- VII. The facts about the company chairman, president, managerial officer in charge of financial or accounting affairs having served with the CPA Office or the affiliation thereof over the past year:
None.
- VIII. Facts of equity transfer and change in equity pledge about the director or supervisor, managerial office, or shareholders having held the equity exceeding 10%:
None.
- IX. Information of stakeholders, spouse, and relative within the second degree of kinship of the top-10 shareholders:
None.

X. Invested businesses jointly held between the financial holding company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the company; disclose shareholding in aggregate of the above parties:

December 31, 2020

Invested companies (investments accounted for using equity method)	Held by the Company		Held by Directors, Supervisors, Managers, and Directly/Indirectly Controlled Businesses		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
WK Technology Fund VI Co., Ltd	10,837,211	21.43%	-	0.00%	10,837,211	21.43%
KHL Venture Capital Co., Ltd.	75,356,187	25.00%	-	0.00%	75,356,187	25.00%
KHL IV Venture Capital Co., Ltd.	71,250,000	21.43%	-	0.00%	71,250,000	21.43%
Symphox Information Co., Ltd.	24,511,000	49.12%	-	0.00%	24,511,000	49.12%
Cathay Securities Investment Consulting Co., Ltd.	30,000,000	100.00%	-	0.00%	30,000,000	100.00%
Cathay Venture Inc.	121,059,057	25.00%	-	0.00%	121,059,057	25.00%
Greenhealth Water Resources Co., Ltd.	45,600,000	30.00%	-	0.00%	45,600,000	30.00%
Cathay Power Inc.	67,500,000	45.00%	-	0.00%	67,500,000	45.00%
CM Energy Co., Ltd.	31,500,000	45.00%	-	0.00%	31,500,000	45.00%
Neo Cathay Power Corp.	67,500,000	45.00%	-	0.00%	67,500,000	45.00%
Sunny Rich Power Co., Ltd.	14,800,000	37.00%	-	0.00%	14,800,000	37.00%
Ding Teng Co., Ltd.	41,136,798	27.36%	-	0.00%	41,136,798	27.36%
PSS Co., Ltd.	14,185,923	36.22%	-	0.00%	14,185,923	36.22%
Rizal Commercial Banking Corporation	452,018,582	23.35%	-	0.00%	452,018,582	23.35%
PT Bank Mayapada Internasional Tbk.	2,550,766,676	37.33%	-	0.00%	2,550,766,676	37.33%
Nan-Gang International 1 Corp.	67,500,000	45.00%	-	0.00%	67,500,000	45.00%
Nan-Gang International 2 Corp.	67,500,000	45.00%	-	0.00%	67,500,000	45.00%
Cathay Lujiazui Life Insurance Company Limited	-	50.00%	-	0.00%	-	50.00%
Cathay Century (China)	-	24.50%	-	0.00%	-	24.50%
Cathay Life Insurance (Vietnam) Co., Ltd.	-	100.00%	-	0.00%	-	100.00%
Lin Yuan (Shanghai) Real Estate Co., Ltd.	-	100.00%	-	0.00%	-	100.00%
Lin Yuan Property Management Co., Ltd.	1,470,000	49.00%	-	0.00%	1,470,000	49.00%
Cathay Woolgate Exchange Holding 1 Limited	326,700,000	100.00%	-	0.00%	326,700,000	100.00%
Cathay Woolgate Exchange Holding 2 Limited	3,300,000	100.00%	-	0.00%	3,300,000	100.00%
Cathay Walbrook Holding 1 Limited	213,750,000	100.00%	-	0.00%	213,750,000	100.00%
Cathay Walbrook Holding 2 Limited	11,250,000	100.00%	-	0.00%	11,250,000	100.00%
Conning Holdings Limited	2,029,287	100.00%	-	0.00%	2,029,287	100.00%

Four. Capital Overview

I. Capital and Shares

(I) Source of Capital:

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks		
		Number of shares	Amount (NTD)	Number of shares	Amount (NTD)	Source of Capital	Assets except cash is offset against share payments	Others
2002.08	10	5,068,615,765	50,686,157,650	5,068,615,765	50,686,157,650	-	-	-
2008.06	75	5,268,615,765	52,686,157,650	5,268,615,765	52,686,157,650	Increase in cash capital (common shares)	-	Note 1
2008.12	50	10,000,000,000	100,000,000,000	5,568,615,765	55,686,157,650	Series A Preferred Share by private placement	-	Note 2
2009.12	50	10,000,000,000	100,000,000,000	5,768,615,765	57,686,157,650	Series B Preferred Share by private placement	-	Note 3
2010.06	10	10,000,000,000	100,000,000,000	5,806,527,395	58,065,273,950	Capitalization of retained earnings (common shares)	-	Note 4
2011.10	40	10,000,000,000	100,000,000,000	5,931,527,395	59,315,273,950	Series C Preferred Share by private placement	-	Note 5
2015.12	50	10,000,000,000	100,000,000,000	5,631,527,395	56,315,273,950	Reduction of Series A Preferred Share	-	Note 6
2016.10	50	10,000,000,000	100,000,000,000	5,431,527,395	54,315,273,950	Reduction of Series B Preferred Share	-	Note 7
2018.07	100	10,000,000,000	100,000,000,000	5,851,527,395	58,515,273,950	Increase in cash capital (common shares by private placement)	-	Note 8
2018.07	40	10,000,000,000	100,000,000,000	5,726,527,395	57,265,273,950	Reduction of Series C Preferred Share	-	Note 9
2019.12	80	10,000,000,000	100,000,000,000	5,851,527,395	58,515,273,950	Increase in cash capital (common shares by private placement)	-	Note 10

Note 1: Approved per Order No. Financial-Supervisory-Securities-I-Zi No. 0970029593 of the Financial Supervisory Commission, Executive Yuan on June 20, 2008.

Note 2: Approved per Order No. Financial-Supervisory-Insurance-I-Zi No. 09702202150 of the Financial Supervisory Commission, Executive Yuan on November 18, 2008.

Note 3: Approved per Jin-Guan-Bao-Cai-Zi No. 09802210770 of the Financial Supervisory Commission, Executive Yuan on December 14, 2009.

Note 4: Approved per Jin-Guan-Zheng-Fa-Zi No. 0990024790 of the Financial Supervisory Commission, Executive Yuan on May 24, 2010.

Note 5: Approved per Jin-Guan-Zheng-Fa-Zi No. 10002516340 of the Financial Supervisory Commission, Executive Yuan on October 26, 2011.

Note 6: Approved per Jin-Shou-Shang-Zi No. 10401282050 of the Ministry of Economic Affairs on January 12, 2016.

Note 7: Approved per Jin-Shou-Shang-Zi No. 10501286010 of the Ministry of Economic Affairs on December 13, 2016.

Note 8: Approved per Jin-Shou-Shang-Zi No. 10701098950 of the Ministry of Economic Affairs on August 14, 2018.

Note 9: Approved per Jin-Shou-Shang-Zi No. 10701098980 of the Ministry of Economic Affairs on August 22, 2018.

Note 10: Approved per Jin-Shou-Shang-Zi No. 10801187990 of the Ministry of Economic Affairs on January 6, 2020.

Share Type	Registered Capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock issued by public companies	5,306,527,395	4,148,472,605	9,455,000,000	—
Common stock issued by private placement	545,000,000	0	545,000,000	—

(II) Shareholder structure:

March 2021

Quantity \ Shareholder structure	Government authorities	Financial institution	Other juristic (corporate) persons	Individuals	Foreign institutions and juristic (corporate) persons	Total
Number of shareholders	—	1	—	—	—	1
Number of shares held	—	5,851,527,395	—	—	—	5,851,527,395
Ratio of shareholding	—	100%	—	—	—	100%

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

(III) Fact of equity scattering:

Common stock

At NT\$10 par value

March 2021

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding
Over 1,000,001	1	5,851,527,395	100%
Total	1	5,851,527,395	100%

(IV) List of major shareholders:

Names of major shareholders \ Shares	Number of shares held	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	5,851,527,395	100%

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

(V) Per share information (including market price, book value, earnings, share dividend) from the last two years:

Year		2019	2020	As of March 31, 2021
Item				
Market Share Price	Highest	—	—	—
	Lowest	—	—	—
	Average	—	—	—
Share Book Value	Before payout	100.59	121.97	121.97 (Note 1)
	After payout	100.59	(Note 2)	(Note 2)
Earnings Per Share	Weighted Average No of Shares	5,736,116,436	5,851,527,395	5,851,527,395
	Earnings Per Share	6.60	8.84	8.84 (Note 1)
Per Share Dividend	Cash Dividend		(Note 2)	(Note 2)
	Stock Dividend	From Retained Earnings	—	(Note 2)
		From Special Reserve	—	(Note 2)
	Accumulated Unpaid Dividend		—	—
ROI Analysis	Price/Earnings Ratio		—	—
	Price/Dividend Ratio		—	—
	Cash Dividend Yield		—	—

Note 1: Filled in according to the 2020 financial statements which is the information verified by CPA in the most recent quarter up to the date of publication of the annual report.

Note 2: The data is not available after the earnings distribution in 2020, as the company has not yet convened a shareholders' meeting for resolution of earnings distribution.

(VI) Dividend Policy and Implementation:

1. Surpluses concluded from a financial year are first subject to taxation and reimbursement of previous losses, followed by provision for legal reserve, provision/reversal of special reserve, and distribution of preferred dividends. The remaining balance (referred to as "Current Year Earnings" below) plus undistributed earnings carried from previous periods are available for distribution. The distributable earnings shall be first appropriated to preferred shares as stipulated in the Articles of Incorporation, followed by common shares, and the remaining amount is appropriated according to the earnings distribution proposed by the board of directors which is submitted for resolution by the shareholders' meeting.
2. The company's dividend policy considers the external environment and growth phase of the company's commodities, businesses and services. Unless otherwise specified by other statutes and the issuance terms and conditions of preferred shares, dividends are distributed to common shareholders in cash to maintain the goal of stable dividends. The distribution of stock dividends shall not be more than 50% of total dividends. However, the aforementioned dividend policy can be adjusted based on the company's business requirements, earnings and other related factors.
3. Implementation: Proposal of no dividend and bonus in 2020 by resolution of the board of directors' meeting.

(VII) Impact to 2020 Business Performance and EPS Resulting from the Proposal of Stock Dividend Distribution Made at the Recent Shareholders' Meeting: None.

(VIII) Remuneration of Employees, Directors and Supervisors:

1. Under the Articles of Incorporation: Surpluses concluded from a financial year are first subject to taxation and reimbursement of previous losses, followed by provision for legal reserve, provision/reversal of special reserve, and distribution of preferred dividends. The remaining balance (referred to as "Current Year Earnings" below) plus undistributed earnings carried from previous periods are available for distribution. The distributable earnings shall be first appropriated to preferred shares as stipulated in the Articles of Incorporation, followed by common shares, and the remaining amount is appropriated according to the earnings distribution proposed by the board of directors which is submitted for resolution by the shareholders' meeting.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: On March 17, 2016, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no higher than 0.1% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The aforementioned employee remuneration may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Any discrepancy between the actual distributed amount by resolution of the board of directors and the estimated figure shall be recognized as income (loss) of the next fiscal year.
3. Information on any approval by the board of directors of distribution of compensation:
 - (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors in 2020: The amount of any employee compensation and compensation for directors and supervisors distributed in 2020 are NT\$4,996,102 and NT\$5,400,000 respectively.
 - (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for 2020 and total employee compensation: None.
 - (3) EPS after the distribution of employee, director, and supervisor compensation: NT\$8.84.
4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: In 2019, the distribution amount of employees' compensation and remuneration to directors/supervisors are NT\$3,961,274 and NT\$5,700,000 respectively. There was no discrepancy between the actual distribution of employee, director, and supervisor compensation for 2019 and the recognized expenses in the 2019 financial statements.

(IX) Share repurchases: None.

II. Issuance of corporate bonds, preferred shares, Global Depositary Receipts, employee stock option, new restricted employee shares, and merger (including merger and acquisitions and splits):

(I) Issuance of Corporate Bonds:

Corporate bond type (Note 2)	1st unsecured corporate bonds (private placement)	2 nd unsecured corporate bonds (Note 5)	3 rd unsecured corporate bonds (Note 5)
Issuing (transaction) date	December 13, 2016	May 12, 2017	June 26, 2019
Face value	NT\$1 billion	NT\$1 million	NT\$1 million
Place of issuance and exchange (Note 3)	Taiwan	Taiwan	Taiwan
Issue price	Interest rate: 3.6%	Interest rate: 3.3%	Interest rate: 3%
Total	NT\$35 billion	NT\$35 billion	NT\$10 billion
Interest rate	The coupon rate is a fixed rate of 3.6% from the issue date to the tenth year, (based on the 10-year Government Bond Yield on the pricing date November 9, 2016, the aforementioned mark up is also referred to as "issue spread"). At ten years from the issue date and every ten years thereafter (referred to as the "interest rate reset date"), if the bond has not been redeemed, the coupon rate will be reset based on the 10-year Government Bond Yield plus the issue spread. The "Interest record date" shall be the previous two business day for financial institutions in Taipei. The 10-year Government Bond Yield shall be the GVTWTO10 INDEX as published by Bloomberg on the interest record date. If the above quotations cannot be obtained on the interest record date shall be decided by the issuer in good faith and taken into account of reasonable market rate.	Plus 1% for the coupon rate if the corporate bonds are not redeemed after the tenth year maturity.	Fixed interest rate: 3%
Duration	No maturity date	No maturity date	No maturity date
Guaranteeing institution	None	None	None
Trustee	None	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Underwriting institution	None	Cathay Securities Corporation, Cathay United Bank Co., Ltd. and Yuanta Securities	Cathay Securities Corporation, Cathay United Bank Co., Ltd., Yuanta Securities and KGI Securities Co., Ltd.
Certifying attorney	None	Baker & McKenzie	Baker & McKenzie
Certifying CPA	None	Ernst & Young	Deloitte & Touche

Repayment method		Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.	If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.	If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
Outstanding principal balance		NT\$35 billion	NT\$35 billion	NT\$10 billion
Terms for redemption or early repayment		Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.	If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.	If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the competent authorities, redeem the bonds in full after ten years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
Restriction Clause (Note 4)		None	None	None
Name of credit rating organization, rating date, bond rating results		None	None	None
Other rights of bondholders	Converted (exchanged or optioned) amount of common stock, global depository receipts, or other securities up to the date of publication of the annual report	None	None	None
	Issuance and conversion (traded or subscribed) regulations	None	None	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms		None	None	None
Name of commissioned custodial institution for objects exchanged		None	None	None

Note 1: Corporate bond handling includes publicly offered and privately raised corporate bonds. Publicly offered corporate bonds undertaken refers to those already taken effect (approved by the board); privately raised corporate bond refer to those that have passed a board resolution.

Note 2: The number of columns is adjusted by the number of issuances or application approvals.

Note 3: To be filled for those falling under overseas corporate bonds.

Note 4: Such as restrictions on the distribution of cash dividends, external investments, or requirement to maintain a specific asset ratio.

Note 5: If a private offering, please indicate prominently.

Note 6: Those falling under conversion of corporate bonds, exchange of corporate bonds, general declaration of corporate bond issuance, or bonds with attached warrant shall disclose in tabulated form conversion corporate bond data, exchange corporate bond data, general declaration of corporate bond issuance, and bonds with attached warrant.

(II) Preferred shares: None.

(III) Issuance of Global Depositary Receipts, Employee Stock Option, and Merger (Including Merger and Acquisitions and Splits): None.

III. Implementation of the Capital Utilization Plans

(I) For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities: None.

(II) For such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits: None.

Five. Overview of Operations

I. The content of business

(I) The scope of business

1. The content of principal business:

The company is a life insurer and is engaged in the sales of life insurance policies and related products.

2. Proportion:

Unit: NT\$100 million

Commodity type	Item	2020 total premium income (excluding reinsurance premium)	%
Life Insurance		4,532.8	68.1%
Accidental injury insurance		160.7	2.4%
Health insurance		943.8	14.2%
Annuity insurance		1.5	0.0%
Investment-linked insurance		1,022.0	15.3%
Subtotal		6,660.8	100.0%

3. Main products:

Traditional Insurance Main Contracts	
San-kao-hsin-an Term Health Insurance	GO-fu-chi Whole Life Insurance (regular payment)
Yung-kang Surgery Medical Term Health Insurance	Hen-hsiang-shou-hu Long-Term Care Term Health Insurance (XDT)
An-an Medical Whole Life Insurance	OIU hao-li High USD Interest Sensitive Whole Life Insurance
New-e-pa-chao Term Life Insurance	OIU mei-tien GO li USD Interest Sensitive Whole Life Insurance
Shou-hu-tien-shih Cord Blood Stem Cell Transplant Health Insurance	Hsin-ai-shou-hu Cancer Term Insurance
Shou-hu-ma-mi Endowment Insurance	Hsin-chao-hsi-li Interest Sensitive Annuity Insurance (Type A)
Huo-li-yu Term Life Insurance	Le-mei-nien-nien USD Whole Life Insurance

Chao-GO-pao-chang 100 Term Life Insurance	iMoney Interest Sensitive Annuity Insurance (Type A)
Hsin-shou-hu-i-sheng Long-Term Care Whole Life Insurance	Hsin-shang-mei-li USD Interest Sensitive Whole Life Insurance
GO-an-chia-pao-pen Term Insurance	Hsin-lung-teng-ssu-hai RMB Interest Sensitive Whole Life Insurance
Hen-mei-man Major Illness Health Insurance	Hsin-shang-wei-li Interest Sensitive Whole Life Insurance (regular payment)
Hen shou-hu Long-Term Care Term Health Insurance (XDT)	Hsin-Money Interest Sensitive Annuity Insurance (Type A)
Chao-an-hsin Hospitalization Medical Whole Life Insurance	Hsin-chin-mei-hsin USD Interest Sensitive Whole Life Insurance
Micro Personal Term Life Insurance	Hsin-wei-li-i-sheng Interest Sensitive Whole Life Insurance (regular payment)
Wei-hsin-an Small Amount Whole Life Insurance	Hsin-hua-mei-li USD Interest Sensitive Whole Life Insurance (regular payment)
Yang-an-hsin Hospitalization Medical Whole Life Insurance	Hsin-mei-li-i-sheng USD Interest Sensitive Whole Life Insurance (regular payment)
He-hu-kung-chiao Long-Term Care Whole Life Health Insurance	OIU Hsin-hao-li High USD Interest Sensitive Whole Life Insurance
iLove Small Amount Whole Life Insurance	iLife one-Year Term Life Insurance
Hsin-chao-an-shun Surgery Medical Whole Life Insurance	Yi-pao-an-kang Term Insurance
Hsin-le-chuan-shou-hu Long-Term Care Whole Life Insurance	Shang-le-nien-nien Interest Sensitive Whole Life Insurance
Chung-hu-yi-sheng Specific Illness Whole Life Insurance	I-mei-to-li USD Interest Sensitive Whole Life Insurance
Le-chuan-jen-sheng Deferred Annuity Insurance	Chang-Le-Mei-li USD Interest Sensitive Whole Life Insurance
Le-chuan-chien-kang Hospitalization Medical Whole Life Insurance	Le-li-mei-nien USD Interest Sensitive Whole Life Insurance
Chung-hsing-fu Specific Illness Whole Life Insurance (ZG1)	Le-tien-to-li Interest Sensitive Whole Life Insurance
GO-hsin-fu Whole Life Insurance (regular payment)	Shuang-mei-nien-nien USD Interest Sensitive Whole Life Insurance
Go-ching-tien 101 USD Whole Life Insurance (regular payment)	Mei-li 101 USD Interest Sensitive Whole Life Insurance (regular payment)

Chung-le-huo Specific Illness Whole Life Health Insurance (KK2)	Hsin-hua-lu-fun Whole Life Insurance
Hen chien-kang Term Health Insurance	Chen-ai-ping-an Cancer Term Insurance (Type A)
Hen chung-i Major Illness Term Health Insurance	Chung-hsin-shou-hu Cancer Term Insurance (Type A)
Hen ai-ni Term Insurance	Chung-hsin-shou-hu Cancer Term Insurance (Type B)
Kang-ai-wu-yu Hospitalization Medical Whole Life Health Insurance (Type A)	OIU Hsin-mei-tien GO li USD Interest Sensitive Whole Life Insurance
Hsin-chung-hsin Walker Major Illness Whole Life Insurance	An-hsin-yi-kao Medical Whole Life Insurance
Hen-hsing-fu Insurance	Hao-mei-li 101 USD Interest Sensitive Whole Life Insurance (regular payment)
Chung-ai-chien-kang Major Illness Term Health Insurance (Type A)	Mei-hsin-nien-nien USD Whole Life Insurance
Hsin-tai-tai-hsing-fu Decrement Term Life Insurance	Mei-mei-nien-nien USD Interest Sensitive Whole Life Insurance
Hsin-tai-tai-hsing-fu Parity Term Life Insurance	I-li-shuang-shou Interest Sensitive Whole Life Insurance (regular payment)
Chung-sheng-he-hu Major Illness Whole Life Insurance	I-mei-wei-li USD Interest Sensitive Whole Life Insurance
Chung-sheng-mei-man Major Illness USD Whole Life Insurance	I-mei-shuang-hsi USD Interest Sensitive Whole Life Insurance (regular payment)
Chih-le-huo Cognitive Dysfunction Term Health Insurance (XDT)	Lu-mei-hsin USD Interest Sensitive Whole Life Insurance (regular payment)
Yang-an-an Medical Whole Life Health Insurance	Lu-mei-man USD Interest Sensitive Whole Life Insurance (regular payment)
Le-an-hsin Hospitalization Medical Health Insurance	Hsin-le-nien-nien Interest Sensitive Whole Life Insurance
GO huo-li-yu Term Life Insurance	Shuang-pei-mei-li USD Interest Sensitive Whole Life Insurance (regular payment)
GO ching-tsai 101 USD Whole Life Insurance (regular payment)	Mei-fa-lu USD Interest Sensitive Whole Life Insurance (regular payment)
Hen hsiang-chien-kang Term Health Insurance	Chang-mei-li USD Interest Sensitive Whole Life Insurance

Hen hsiang-chung-i Major Illness Term Health Insurance	Yung-pao-ping-an Cancer Term Insurance
Hsin-e-pa-chao Term Life Insurance	Hen hsiang-ai-ni Term Insurance
Chuan-hsin-shou-hu Long-Term Care Whole Life Insurance	San-kao-ping-an Term Health Insurance
Hao-an-shun Surgery Medical Whole Life Insurance	Hsin-an-an Medical Whole Life Insurance
Kang-tai-wu-yu Hospitalization Medical Whole Life Health Insurance	Hao-an-hsin Hospitalization Medical Whole Life Insurance
Chung-hsin-chien-kang Major Illness Term Health Insurance (Type A)	Hao-yang-an-hsin Hospitalization Medical Whole Life Insurance
Chung-hsin-fu Specific Illness Whole Life Insurance	Tai-tai-hsin-fu Decrement Term Life Insurance
Chung-yi-he-hu Major Illness Whole Life Insurance	Tai-tai-hsin-fu Parity Term Life Insurance
GO hsin-pao-chang 100 Term Life Insurance	Chung-hsin-le-huo Specific Illness Whole Life Health Insurance
Shou-hu-chiu-chiu Long-Term Care Whole Life Health Insurance (XDT)	Chung-yi-mei-man Major Illness USD Whole Life Insurance
Hsin-an-hsin Hospitalization Medical Whole Life Insurance	San-pei-yi-kao Hospitalization Medical Term Insurance
Hsin-an-yi One-Year Term Hospitalization Daily Health Insurance	Yang-chung-yi Major Illness Whole Life Health Insurance
Yang-hsin-he-hu Disability Support Term Health Insurance	Chih-le-huo Cognitive Dysfunction Whole Life Health Insurance (XDT)
Go an-hsin-pao-pen Term Insurance	
Traditional Insurance Rider and Endorsement	
GO an-hsin 100 USD Term Life Insurance Rider	Health Rider Endorsement
Chen-an-i Premium Waiver Rider	Beneficiaries Designation and Disposal Right Within the Scope of Claims and Debts Endorsement
Death Insurance/ Funeral Expenses Insurance Beneficiaries Specific Endorsement	Hsin-yung-chien Hospitalization Daily Health Insurance Rider
Chen-kuan-huai Premium Waiver Rider	Accident Insurance Rider Amendment Right Endorsement
Accident Rider Death Insurance Endorsement (Applicable to One-Year Accident Insurance for Under 15 Years of Age)	Maturity Benefit Beneficiaries Endorsement
Change Value-added Feedback Calculation Formula Endorsement	Expanded Surgery Agreement Coverage Endorsement

Hsin-chen-chuan-i Hospitalization Medical Health Insurance Rider	Chung-ai-chien-kang Rider Extension Endorsement
Hsin-chung-an Specific Illness Term Health Insurance Rider (CB6)	Hen he-hu Long-Term Care Term Health Insurance Rider
Chen-pao-pei Accident Insurance Rider (Type A)	Hen an-chuan Term Accident Insurance Rider
Chung-chu-fu Major Illness Term Health Insurance Rider (Type B)	Ta-hsin Hospitalization Medical Health Insurance Rider
Chen-chuan-fang-wei Accident Insurance Rider	Micro Personal Accident Medical Insurance Rider
Chen-hao-ku-li Accident Insurance Rider	Chung-sheng-he-hu Walker Additional Clause
Ping-an-ai Accident and Hospitalization Medical Insurance Rider	Chung-sheng-mei-man Walker Additional Clause
Chen-kang-ai Cancer Whole Life Health Insurance Rider	Foreign Currency Policy Loan Endorsement (Non-Investment Product)
Additional Injury Insurance Benefit Specific Contract (Family) Death Insurance Endorsement	Motorcycle/Bicycle Accident Insurance Additional Clause
Elderly Hospitalization Advance Payment Additional Clause	Pedestrian/Public Transport Accident Insurance Additional Clause
Long Term Rider Renewal Endorsement	Holiday Accident Insurance Additional Clause
Rider Renewal Endorsement	Accident Medical Limited Coverage Accident Insurance Additional Clause
Personal Accident Insurance Free Extended Warranties Endorsement	Fracture Accident Insurance Additional Clause
Personal Injury Insurance Free Extended Warranties Additional Clause	Communicable Disease Exclusion Waiting Period Endorsement
National Health Insurance Medical Care Payment Items and Standards Endorsement	Chih-le-huo Walker Additional Clause
Yang-hsin-he-hu Walker Additional Clause	Shih-chuan-hsin-yi Hospitalization Medical Health Insurance Rider
Hen hsiang-an-chuan Term Accident Insurance Rider	Hen hsiang-he-hu Long-Term Care Term Health Insurance Rider
Chung-hsin-chu-fu Major Illness Term Health Insurance Rider (Type B)	Chung-an-hsin Specific Illness Term Health Insurance Rider
Chung-yi-he-hu Walker Additional Clause	Chung-yi-mei-man Walker Additional Clause

Yi-chi-an-hsin Hospitalization Medical Health Insurance Rider	Yi-chi-shun-hsin Surgery Medical Health Insurance Rider
Chen-hsin-kang-ai Cancer Whole Life Health Insurance Rider	Hsin-liu-hsueh-yu-shou Accident Medical Insurance Coverage Additional Clause (Type A)
Hsin-liu-hsueh-yu-shou Accident Medical Insurance Coverage Additional Clause (Type B)	Hsin-liu-hsueh-yu-shou Overseas Sudden Illness Medical Health Insurance Coverage Additional Clause (Type A)
Hsin-liu-hsueh-yu-shou Overseas Sudden Illness Medical Health Insurance Coverage Additional Clause (Type B)	Interest Sensitive Value-Added Feedback Endorsement
Insurance Contract Change Terms Endorsement	
Investment-linked Insurance Main Contract	
Hsin-fu-shih-chi Variable Life Insurance (Type A)	Hsin-to-chin-te-li Foreign Currency Variable Annuity Insurance
Hsin-cho-yueh-li-tsai Variable Universal Life Insurance	Hsin-to-chin-fu-li Fortune Foreign Currency Variable Annuity Insurance
Hsin-fei-fan-jen-sheng Variable Annuity Insurance (Type A)	Young fei-yang Variable Annuity Insurance
Le-huo-fei-yang Foreign Currency Variable Annuity Insurance	Young fei-yang Foreign Currency Variable Annuity Insurance
Hsin-fu-shih-chi Variable Universal Life Insurance (Type C)	Le-huo-fei-yang Variable Annuity Insurance
Hsin-chi-fu-jen-sheng Variable Annuity Insurance	Yueh-yueh-fei-yang Variable Life Insurance
Hsin-yu-shih-chi Variable Universal Life Insurance	Yueh-yueh-yu-li Variable Life Insurance
Hsin-yueh-yueh-hsin-an Variable Universal Life Insurance	Yueh-yueh-yu-li Variable Annuity Insurance
Hsin-le-hsiang-jen-sheng Variable Life Insurance	Yueh-yueh-yu-li Foreign Currency Variable Annuity Insurance
Hsin-fu-li-shuang-hsiang Foreign Currency Variable Annuity Insurance	Yueh-yueh-ao-li Foreign Currency Variable Life Insurance
Hsin-ao-li-fu Foreign Currency Variable Annuity Insurance	He-chia-ai Variable Universal Life Insurance
Hsin-le-hsiang-jen-sheng Variable Annuity Insurance	Hsin-le-hsiang-jen-sheng Foreign Currency Variable Life Insurance
Hsin-chin-tsai-chueh-lun Variable Life Insurance	Hsin-fu-kuei-tung Investment Chain Insurance (Type A)

Hsin-to-chin-te-li Variable Life Insurance	Hsin-shih-chieh-tung Foreign Currency Variable Annuity Insurance
Hsin-to-chin-fu-li Variable Life Insurance	Yueh-yueh-hsiang-fu Variable Life Insurance
Hsin-chin-tsai-wan-fen Variable Annuity Insurance	Yueh-yueh-hao-li Variable Life Insurance
Le-fu-jen-sheng Variable Annuity Insurance	Yueh-yueh-hao-li Foreign Currency Variable Life Insurance
Hsin-to-chin-te-li Variable Annuity Insurance	Yueh-yueh-hao-li Variable Annuity Insurance
Hsin-to-chin-fu-li Variable Annuity Insurance	Yueh-yueh-hao-li Foreign Currency Variable Annuity Insurance
OIU nien-nien-chi-li Foreign Currency Variable Life Insurance	Yueh-yueh-hsiang-fu Foreign Currency Variable Life Insurance
Fei-yang-jen-sheng Variable Annuity Insurance	Hen hao-yeh Variable Life Insurance
Fei-yang-jen-sheng Foreign Currency Variable Annuity Insurance	Le-fu PLUS Variable Life Insurance
Chien-tan-ai Variable Universal Life Insurance	Le-fu PLUS Foreign Currency Variable Life Insurance
Yueh-yueh-kang-li Variable Annuity Insurance	He-kou-ai Variable Universal Life Insurance
Yueh-yueh-kang-li Foreign Currency Variable Annuity Insurance	Le-huo-fei-yang Variable Life Insurance
Hsin-fu-li-to Foreign Currency Variable Annuity Insurance	Le-huo-fei-yang Foreign Currency Variable Life Insurance
Hsin-hao-shih-cheng-shuang Variable Universal Life Insurance	Yueh-yueh Walker Variable Universal Life Insurance
Hsin-hsin-hsin-hsiang-lien Variable Universal Life Insurance	Yueh-yueh-li Hi Variable Annuity Insurance
Hsin-fu-li-shuang-hsiang Variable Life Insurance	Walker yu-li Variable Annuity Insurance
Hsin chin-huan-tsuan RMB Variable Annuity Insurance	Yueh-hsiang-le-tui Variable Annuity Insurance
Hsin-yueh-yueh-hsiang-li Foreign Currency Variable Annuity Insurance	Hsin-yueh-yueh-hsiang-li Variable Annuity Insurance
Hsin-le-hsiang-jen-sheng Foreign Currency Variable Annuity Insurance	Fei Young jen-sheng Variable Annuity Insurance
Le-fu-jen-sheng Variable Life Insurance	Fei Young jen-sheng Foreign Currency Variable Annuity Insurance
Le-fu-jen-sheng Foreign Currency Variable Annuity Insurance	Yueh-yueh-chia-hsin Variable annuity Insurance

Hsin-chin-tsai-wan-fen Foreign Currency Variable Annuity Insurance	Yueh-yueh-chia-hsin Foreign Currency Variable Annuity Insurance
Chen-chin-tsai-chueh-lun Variable Life Insurance	Fu-li-to-hsin Variable Life Insurance
Chen-chin-tsai-wan-fen Variable Annuity Insurance	Chen-le-hsiang-jen-sheng Variable Life Insurance
Chen-chin-tsai-wan-fen Foreign Currency Variable Annuity Insurance	Chen-le-hsiang-jen-sheng Foreign Currency Variable Life Insurance
Chen-to-chin-te-li Variable Life Insurance	Chen-le-hsiang-jen-sheng Variable Annuity Insurance
Chen-to-chin-te-li Variable Annuity Insurance	Chen-le-hsiang-jen-sheng Foreign Currency Variable Annuity Insurance
Chen-to-chin-te-li Foreign Currency Variable Annuity Insurance	Hsin-yueh-yueh-hao-li Variable Life Insurance
Chen-to-chin-fu-li Variable Life Insurance	Hsin-yueh-yueh-hao-li Foreign Currency Variable Life Insurance
Chen-to-chin-fu-li Variable Annuity Insurance	Hsin-yueh-yueh-hao-li Variable Annuity Insurance
Chen-to-chin-fu-li Foreign Currency Variable Annuity Insurance	Hsin-yueh-yueh-hao-li Foreign Currency Variable Annuity Insurance
Chen-le-fu-jen-sheng Variable Life Insurance	Hsin-le-huo-fei-yang Variable Life Insurance
Chen-le-fu-jen-sheng Variable Annuity Insurance	Hsin-le-huo-fei-yang Foreign Currency Variable Life Insurance
Chen-le-fu-jen-sheng Foreign Currency Variable Annuity Insurance	Hsin-le-huo-fei-yang Variable Annuity Insurance
Chen-le-fu PLUS Variable Life Insurance	Hsin-le-huo-fei-yang Foreign Currency Variable Annuity Insurance
Chen-le-fu PLUS Foreign Currency Variable Life Insurance	Chen-yueh-yueh-ao-li Foreign Currency Variable Life Insurance
Chen-yueh-yueh-yu li Variable Life Insurance	Chen-fu-shih-chi Variable Universal Life Insurance (Type C)
Chen-yu-shih-chi Variable Universal Life Insurance	Chen-cho-yueh-li-tsai Variable Universal Life Insurance
Chen-hao-shih-cheng-shuang Variable Universal Life Insurance	Chen-hsin-hsin-hsiang-lien Variable Universal Life Insurance
Chen-chien-tan-i Variable Universal Life Insurance	Chen-he-chia-ai Variable Universal Life Insurance
Chen-he-kou-ai Variable Universal Life Insurance	Chen-fu-shih-chi Variable Life Insurance (Type A)
Chen-yueh-yueh-hsiang-fu Variable Life Insurance	Chen-yueh-yueh-hsiang-fu Foreign Currency Variable Life Insurance

Chen-yueh-yueh-hsin-an Variable Universal Life Insurance	Chen-yueh-yueh-fei-yang Variable Life Insurance
Hen hsiang-hao-yeh Variable Life Insurance	Chen-yueh-yueh Walker Variable Universal Life Insurance
Chen-fu-li-to-hsin Variable Life Insurance	Chen-fu-li-shuang-hsiang Variable Life Insurance
Yueh-hsiang-hsin-li Variable Life Insurance	Yueh-yueh-yu-hsin Variable Life Insurance
Yueh-hsiang-hsin-li Variable Annuity Insurance	Yueh-yueh-yu-hsin Variable Annuity Insurance
Yueh-yueh-yu-hsin Foreign Currency Variable Annuity Insurance	iSmart Variable Life Insurance
Investment-linked Insurance Rider and Endorsement	
Evaluation Day Plus Chuang-shih-chi Variable Universal Life Insurance Endorsement	Chin-tsai-chueh-lun Investment Target Endorsement
Chuang-shih-chi Variable Universal Life Insurance Value-Added Bonus Additional Clause	Hsiang-le 88 Investment Target Endorsement
Variable Universal Life Insurance plus Yung-an Premium Waiver Rider Endorsement	Investment Target Entrusted to Schroder Investment Account Endorsement (Growth Accumulating Type)
Accidental Life Care Insurance Additional Clause	Income Distribution/ Return of Asset Payment and Partial Withdrawal Endorsement
Fu-li-to Investment Target Endorsement	Le-hsiang-jen-sheng Investment Target Endorsement
Investment Target Endorsement	Yueh-yueh-kang-li Investment Target Endorsement
Parent-Subsidiary Fund Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (I)
OIU nien-nien-chi-li Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (II)
Chin-huan-tsuan Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (III)
Investment Target Conversion Fee Endorsement	Entrusted Investment Account Investment Target Endorsement (IV)
Investment Target Entrusted to Alliance Bernstein Investment Account Endorsement	Entrusted Investment Account Investment Target Endorsement (V)
Fu-li-shuang-hsiang Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (VI)

Investment Target Entrusted to BlackRock Investment Account Endorsement (Growth Income Type)	Entrusted Investment Account Investment Target Endorsement (VII)
Ao-li-fu Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (VIII)
Yung-an Insurance Premium Waiver Health Insurance Rider (Investment-Linked Insurance)	Entrusted Investment Account Investment Target Endorsement (IX)
Structured Commodity Plus Investment Type Foreign Currency Insurance Policy Loan Endorsement	Entrusted Investment Account Investment Target Endorsement (X)
Investment Target Entrusted to BlackRock Investment Account Endorsement	Hsin-cho-yueh-li-tsai Double Platform Endorsement
Investment Insurance Initial Investment Allocation Date Endorsement	iSmart Investment Target Endorsement
New Money Market Fund and Change Value-Added Bonus Calculation Formula Endorsement	
Accidental injury insurance	
e-yu-yu Travel Insurance	Micro Personal Accident Insurance
Construction Workers Group Accident Insurance	Micro Accident Insurance
Vehicle Passenger Travel Insurance	Hsin-ping-an Group Insurance
Hsin Travel Insurance	Hsin-liu-hsueh-yu-shou Accident Insurance
Hsin-e-lu-ping-an Accident Insurance	Chen-chuan-fang-wei Accident Insurance
Le-ping-an Accident Insurance	iCarry Accident Insurance
Group Insurance Main Contract	
Group Term Life Insurance	Group ao-yu-shih-tai Health Insurance (Type A, Type B)
Group One Year Major Illness Term Insurance	Shou-hu-kung-chiao Group Long-Term Care Health Insurance
New Group Term Life Insurance	Group Fei-hsiang-shih-tai College Student Insurance (Type A, Type B)
Group Accident Insurance	Hsin-fu-chi Group Interest Sensitive Annuity Insurance
Fishermen's Group Insurance	He-hu-kung-chiao Group Long-Term Care Health Insurance
Group Micro Accident Insurance	He-hu-shih-tai Group Long-Term Care Health Insurance

Group Business Travel Insurance	Group Long-Term Care Health Insurance (XDT)
New Group Accident Medical Alternative Benefit Accident Insurance	2019 Group Insurance for Students Below High School and for Kindergarten Children
Group Accidental Death Insurance	Hsieh-chin-min-li-chih-hsing-chin-wu Group Accident Insurance
Child Group Insurance	Group Newly Diagnosed Specific Cancer Health Insurance
Group Incapacity Health Insurance	New Group Business Travel Insurance
Group Occupational Accident Insurance	
Group Insurance Rider and Endorsement	
Group Accident Hospitalization Daily Benefit Accident Insurance Rider	An-shun Group One-Year Cancer Term Health Insurance Rider
Group Accident Limited Coverage Medical Accident Insurance Rider	Group Chuan-i Hospitalization Limited Coverage Medical Health Insurance Rider
Group Accident Medical Alternative Benefit Accident Insurance Rider	Group Hospitalization Surgery Limited Coverage Health Insurance Additional Clause
Group Insurance Air Accident Additional Clause	Group Outpatient Surgery Limited Coverage Health Insurance Additional Clause
Group Accident Insurance Fracture Non-Hospitalized Medical Benefits Additional Clause	Group Illness Level 2-11 Disability Health Insurance Additional Clause
Group Burn Injury Coverage Accident Insurance Additional Clause	Group Outpatient Limited Amount Health Insurance Additional Clause
Group Disability Coverage Accident Insurance Additional Clause	Group Hospitalization Medical Expense Limited Coverage Health Insurance Rider
Group ICU Accident Insurance Additional Clause	Hsin-Group Hospitalization Daily Health Insurance Rider
Group Land and Sea Public Transport Accident Insurance Additional Clause	Group Inpatient Medical Expense Limited Coverage Health Insurance Rider
Group Occupational Accident Insurance Additional Clause	Group Major Illness One-year Term Health Insurance Rider (Type A)
Group Disability Level 2-11 Accident Insurance Additional Clause	Group Illness Level 2-7 Disability Health Insurance Additional Clause
Group Elevator Accident Insurance Additional Clause	Group Incapacity Medical Coverage Health Insurance Additional Clause

Group Accident Outpatient Coverage Accident Insurance Additional Clause	Group Hospitalization Daily Increment Health Insurance Rider
Group Specific Accident Insurance Additional Clause	Group Hospitalization Surgery Fixed Sum Health Insurance Rider
Group Accident Emergency Limited Coverage Accident Insurance Rider	Group hsin Hospitalization Surgery Limited Coverage Health Insurance Additional Clause
Group Accident Insurance Rider	Group hsin-chuan-i Hospitalization Limited Coverage Medical Health Insurance Rider
Group Disability Living Allowance Accident Additional Clause	Group hsin Outpatient Surgery Limited Coverage Health Insurance Additional Clause
Group Hsin Accident Medical Limited Coverage Accident Insurance Rider	Group Occupational Death or Level 1 Disability Insurance Additional Clause
Group wen-hsin Hospitalization Daily Health Insurance Rider	An-hsin Diagnosed One-Year Cancer Term Health Insurance Rider
Group wen-ching Hospitalization Medical Health Insurance Rider (Type A)	Group Occupational Disaster Benefit Medical Health Insurance Additional Clause
Group wen-ching Hospitalization Medical Health Insurance Rider (Type B)	Group Hospitalization 120 Per Day Health Insurance Rider
Group Hospitalization Limited Coverage Medical Health Insurance Rider (Type A, Type B)	Group Fei-hsiang-shih-tai College Student Hospitalization Medical Health Insurance Endorsement
Group Hospitalization and Return Visit Health Insurance Additional Clause	Group fei-hsiang-shih-tai Colleges Subsidies Major Surgery Benefit Health Insurance Additional Clause
Group Intensive Care/ Burn Injury Health Insurance Additional Clause	Group Fei-hsiang-shih-tai College Student Hospitalization Medical Health Insurance Additional Clause
Group Outpatient Surgery Health Insurance Additional Clause	Group fei-hsiang-shih-tai College Student Surgery Limited Coverage Health Insurance Additional Clause
Group Newly Diagnosed Cancer One-Year Term Insurance Rider	Group fei-hsiang-shih-tai College Accident Outpatient Limited Coverage Accident Insurance Additional Clause
Group Cancer One-Year Term Hospitalization Health Insurance Rider	Group fei-hsiang-shih-tai College Student Medical and X-ray Examination Fee Limited Coverage Health Insurance Additional Clause
Group Maternity Benefits Health Insurance Additional Clause	Group fei-hsiang-shih-tai College Food Poison Condolences Accident Insurance Additional Clause

Group Hospitalization Daily Health Insurance Rider	Group fei-hsiang-shih-tai College Student Newly Diagnosed Cancer Health Insurance Additional Clause
Group Hospitalization Two-Week Return Visit Health Insurance Additional Clause	Group fei-hsiang-shih-tai College Major Illness Health Insurance Additional Clause
Group Emergency Limited Coverage Health Insurance Additional Clause	Group fei-hsiang-shih-tai College Student Fracture Non-Hospitalization Allowance Additional Clause
Group Hospitalization Fixed Sum Medical Health Insurance Rider	Group ao-yu-shih-tai Outpatient Emergency Limited Amount Health Insurance Additional Clause
Group Outpatient Before and After Hospitalization Insurance Additional Clause	Group Overseas Sudden Illness/ Burn Injury Medical Insurance Premiums Additional Clause
Group Accident Medical Limited Coverage Accident Insurance Endorsement	Group Overseas Sudden Illness/ Injury Medical Insurance Premiums Additional Clause
Group Hospitalization Preferential Medical Health Insurance Endorsement	Group Overseas Sudden Illness/ Injury Outpatient (Emergency) Limited Coverage Health Insurance Additional Clause
Group chuan-i Hospitalization Preferential Medical Health Insurance Endorsement	New Group Overseas Sudden Illness/ Burn Injury Medical Insurance Premiums Additional Clause
Group Hospitalization Surgery Limited Coverage Health Insurance Endorsement	Exempt from Insurance Addition/ Cancellation Endorsement
Group chuan-i Hospitalization Limited Coverage Medical Health Insurance Endorsement	Group Insurance War Limit Deletion Amendment Endorsement
Group Hospitalization Increment Compensation Payment Health Insurance Endorsement	Group Accident Exclusion Endorsement
Group hsin-chuan-i Hospitalization Preferential Medical Health Insurance Endorsement	Change of Insured Application Method Endorsement e
Group Newly Diagnosed Cancer Health Insurance Endorsement	Employee Group Effective Method for Change of Insured Endorsement
Welfare Group Health Insurance Rider Premium Payment Limit Endorsement	Non-Employee Group Effective Method for Change of Insured Endorsement
Death Insurance/ Funeral Expenses Insurance Beneficiaries Specific Endorsement	Group Insurance Experience Dividend Endorsement

Group Business Travel Accident Insurance Medical Coverage Additional Clause	Specific Endorsement of Unpaid Medical Insurance Death Benefits for Dependents
Group Cancer Treatment Health Insurance Additional Clause	Group Insurance Contract Health Promotion Feedback Endorsement
Group Intensive Care/ Burn Injury Insurance Additional Clause	Appointment and Amendment of Death Benefit Beneficiaries Endorsement
New Group Business Travel Accident Insurance Medical Coverage Additional Clause	Change Insured Person Endorsement
New Group Business Travel Insurance International Air Ambulance Medical Transportation Additional Clause (XDT)	

(II) Industry Overview, Technology, Research and Development, and Long and Short-term Business Development Plan

1. Industry Overview:

In 2020, insurance penetration reached 16.02% in Taiwan, while the total life insurance premium income reached NT\$3.16 trillion, with total assets of NT\$31.75 trillion, which grew steadily by 8.0% YoY compared to 2019.

2. Technology, Research and Development

Please refer to the contents in Chapter One: I. (IV).

3. Short-term business development plan:

The insurance business environment currently faces a number of challenges including the COVID-19 pandemic, changes in accounting standards, regulatory environment, insurance technology, and demographics, for which the company has responded with the following short-term business plans:

- (1) Enforce data governance; enhance preemptive internal control and asset & liability management (ALM) for strengthening of corporate health.
- (2) Adopt international standards (e.g. IFRS17, ICS2.0) and make ongoing adjustments to product structure and asset allocation for improved profits and financial structure.
- (3) Maintain corporate flexibility, develop innovative business models, integrate talents, and implement flexible work model to accommodate drastic environment changes.

- (4) Utilize group resources to create a value-adding channel that supports the Group's growth in size and quality.

4. Long-term business development plan:

Cathay Life embraces its mission of providing “Cathay Life, Sunshine in Your Life” and enforces its vision of “InSurTech, Happiness Gets.” The four main strategies below have been proposed as means to accomplish the above:

- (1) Creation of an insurance ecosystem

Coordinate resources across group affiliates and participants of different industries for collective customer management. By integrating resources and service scenarios throughout the Group, the company will offer extended insurance solutions to facilitate interaction with customers and promote policyholders' health.

- (2) Segmentation and precision marketing

Using statistical data, the company aims to gain insight into customers' needs for more efficient customer segmentation, product recommendation and overall business management.

- (3) Consistent customer experience across channels

Integrate online and offline channels and enhance service process from customers' perspective, use data as the foundation and strive to deliver experience/service beyond customers' expectation.

- (4) Smart Working

Create a work environment characterized by open communication, energy, flexibility, and competitiveness for improved work quality and productivity.

II. An analysis of the market as well as the production and marketing situation

(I) Market Analysis:

1. Market share:

Item Year	First-year-premium	Subsequent-year-premium	Total premium
2018	15.3%	22.0%	19.4%
2019	15.8%	21.6%	19.4%
2020	17.5%	22.5%	21.1%

Source: The Life Insurance Association of the R.O.C.

2. Macroeconomic environment:

The spread of COVID-19 pandemic in 2020 has severely dragged down economic growth in various countries and affected global trade. Despite successful R&D of vaccines, the control of the COVID-19 pandemic and

the confidence of business and consumer still cause economic instability. However, the prevention and control of the COVID-19 pandemic in Taiwan led to economic growth of 3.92% in the third quarter of 2020, and the central bank forecast annual economic growth of up to 2.58% in 2020. Meanwhile, the standoff between China and the U.S. and the COVID-19 pandemic cause a shift in the global supply chain. Furthermore, other geopolitical risks further affect prospects of trade, investment, and the financial market.

3. Regulatory environment

(1) Cooperate with government policies on Green Finance 2.0 and Corporate Governance 3.0

In order to accelerate the innovation momentum of financial technology, companies are encouraged to use emerging technologies to provide more convenient and customized financial products and services through innovation and cross-industry cooperation. In addition to launching the regulatory sandbox experimentation, the competent authority also released the “Procedures for Insurance Application Trials” to encourage life insurance companies to simultaneously apply innovative emerging financial technologies on insurance businesses.

(2) Cultivate digital technology applications for convenient insurance services

To accelerate the innovation momentum of financial technology, the insurance industry gradually promoted digital transformation, while the competent authority will continue to optimize the digital insurance environment, activate online insurance business, and encourage companies to use emerging technologies to provide more convenient and customized financial products and services through innovation and cross-industry cooperation. To keep in line with the trend of e-insurance policies and optimize insurance services, the company will actively promote e-insurance policies and third-party agency accreditation mechanisms.

(3) Stress testing of the public version to strengthen financial stability

As a public tool of our society, most of the funds in the insurance industry come from policyholders. There were radical changes in the global economy due to the COVID-19 pandemic amid low market interest. Therefore, the competent authority pays great attention to the resilience of financial institutions. For the first time, the insurance industry is incorporated in the stress testing of the public version, taking into account factors that affect the solvency of insurance companies for its test scenario, closely linked to exchange rate, interest rate, and stock market turbulence, and covering the climate change stress scenario, in order to measure the risk tolerance of insurance companies under various stress scenarios.

4. Analysis of future market supply and demand:

(1) Given the ongoing digital transformation of the financial industry, the company will continue making improvements to its product and service models, optimizing service procedures in favor of digital marketing, and

effectively applying smart technology to channel operations and insurance services. With proper integration of virtual and physical channels, the company will be able to deliver higher operational efficiency and better customer experience.

- (2) The needs of elderlies on financial and health management as well as medical care have increased as Taiwan will become a super-aged society, and early warning functions and remote care systems will be set up through IoT and wearable devices. Spillover insurance policies can be used in innovative development of preventive health care during the COVID-19 pandemic, health promotion, and long-term care. Thereby the Company advocates the concept of “from ex-post compensation” to “ex-ante prevention.”

5. Positive and negative factors for future development

(1) Positive factors

- A. In the past 5 years, global insurance technology growth trend has led to digital transformation in Taiwan’s insurance industry. The competent authority gradually lifted laws and regulations related to insurance technology. Through empowerment technology, the company has actively deepened digital technology applications. In the future, the industry will continue to incorporate technology into the insurance value chain, and improve the efficiency of financial services and meet the needs of customers through emerging technologies.
- B. As people become more aware of health management during the COVID-19 pandemic, the company implemented health promotion initiatives to connect multiple services and established a healthy ecosystem, with continual development of new mechanism with spillover effect and exclusive products for members. The company will design and promote its products by upholding the conception of protection as the nature of insurance, and advocating a value-oriented approach to ensure sustainable business growth.
- C. Taiwan is expected to become a hyper-aged society in 2025, and an aging population combined with low fertility will increase demand for nursing and retirement planning. Insurance companies are expected to continue developing products and services that are targeted toward senior individuals with a focus on wealth accumulation and retirement needs. It is foreseeable for future commercial insurance to be designed closely in connection with social insurance.

(2) Negative factors

- A. The low interest environment will persist as a result of the pandemic and the fact that the Fed expects no significant interest hike before 2023. There are also concerns that governments may have run out of policy measures, which gives rise to a new risk on its own. Meanwhile, trade conflicts between China and the U.S. are forcing businesses to relocate and adjust production capacity, whereas

economic and geopolitical risks continue to disturb stability of the global economy and financial markets, which in turn reduces spread and investment returns of life insurance companies. The company will respond by monitoring market changes and directing attention towards asset quality, security, balance sheet management, and risk control.

- B. As digital services increase in popularity, the insurance industry will be gathering and making use of data at increasing volume for a number of purposes from risk management to the design of new products and services. Uses of new technology and increased level of cross-industry collaboration give rise to information security risks, and the company will enhance security protection not only for compliance with government policies, but also to ensure continuity of business activities.
- C. Adoption of international standards such as International Financial Reporting Standards (IFRS) No. 17 and International Capital Standard (ICS) 2.0 will affect net worth calculation of the life insurance industry, causing substantial variation to reported profits while increasing compliance and administrative costs. The company will take the initiative to adopt IFRS17- and ICS-compliant information systems, make ongoing adjustments to its operating strategies, and organize intensive training to prepare employees for upcoming changes.

(II) Usage and manufacturing processes for the company's main products: None.

(III) Supply situation for the company's major raw materials: None.

(IV) A list of any suppliers and clients accounting for 10% or more of the company's total procurement (sales) amount in either of the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures: None.

(V) Production volume for the two most recent fiscal years: None.

(VI) Volume of units sold for the two most recent fiscal years:

Year \ Item	Total insurance premium (NT\$ 100 Million; excluding reinsurance premium)	In-force general individual life insurance (Ten thousand cases)	Total operating income (NT\$m)
2019	6,741.5	1319.4	906,585
2020	6,660.8	1333.1	906,260

III. Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report.

Year		2019	2020	As of March 31
Number of employees	Back-Office Personnel	4,917	4,948	4,917
	Front-Office Personnel	28,292	28,435	28,151
	Total	33,209	33,383	33,068
Avg. Age		43.73	43.78	43.90
Average years of services		12.01	12.05	12.14
Highest educational attainment	Doctorate	0.04%	0.04%	0.05%
	Master	7.52%	7.94%	8.03%
	Bachelor	51.55%	52.79%	53.13%
	High School	38.03%	36.63%	36.30%
	Below High School	2.86%	2.60%	2.49%

IV. Disbursements for environmental protection

The company is part of the insurance service industry, which is not an industry with major pollution issues.

V. Labor relations

(I) Current related agreements and implementation:

1. The company has built up a harmonious labor-management relationship for more than 50 years since its establishment. In April 1998, the scope of application of the Labor Standards Act was successfully introduced. The company not only adopted "Work Rules" in accordance with laws and regulations, but also signed labor contracts with employees to establish clear employee rights and obligations and avoid labor disputes.

2. The company always attaches importance to the organizational commitment across employees, and improves gender equality, the working environment, education and training in order to accept the opinions of employees. It also conducts employee engagement surveys on a regular basis, with employee satisfaction maintained at good levels in recent years. The company has been awarded as a two-star Best Companies to Work For by the Department of Labor, Taipei City Government (from overall evaluation of the parent company Cathay Financial Holdings), and has won international recognition including the “Improved Quality of Working Life” award by the International Federation Of Training And Development Organizations (IFTDO), and the “Best Companies to Work for in Asia.”

(II) Employee benefit programs

1. Labor Insurance and National Health Insurance for employees: In order to safeguard the health of employees and their families, the employees are fully insured of Labor Insurance and National Health Insurance, with insurance protections including death benefits, injury and illness benefits, occupational disaster medical benefits, maternity benefits, disability benefits and senior health care benefits.
2. Employee Benefit Group Insurance: Employees are insured with Group Insurance which covers death benefits, disability benefits, dependent death benefits, and medical compensation (including dependents).
3. Accident Insurance for employees: Each employee is insured with NT\$3 million in accident insurance to provide employees with better livelihood protection.
4. Establish an Employee Welfare Committee to be responsible for related employee activities and benefits:
 - (1) Birthday gifts for employees.
 - (2) Employees’ Year-End Festival.
 - (3) Employees’ Year-End gift certificates.
 - (4) Educational subsidies and scholarship for children of employees, as well as foreign language education and on-job training subsidies.
 - (5) Employee traveling activities, hiking, family day activities.
 - (6) Employee clubs and activities.
 - (7) Marriage allowance and maternity allowance.
 - (8) Other benefits.
5. Year-end bonus: Employees receive a generous year-end bonus based on the company’s annual earnings, .

(III) Education and Training

1. Various business-related training: The company designed training blueprints for employees based on their functional requirements for various management levels, and continuously invested large amounts of resources in cultivating financial professionals. A training plan has also been set up to train key staff based on organizational development and training needs of

all employees at different career stages in the aim to continue to enhance team competitiveness.

2. Domestic and foreign research and study: In order to keep in line with the market, latest technology and knowledge, corresponding colleagues are assigned to participate in domestic and foreign seminars based on various professional requirements, in order to enhance the company's competitiveness.
3. Professional or degree courses: Outstanding colleagues are assigned to participate in short-term professional or degree courses of well-known domestic and foreign institutions on a regular basis, and related costs are fully subsidized.

(IV) Retirement and dismissal system

1. Bereavement pensions/compensation: Employees who have died in service or died on duty are given bereavement pensions or compensation.
2. Pensions: Employees who retire at the age or apply for retirement can receive retirement benefits, of which employees that reported for duty before March 31, 1998 shall be paid in a maximum of 61 base units of average monthly salary in accordance with the Labor Standards Act and work rules, while employees that reported for duty after April 1, 1998 shall be paid in a maximum of 45 base units of average monthly salary, or paid based on relevant provisions of the Labor Pension Act.
3. Severance pay: Employees who have served prior to the work rules of Labor Standard Act, and those who have been discharged for a certain period of time or more, can apply for severance pay according to relative application requirements, with a maximum of 35 base units of average monthly salary.
4. Man Sau Chinese Seniors Club: Retired employees with up to 15 years of service may be members of the Man Sau Chinese Seniors Club.
5. Other benefits such as group insurance and social activities for retired employees.

(V) Loss from labor disputes in the recent years up to the publication of this annual report: None.

(VI) Labor inspection results

Punishments for violations of against the Labor Standards Act after labor inspection: None.

VI. Important contracts and commitments

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Major reinsurers and reinsurance contracts	Central Reinsurance Corporation	1970/9/30~	Reinsurance contracts for life and casualty insurance policies	None
	Swiss Reinsurance company Ltd	1970/9/30~	Reinsurance contracts for life and health insurance policies	
	Munich Reinsurance company	1975/4/1~	Reinsurance contracts for life, health and casualty insurance policies	
	RGA Reinsurance company	1998/9/1~	Reinsurance contracts for life and health insurance policies	
	SCOR SE	1998/1/1~	Reinsurance contracts for life, health and casualty insurance policies	
	Hannover Rück SE	2003/1/1~	Reinsurance contracts for life, health and casualty insurance policies	

Note: If both parties of the reinsurance contracts of life and health insurance are in consent, the contracts will be automatically renewed. Other contracts are one-year contracts.

Six. Financial Report

I. Five Year Condensed Balance Sheet and Comprehensive Income Statement Summary

(I) Five Year Condensed Balance Sheet Summary

1. Consolidated financial statement

Unit: NT\$ thousand

Year Item		Five Year Financial Results					Financial Information as of 03/31/2021	
		2020	2019	2018	2017	2016		
Cash and cash equivalents		\$515,120,301	\$402,051,684	\$175,332,205	\$210,543,885	\$148,761,072	(Note 4)	
Receivable		69,178,243	82,467,914	74,970,469	81,845,945	70,613,079		
Financial assets and loans		6,282,949,269	5,850,011,560	5,437,465,863	5,116,300,938	4,717,764,496		
Reinsurance assets		2,200,691	1,743,932	1,518,910	758,458	738,779		
Property and equipment		29,453,426	32,271,269	32,381,622	31,077,311	29,498,116		
Intangible assets		44,070,838	41,346,899	44,044,960	46,272,945	49,045,554		
Other assets (Note 1)		732,586,557	675,730,248	625,680,600	610,855,079	540,529,378		
Total assets		7,675,559,325	7,085,623,506	6,391,394,629	6,097,654,561	5,556,950,474		
Payables		30,171,547	30,964,602	32,822,268	25,235,969	24,352,689		
Financial Liabilities		91,826,925	83,005,228	97,499,106	76,104,658	67,028,652		
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve		6,085,533,922	5,683,423,989	5,313,166,664	4,944,291,611	4,567,324,451		
Provisions		56,245	233,871	225,277	472,002	424,226		
Other liabilities (Note 2)		746,844,205	693,477,828	585,551,888	610,368,958	533,836,536		
Total liabilities	Before payout	6,954,432,844	6,491,105,518	6,029,265,203	5,656,473,198	5,192,966,554		
	After payout	(Note 3)	6,491,105,518	6,029,265,203	5,656,473,198	5,192,966,554		
Capital stock		58,515,274	58,515,274	57,265,274	53,065,274	53,065,274		
Capital surplus		60,606,533	60,607,456	51,535,925	13,767,663	13,767,663		
Retained earnings	Before payout	416,092,528	364,423,657	331,036,962	326,660,113	298,348,294		
	After payout	(Note 3)	364,423,657	331,036,962	316,679,364	290,369,975		
Other equity		178,513,029	105,072,396	(83,245,452)	42,094,995	42,094,995		
Non-controlled interests		7,399,117	5,899,205	5,536,717	5,593,318	5,593,318		
Total equity	Before payout	721,126,481	594,517,988	362,129,426	441,181,363	363,983,920		
	After payout	(Note 3)	594,517,988	362,129,426	431,200,614	356,005,601		
Note 1: Other assets include right-of-use assets, deferred tax assets and separate account product assets.								
Note 2: Other liabilities include current income tax liabilities, lease liabilities, deferred tax liabilities and separate account product liabilities.								
Note 3: The data is not available after the earnings distribution in 2020, as the company has not yet convened a shareholders’ meeting for resolution of earnings distribution.								
Note 4: According to Paragraph 1, Article 19 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”, financial data for the most recent period has not been audited and attested or reviewed by a CPA before the date of publication of the annual report, and need not be disclosed.								

2. Individual Statement

Unit: NT\$ thousand

Year Item		Five Year Financial Results					Financial Information as of 03/31/2021	
		2020	2019	2018	2017	2016		
Cash and cash equivalents		\$504,040,612	\$392,341,567	\$164,504,001	\$201,115,297	\$140,831,329	(Note 4)	
Receivable		64,212,928	78,031,177	70,860,435	77,861,873	67,241,645		
Financial assets and loans		6,249,700,647	5,830,260,811	5,429,239,626	5,108,414,329	4,723,135,998		
Reinsurance assets		2,087,931	1,677,797	1,480,860	726,118	703,844		
Property and equipment		26,750,271	29,653,823	29,848,752	29,532,953	27,983,884		
Intangible assets		29,509,337	31,478,209	33,545,574	35,653,303	37,657,462		
Other assets (Note 1)		728,026,748	671,416,154	621,937,547	607,385,501	537,028,697		
Total assets		7,604,328,474	7,034,859,538	6,351,416,795	6,060,689,374	5,534,582,859		
Payables		24,648,142	25,554,039	27,799,042	16,112,637	21,434,245		
Financial Liabilities		91,778,038	82,974,334	97,499,106	76,104,658	66,982,208		
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve		6,034,623,477	5,647,301,880	5,285,984,127	4,923,976,857	4,553,416,301		
Provisions		56,245	56,245	56,245	56,245	56,245		
Other liabilities (Note 2)		739,495,208	690,354,257	583,485,566	608,850,932	531,398,699		
Total liabilities	Before payout	6,890,601,110	6,446,240,755	5,994,824,086	5,625,101,329	5,173,287,698		
	After payout	(Note 3)	6,446,240,755	5,994,824,086	5,625,101,329	5,173,287,698		
Capital stock		58,515,274	58,515,274	57,265,274	53,065,274	53,065,274		
Capital surplus		60,606,533	60,607,456	51,535,925	13,767,663	13,768,468		
Retained earnings	Before payout	416,092,528	364,423,657	331,036,962	326,660,113	298,348,294		
	After payout	(Note 3)	364,423,657	331,036,962	316,679,364	290,369,975		
Other equity		178,513,029	105,072,396	(83,245,452)	42,094,995	(3,886,875)		
Total equity	Before payout	713,727,364	588,618,783	356,592,709	435,588,045	361,295,161		
	After payout	(Note 3)	588,618,783	356,592,709	425,607,296	353,316,842		
Note 1: Other assets include right-of-use assets, deferred tax assets and separate account product assets.								
Note 2: Other liabilities include current income tax liabilities, lease liabilities, deferred tax liabilities and separate account product liabilities.								
Note 3: The data is not available after the earnings distribution in 2020, as the company has not yet convened a shareholders’ meeting for resolution of earnings distribution.								
Note 4: According to Paragraph 1, Article 19 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”, financial data for the most recent period has not been audited and attested or reviewed by a CPA before the date of publication of the annual report, and need not be disclosed.								

(II) Five Year Condensed Income Statement

1. Consolidated financial statement

Unit: NT\$ thousand (excluding earnings per share)

Item \ Year	Five Year Financial Results					Financial Information as of 03/31/2021
	2020	2019	2018	2017	2016	(Note 1)
Operating income	\$933,078,907	\$928,939,094	\$819,418,217	\$876,379,516	\$848,067,953	
Operating cost	853,629,597	859,448,121	763,040,422	815,057,155	790,882,784	
Operating expenses	29,565,063	30,691,802	29,165,453	28,790,215	30,768,264	
Non-operating income and expenses	1,588,615	1,709,895	1,312,360	1,441,684	1,956,244	
Net profit before tax	51,472,862	40,509,066	28,524,702	33,973,830	28,373,149	
Net profit this term	52,682,113	38,293,071	30,297,261	36,267,725	30,234,621	
Other comprehensive income (net amount after tax)	77,198,672	(173,901,169)	(173,901,169)	45,818,490	(572,728)	
Total comprehensive income this term	129,880,785	222,300,511	(143,603,908)	82,086,215	29,661,893	
Net profit attributable to the owner of parent	51,744,594	37,845,953	30,189,320	36,290,138	30,128,660	
Net profit belonging to non-controlled equity	937,519	447,118	107,941	(22,413)	105,961	
Total comprehensive income attributable to the owner of parent	129,053,807	221,704,543	(143,618,129)	82,272,008	29,898,718	
Total comprehensive income belonging to non-controlled equity	826,978	595,968	14,221	(185,793)	(236,825)	
Earnings Per Share (NTD)	8.84	6.60	5.47	6.84	5.68	

Note 1: According to Paragraph 1, Article 19 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”, financial data for the most recent period has not been audited and attested or reviewed by a CPA before the date of publication of the annual report, and need not be disclosed.

2. Individual Statement

Unit: NT\$ thousand (excluding earnings per share)

Item \ Year	Five Year Financial Results					Financial Information as of 03/31/2021
	2020	2019	2018	2017	2016	(Note 1)
Operating income	\$906,260,419	\$906,585,211	\$799,466,715	\$861,140,395	\$836,502,388	
Operating cost	837,328,341	846,503,873	751,709,190	807,086,790	786,309,932	
Operating expenses	20,564,071	22,141,294	21,472,697	21,676,305	24,154,280	
Non-operating income and expenses	1,582,615	1,663,036	1,310,502	1,429,361	1,955,342	
Net profit before tax	49,950,622	39,603,080	27,595,330	33,806,661	27,993,518	
Net profit this term	51,744,594	37,845,953	30,189,320	36,290,138	30,128,660	
Other comprehensive income	77,309,213	183,858,590	(173,807,449)	45,981,870	(229,942)	
Earnings Per Share (NTD)	8.84	6.60	5.47	6.84	5.68	

Note 1: According to Paragraph 1, Article 19 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”, financial data for the most recent period has not been audited and attested or reviewed by a CPA before the date of publication of the annual report, and need not be disclosed.

(III) Names of external auditors and audit opinions in recent five years:

Year	Certifying CPA	Audit results
2016	Bob Chang, Daniel Hsu	Audit Report with unqualified opinion
2017	Bob Chang, Daniel Hsu	Audit Report with unqualified opinion
2018	Bob Chang, Daniel Hsu	Audit Report with unqualified opinion
2019	Cheng-Hung Kuo, Li-Chi Chen	Audit Report with unqualified opinion
2020	Cheng-Hung Kuo, Shu-Wan Lin	Audit Report with unqualified opinion

II. Five Year Financial Analysis

1. Consolidated financial statement

Title			Year	Five Year Financial Analysis					As of March 31, 2021
			2020	2019	2018	2017	2016		
Financial structure (%)	Liabilities to assets ratio		90.60	91.61	94.33	92.76	93.45	(Explanation 2)	
	Ratio of long-term capital to property, plant and equipment		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Net worth ratio (%) (Explanation 3)		10.63	9.58	6.20	7.96	7.19		
Ability to repay debts (%)	Liquidity ratio		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Quick ratio		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Affiliate Investment/Equity (%) (Note 1)		4.27	7.26	10.88	7.60	8.88		
Operational ability (%)	Premium rate of new insurance contract		26.50	22.82	18.82	16.40	21.50		
	Premium income change (Note 2)		(4.92)	8.67	(8.67)	(0.06)	16.59		
	Capital utilization ratio		100.75	100.48	99.88	100.53	99.78		
	Persistency rate	13 months	98.15	97.96	98.36	98.19	98.28		
		25 months	95.54	96.36	94.71	94.29	92.24		
Profitability	ROA (%) (Note 3)		0.74	0.60	0.49	0.63	0.56		
	ROE (%)		8.01	8.01	7.54	9.01	8.49		
	Ratio of pre-tax net income to total paid-in capital (%) (Note 4)		43.21	34.01	26.22	50.83	42.45		
	Net profit margin (%) (Note 5)		5.65	4.12	3.70	4.14	3.57		
	Earnings Per Share (NTD) (Note 6)		8.84	6.60	5.47	6.84	5.68		
Cash flows	Cash flow ratio (%) (Note 7)		194.38	457.89	(121.52)	150.74	(36.27)		
	Cash flow adequacy rate (%) (Note 8)		196.58	(74.05)	(85.22)	(13.69)	12.51		
	Cash reinvestment ratio (%) (Note 9)		1.16	2.43	(1.44)	0.59	(0.68)		
Leverage	Operation leverage		126.11	121.89	141.04	126.94	133.85		
	Financial leverage		106.69	108.26	111.20	107.07	100.21		
Note 1: Mainly due to the lower equity method investments in 2020 compared to that in 2019.									
Note 2: Mainly due to narrower change in premiums as income 2020 compared to that in 2019.									
Note 3: Mainly due to the higher net profit after tax in 2020 compared to that in 2019.									
Note 4: Mainly due to the higher pre-tax net income in 2020 compared to that in 2019.									
Note 5: Mainly due to the higher after-tax net income in 2020 compared to that in 2019.									
Note 6: Mainly due to the higher after-tax net income in 2020 compared to that in 2019.									
Note 7: Mainly due to less cash flows from operating activities in 2020 compared to that in 2019.									
Note 8: Mainly due to more cash flows from operating activities in the last five years for 2020 compared to that for 2019.									
Note 9: Mainly due to less cash flows from operating activities in 2020 compared to that in 2019.									

Explanation 1: In accordance with Jin-Guan-Bao-Cai-Zi No. 09802506492 in December 30, 2009, financial ratios such as the long-term debt-to-asset ratio, quick ratio, current ratio are not required to be disclosed after 2011.

Explanation 2: According to Paragraph 1, Article 19 of the “Guidelines for Recording Matters in Annual Reports of Publicly-issued Companies,” as of the publication date of the annual report, it has not been completed by an accountant, so it is exempt from disclosure.

Explanation 3: In accordance with Jin-Guan-Bao-Cai-Zi No. 10804960006, insurance companies who have generally assumed problem insurance companies prior to the promulgation of the amendment of the Regulations Governing Capital Adequacy of Insurance Companies on December 4, 2019, from the calculation of the net worth ratio in the first half of 2019, the segregated account shall be counted into the non-segregated account at a growth rate of 10% per year.

2. Individual Statement

Title			Year	Five Year Financial Analysis					As of March 31, 2021
			2020	2019	2018	2017	2016		
Financial structure (%)	Liabilities to assets ratio		90.61	91.63	94.39	92.81	93.47	(Explanation 2)	
	Ratio of long-term capital to property, plant and equipment		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Net worth ratio (%) (Explanation 3)		10.64	9.57	6.14	7.91	7.17		
Ability to repay debts (%)	Liquidity ratio		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Quick ratio		(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)	(Explanation 1)		
	Affiliate Investment to Equity Ratio (Note 1)		12.75	17.87	27.61	20.63	23.75		
Operational ability (%)	Premium rate of new insurance contract		26.50	22.82	18.82	16.40	21.50		
	Premium income change (Note 2)		(4.92)	8.67	(8.67)	(0.06)	16.59		
	Capital utilization ratio		100.75	100.48	99.88	100.53	99.78		
	Persistence rate	13 months	98.15	97.96	98.36	98.19	98.28		
		25 months	95.54	96.36	94.71	94.29	92.24		
Profitability	ROA (%) (Note 3)		0.74	0.60	0.49	0.63	0.56		
	ROE (%)		7.95	8.01	7.32	9.11	8.52		
	Ratio of pre-tax net income to total paid-in capital (%) (Note 4)		41.93	33.25	25.36	50.58	41.89		
	Net profit margin (%) (Note 5)		5.71	4.17	3.78	4.21	3.60		
	Earnings Per Share (NTD) (Note 6)		8.84	6.60	5.47	6.84	5.68		
Cash flows	Cash flow ratio (%) (Note 7)		232.15	536.43	(131.62)	199.63	(40.92)		
	Cash flow adequacy rate (%) (Note 8)		174.88	(82.15)	(82.03)	(8.11)	12.82		
	Cash reinvestment ratio (%) (Note 9)		1.25	2.46	(1.45)	0.67	(0.71)		
Leverage	Operation leverage		114.80	118.74	126.17	120.98	128.68		
	Financial leverage		106.92	108.46	110.63	106.79	100.21		
Note 1: Mainly due to the lower equity method investments in 2020 compared to that in 2019.									
Note 2: Mainly due to narrower change in premiums as income 2020 compared to that in 2019.									
Note 3: Mainly due to the higher net profit after tax in 2020 compared to that in 2019.									
Note 4: Mainly due to the higher pre-tax net income in 2020 compared to that in 2019.									
Note 5: Mainly due to the higher after-tax net income in 2020 compared to that in 2019.									
Note 6: Mainly due to the higher after-tax net income in 2020 compared to that in 2019.									
Note 7: Mainly due to less cash flows from operating activities in 2020 compared to that in 2019.									
Note 8: Mainly due to more cash flows from operating activities in the last five years for 2020 compared to that for 2019.									
Note 9: Mainly due to less cash flows from operating activities in 2020 compared to that in 2019.									

Explanation 1: In accordance with Jin-Guan-Bao-Cai-Zi No. 09802506492 in December 30, 2009, financial ratios such as the long-term debt-to-asset ratio, quick ratio, current ratio are not required to be disclosed after 2011.

Explanation 2: According to Paragraph 1, Article 19 of the “Guidelines for Recording Matters in Annual Reports of Publicly-issued Companies,” as of the publication date of the annual report, it has not been completed by an accountant, so it is exempt from disclosure.

Explanation 3: In accordance with Jin-Guan-Bao-Cai-Zi No. 10804960006, insurance companies who have generally assumed problem insurance companies prior to the promulgation of the amendment of the Regulations Governing Capital Adequacy of Insurance Companies on December 4, 2019, from the calculation of the net worth ratio in the first half of 2019, the segregated account shall be counted into the non-segregated account at a growth rate of 10% per year.

The equations for calculation are shown below:

1. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (Net equity + non-current liabilities) / net property, plant and equipment.
- (3) Net worth ratio = owner's equity / total assets excluding separate accounts for investment-linked insurance

2. Ability to repay debts

- (1) Liquidity ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventories – prepaid expenses) / current liabilities
- (3) Affiliate Investment to Equity Ratio = Affiliate Investment / Equity

3. Operational ability

- (1) Premium rate of new insurance contract = cost of new insurance contract / revenue of new insurance contract
- (2) Premium income change = (Current accumulated premium income – accumulated premium income for the previous year) / accumulated premium income for the previous year.
- (3) Capital utilization ratio = total capital utilization / (insurance liabilities+equity).
- (4) Persistency rate (13 month, 25 month) = $PR_y = BF_x + y/NB'x \times 100\%$

4. Profitability

- (1) Return on Assets (ROA) = [corporate earnings + interest expenses \times (1 – tax rate)]/average total assets.
- (2) Return on Equity (ROA) = corporate earnings /average net equity.
- (3) Net Profit Margin (NPM) = corporate earnings / total operating income.
- (4) Earnings per share (EPS) = corporate earnings / weighed average quantity of outstanding shares.

5. Cash flows

- (1) Cash flow ratio = net cash flow from operation / current liabilities
- (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last 5 years/(capital expenditure + cash dividend) in the last 5 years
- (3) Cash reinvestment ratio = (Net cash flow in operating activities – cash dividend) / (Gross property, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

- (1) Operation leverage = (net income – variable expenses)/ operating income
- (2) Financial leverage = operating income / (operating income – interest expenses)

III. Audit Report from the Supervisors on the Latest Financial Statements

Audit Report from the Supervisors

The financial statements of the company covering the period from January 1 to December 31, 2020, and the business report and earning distribution plan have been prepared and submitted by the Board of Directors of the company. The financial statements were audited by Cheng-Hung Kuo CPA, and Shu-Wan Lin CPA, of Deloitte & Touche, who issued an auditors' report. The aforementioned business report, financial statements, and earning distribution plan have been reviewed by the supervisor, and in the supervisor's opinion, these are fairly presented as stated, submitted and prepared by the board of directors of the company, and are reported in accordance with Article 219 of the company Act. Please review and approve.

For

Board of Directors (entitled to execute shareholders' meeting functions)

Cathay Life Insurance Co., Ltd.

Resident Supervisor: Chih-Ying Tsai

Supervisor: Chih-Ming Lin

Supervisor: Yung-Chen Li

Supervisor: Han-Chang Tsai

Dated: March 17, 2021

IV. Audited consolidated financial reports of the parent and subsidiaries in the most recent year

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

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Life Insurance Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and 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, 2020 and 2019 and 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 Insurance Enterprises 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 auditing standards generally accepted in 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 for the year ended December 31, 2020. 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.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2020 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

The management of Cathay Life Insurance Co., Ltd. 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 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 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 23 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 the 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, 2020 to identify any abnormalities in the recognized amount 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, 2020.

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, 2020.
 - b. Sampled the significant assumptions provided by the management for our audits and examined whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.
 - c. Assessed the actuarial model and tested on a sample basis the 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, 2020.

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, the Company used the fair values assessed by external independent appraisers as reference. 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 the management, including the appraisal methods, main parameters and discount rates of the appraisal reports.

Other Matter

We have audited the financial statements of the Company as of and for the year ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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 Insurance Enterprises 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 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2020 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 audit resulting in this independent auditors' report are Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34)	\$ 515,120,301	7	\$ 402,051,684	6
RECEIVABLES (Notes 4, 5, 7 and 34)	69,178,243	1	82,467,914	1
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39)	1,397,135,509	18	1,331,028,157	19
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39)	1,222,686,258	16	854,341,271	12
Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39)	2,652,985,443	35	2,616,585,170	37
Financial assets for hedging (Notes 4, 5 and 10)	146,959	-	548,075	-
Investments accounted for using the equity method (Notes 4 and 12)	29,380,517	-	44,557,549	1
Investment property (Notes 4, 5, 14 and 34)	496,163,021	7	483,871,717	7
Investment property under construction (Notes 4, 14 and 34)	1,528,547	-	4,546,717	-
Prepayments for buildings and land - investments (Notes 4 and 14)	3,131,915	-	1,152,363	-
Loans (Notes 4, 5, 15 and 34)	<u>479,791,100</u>	<u>6</u>	<u>513,380,541</u>	<u>7</u>
Total investments	<u>6,282,949,269</u>	<u>82</u>	<u>5,850,011,560</u>	<u>83</u>
REINSURANCE ASSETS (Notes 4, 16 and 23)	2,200,691	-	1,743,932	-
PROPERTY AND EQUIPMENT (Notes 4 and 17)	29,453,426	-	32,271,269	-
RIGHT-OF-USE ASSETS (Notes 4, 18 and 34)	1,675,209	-	1,577,679	-
INTANGIBLE ASSETS (Notes 4 and 19)	44,070,838	1	41,346,899	1
DEFERRED TAX ASSETS (Notes 4 and 33)	56,690,743	1	36,156,766	-
OTHER ASSETS (Notes 20, 34 and 37)	32,536,037	-	30,453,369	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35)	<u>641,684,568</u>	<u>8</u>	<u>607,542,434</u>	<u>9</u>
TOTAL	<u>\$ 7,675,559,325</u>	<u>100</u>	<u>\$ 7,085,623,506</u>	<u>100</u>
LIABILITIES AND EQUITY				
PAYABLES (Notes 21 and 34)	\$ 30,171,547	1	\$ 30,964,602	1
CURRENT TAX LIABILITIES (Note 4)	477,145	-	635,483	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	11,687,067	-	2,974,334	-
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	139,858	-	30,894	-
BONDS PAYABLE (Notes 22 and 34)	80,000,000	1	80,000,000	1
INSURANCE LIABILITIES (Notes 4, 5 and 23)				
Unearned premium reserve	18,775,949	1	17,832,203	-
Loss reserve	12,163,853	-	11,042,612	-
Policy reserve	5,999,277,703	78	5,592,979,067	79
Special reserve	11,084,776	-	11,084,624	-
Premium deficiency reserve	13,802,343	-	19,679,457	1
Other reserve	<u>1,876,925</u>	<u>-</u>	<u>1,873,141</u>	<u>-</u>
Total insurance liabilities	<u>6,056,981,549</u>	<u>79</u>	<u>5,654,491,104</u>	<u>80</u>
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24)	13,731,508	-	10,932,008	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25)	14,820,865	-	18,000,877	-
PROVISIONS (Notes 4 and 27)	56,245	-	233,871	-
LEASE LIABILITIES (Notes 4, 18 and 34)	10,522,490	-	10,381,894	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	68,278,447	1	55,730,622	1
OTHER LIABILITIES (Notes 28 and 34)	25,881,555	-	19,187,395	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35)	<u>641,684,568</u>	<u>9</u>	<u>607,542,434</u>	<u>9</u>
Total liabilities	<u>6,954,432,844</u>	<u>91</u>	<u>6,491,105,518</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)				
Share capital				
Ordinary shares	<u>58,515,274</u>	<u>1</u>	<u>58,515,274</u>	<u>1</u>
Capital surplus	<u>60,606,533</u>	<u>1</u>	<u>60,607,456</u>	<u>1</u>
Retained earnings				
Legal reserve	18,834,196	-	43,338,466	1
Special reserve	347,320,212	4	289,432,530	4
Unappropriated earnings	<u>49,938,120</u>	<u>1</u>	<u>31,652,661</u>	<u>-</u>
Total retained earnings	<u>416,092,528</u>	<u>5</u>	<u>364,423,657</u>	<u>5</u>
Other equity	<u>178,513,029</u>	<u>2</u>	<u>105,072,396</u>	<u>1</u>
Total equity attributable to owners of the Company	713,727,364	9	588,618,783	8
NON-CONTROLLING INTERESTS (Notes 4 and 30)	<u>7,399,117</u>	<u>-</u>	<u>5,899,205</u>	<u>-</u>
Total equity	<u>721,126,481</u>	<u>9</u>	<u>594,517,988</u>	<u>8</u>
TOTAL	<u>\$ 7,675,559,325</u>	<u>100</u>	<u>\$ 7,085,623,506</u>	<u>100</u>

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Retained earned premium (Notes 4, 26 and 34)				
Written premium	\$582,663,197	62	\$610,706,903	65
Reinsurance premium	110,139	-	125,595	-
Premium income	582,773,336	62	610,832,498	65
Less: Reinsurance expense	(2,512,690)	-	(2,191,534)	-
Net changes in unearned premium reserve (Notes 4 and 23)	(697,939)	-	(820,799)	-
Total retained earned premium	579,562,707	62	607,820,165	65
Reinsurance commission income	533,237	-	356,060	-
Fee income (Notes 34 and 35)	8,701,291	1	8,450,463	1
Net investment incomes (losses)				
Interest income (Notes 4, 32 and 34)	157,373,248	17	161,452,785	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	209,668,761	22	201,446,622	22
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	28,187,167	3	27,765,727	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	39,503,872	4	9,926,012	1
Share of (loss) profit of associates accounted for using the equity method (Notes 4 and 12)	(12,188,914)	(1)	1,062,203	-
Foreign exchange loss	(127,555,018)	(14)	(53,159,604)	(6)
Net changes in reserve for foreign exchange valuation (Notes 4 and 25)	3,180,012	-	(925,588)	-
Gain on investment property (Notes 4 and 34)	14,300,502	2	13,136,871	2
(Expected credit loss) reversal of expected credit loss on investments (Notes 4 and 32)	(1,659,048)	-	1,691,395	-
Other net investment income	2,026,807	-	510,578	-
Loss on reclassification using overlay approach (Notes 4 and 8)	(48,929,893)	(5)	(120,353,756)	(13)
Other operating revenue (Note 34)	6,978,017	1	6,106,508	1
Separate account insurance product income (Notes 4 and 35)	73,396,159	8	63,652,653	7
Total operating revenue	933,078,907	100	928,939,094	100
OPERATING COSTS				
Retained claims payments (Notes 4 and 26)				
Insurance claims payments	274,470,111	29	350,354,693	38
Less: Claims and payments recovered from reinsurers	(1,420,622)	-	(1,196,201)	-
Total retained claims payments	273,049,489	29	349,158,492	38

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Net changes in other insurance liabilities (Notes 4, 5 and 23)				
Net changes in loss reserve	\$ 1,084,927	-	\$ 2,158,826	-
Net changes in policy reserve	466,068,474	50	393,587,815	42
Net changes in special reserve	152	-	370	-
Net changes in premium deficiency reserve	(5,711,343)	(1)	(2,744,650)	-
Net changes in other reserve	3,784	-	(21,429)	-
Total net changes in other insurance liabilities	461,445,994	49	392,980,932	42
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24)	787,429	-	698,222	-
Underwriting expenses (Note 32)	17,904,028	2	23,243,255	3
Commission expenses (Note 32)	17,910,821	2	20,590,879	2
Other operating costs (Note 34)	6,634,982	1	6,393,512	1
Finance costs (Notes 22 and 34)	2,500,695	-	2,730,176	-
Separate account insurance product expenses (Notes 4 and 35)	73,396,159	8	63,652,653	7
Total operating costs	853,629,597	91	859,448,121	93
OPERATING EXPENSES (Notes 32 and 34)				
General expenses	10,782,155	1	12,263,219	1
Administrative expenses	18,710,809	2	18,351,731	2
Employee training expenses	65,791	-	75,975	-
Non-investment expected credit loss (Notes 4 and 32)	6,308	-	877	-
Total operating expenses	29,565,063	3	30,691,802	3
OPERATING INCOME	49,884,247	6	38,799,171	4
NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34)	1,588,615	-	1,709,895	-
PROFIT BEFORE INCOME TAX	51,472,862	6	40,509,066	4
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 33)	1,209,251	-	(2,215,995)	-
NET INCOME	52,682,113	6	38,293,071	4

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (324,932)	-	\$ 431,430	-
Gain on equity instruments at fair value through other comprehensive income	3,384,176	-	6,094,585	1
Share of other comprehensive income (loss) of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	329,806	-	(165,599)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	294,703	-	(603,520)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating financial statements of foreign operations	(1,508,332)	-	(726,137)	-
Gain on debt instruments at fair value through other comprehensive income	37,585,249	4	85,755,154	9
Gain on hedging instruments	13,263	-	206,220	-
Share of other comprehensive (loss) income of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(231,845)	-	241,659	-
Other comprehensive income reclassified using overlay approach	48,929,893	5	120,353,756	13
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33)	<u>(11,273,309)</u>	<u>(1)</u>	<u>(27,580,108)</u>	<u>(3)</u>
Total other comprehensive income for the period, net of income tax	<u>77,198,672</u>	<u>8</u>	<u>184,007,440</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME	<u>\$129,880,785</u>	<u>14</u>	<u>\$222,300,511</u>	<u>24</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 51,744,594	6	\$ 37,845,953	4
Non-controlling interests	<u>937,519</u>	<u>-</u>	<u>447,118</u>	<u>-</u>
	<u>\$ 52,682,113</u>	<u>6</u>	<u>\$ 38,293,071</u>	<u>4</u>

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$129,053,807	14	\$221,704,543	24
Non-controlling interests	<u>826,978</u>	<u>-</u>	<u>595,968</u>	<u>-</u>
	<u>\$129,880,785</u>	<u>14</u>	<u>\$222,300,511</u>	<u>24</u>
EARNINGS PER SHARE (Note 31)				
Basic earnings per share	<u>\$ 8.84</u>		<u>\$ 6.60</u>	

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company														
						Other Equity									
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated 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 or (Loss) on Hedging Instruments	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Other	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 57,265,274	\$ 51,535,925	\$ 40,466,946	\$ 277,886,402	\$ 12,683,614	\$ (10,796,480)	\$ (20,547,627)	\$ 173,288	\$ 287,100	\$ 187,503	\$ (52,549,236)	\$ -	\$ 356,592,709	\$ 5,536,717	\$ 362,129,426
Appropriation of 2018 earnings															
Legal reserve	-	-	2,871,520	-	(2,871,520)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	9,820,004	(9,820,004)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,910)	7,910	-	-	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,734,034	(1,734,034)	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	138,932	-	-	-	-	-	-	-	-	-	-	138,932	-	138,932
Recognition of share-based payments granted by the parent company	-	182,599	-	-	-	-	-	-	-	-	-	-	182,599	-	182,599
Net profit for the year ended December 31, 2019	-	-	-	-	37,845,953	-	-	-	-	-	-	-	37,845,953	447,118	38,293,071
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	183,858,590	148,850	184,007,440
Total comprehensive income (loss) for year ended December 31, 2019	-	-	-	-	37,845,953	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	221,704,543	595,968	222,300,511
Issuance of ordinary shares for cash	1,250,000	8,750,000	-	-	-	-	-	-	-	-	-	-	10,000,000	-	10,000,000
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(4,459,258)	-	4,459,258	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(233,480)	(233,480)
BALANCE AT DECEMBER 31, 2019	58,515,274	60,607,456	43,338,466	289,432,530	31,652,661	(11,187,030)	57,531,736	331,929	447,694	187,503	57,760,564	-	588,618,783	5,899,205	594,517,988
Appropriation of 2019 earnings															
Legal reserve	-	-	6,677,339	-	(6,677,339)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	57,715,708	(57,715,708)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,558,777)	1,558,777	-	-	-	-	-	-	-	-	-	-
Legal reserve offset deficit	-	-	(31,181,609)	-	31,181,609	-	-	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,730,751	(1,730,751)	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(923)	-	-	-	-	-	-	-	-	-	-	(923)	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)	-	(3,944,303)
Net profit for the year ended December 31, 2020	-	-	-	-	51,744,594	-	-	-	-	-	-	-	51,744,594	937,519	52,682,113
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	77,309,213	(110,541)	77,198,672
Total comprehensive income (loss) for year ended December 31, 2020	-	-	-	-	51,744,594	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	129,053,807	826,978	129,880,785
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(75,723)	-	75,723	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	672,934	672,934
BALANCE AT DECEMBER 31, 2020	\$ 58,515,274	\$ 60,606,533	\$ 18,834,196	\$ 347,320,212	\$ 49,938,120	\$ (12,934,112)	\$ 92,536,203	\$ 347,871	\$ 226,758	\$ 187,503	\$ 102,093,109	\$ (3,944,303)	\$ 713,727,364	\$ 7,399,117	\$ 721,126,481

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 51,472,862	\$ 40,509,066
Adjustments for:		
Depreciation expenses	1,372,209	1,379,541
Amortization expenses	2,723,499	2,634,639
Gain on financial assets and liabilities at fair value through profit or loss	(194,880,209)	(178,486,945)
Gain on financial assets at fair value through other comprehensive income	(25,172,381)	(26,039,641)
Gain on derecognition of financial assets measured at amortized cost	(39,503,872)	(9,926,012)
Finance costs	2,681,849	2,898,751
Interest income	(157,373,248)	(161,452,785)
Dividend income	(17,803,338)	(24,685,763)
Net changes in insurance liabilities	402,220,522	367,390,340
Net changes in reserve for insurance contracts with the nature of financial products	2,799,500	1,613,295
Net changes in reserve for foreign exchange valuation	(3,180,012)	925,588
Expected credit loss (reversal of expected credit loss) on investments	1,659,048	(1,691,395)
Non-investments expected credit loss	6,308	877
Compensation costs of share-based payments	-	182,599
Share of loss (profit) of associates accounted for using equity method	12,188,914	(1,062,203)
Loss on reclassification using overlay approach	48,929,893	120,353,756
Loss (gain) on disposal and retirement of property and equipment	63,484	(11,499)
Loss on disposal of investment property	480,581	7,320
(Gain) loss on disposal of investments accounted for using equity method	(1,786,696)	32,107
Gain on changes in fair value of investment property	(2,340,914)	(899,479)
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	205,495,676	107,083,675
(Increase) decrease in financial assets at fair value through other comprehensive income	(302,562,852)	185,666,085
Decrease (increase) in financial assets measured at amortized cost	1,658,224	(346,966,842)
Decrease (increase) in financial assets for hedging	93,292	(93,567)
Decrease in other financial assets	-	2,000,000
Decrease in notes receivable	578	16,727
Decrease (increase) in other receivables	2,491,911	(5,043,049)
Increase in prepaid expenses and other prepayments	(872,474)	(775,591)
(Increase) decrease in guarantee deposits paid	(4,052,209)	7,308,562
(Increase) decrease in reinsurance assets	(186,836)	103,080
Decrease in other assets	918	721,845
Decrease in financial liabilities at fair value through profit or loss	(65,127,563)	(116,399,015)
Increase in financial liabilities for hedging	430,051	-
Decrease in notes payable	(217,028)	(150,332)

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Increase in claims payable	\$ 40,334	\$ 70,643
Decrease in other payables	(5,227,957)	(3,523,147)
Increase in due to reinsurers and ceding companies	330,669	189,627
(Decrease) increase in commissions payable	(1,389,827)	1,666,645
(Decrease) increase in advance receipts	(114,476)	63,548
Increase in guarantee deposits received	917,441	10,416,610
(Decrease) increase in provisions	(177,626)	8,594
Decrease in deferred fee income	(1,662)	(11,575)
Increase (decrease) in other liabilities	<u>1,352,337</u>	<u>(19,484)</u>
Cash used in operations	(82,561,080)	(23,994,804)
Interest received	158,022,145	160,158,631
Dividends received	18,582,847	25,237,978
Interest paid	(3,129,822)	(2,971,707)
Income tax paid	<u>(1,352,588)</u>	<u>(2,933,174)</u>
Net cash generated from operating activities	<u>89,561,502</u>	<u>155,496,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(495,185)	(2,038,492)
Proceeds from disposal of investments accounted for using the equity method	-	87,107
Net cash outflow on acquisition of subsidiaries (deduct cash and cash equivalent balances acquired)	(152,501)	-
Proceeds from return of capital on reduction of investments accounted for using the equity method	241,056	-
Acquisition of property and equipment	(1,065,218)	(768,460)
Proceeds from disposal of property and equipment	310	34,835
Acquisition of intangible assets	(250,403)	(140,745)
Decrease in loans	33,653,556	68,266,534
Acquisition of investment property	(7,130,742)	(14,507,120)
Proceeds from disposal of investment property	<u>233,825</u>	<u>65,562</u>
Net cash generated from investing activities	<u>25,034,698</u>	<u>50,999,221</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	-	10,000,000
Repayments of the principal portion of lease liabilities	(687,284)	(495,122)
Proceeds from issuance of ordinary shares	-	10,000,000
Changes in non-controlling interests	<u>(742,087)</u>	<u>(233,480)</u>
Net cash (used in) generated from financing activities	<u>(1,429,371)</u>	<u>19,271,398</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(98,212)</u>	<u>951,936</u>
		(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$113,068,617	\$226,719,479
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>402,051,684</u>	<u>175,332,205</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$515,120,301</u>	<u>\$402,051,684</u>

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China (“ROC”) and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, ROC.

The Company participated in and won the bid for assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life and Singfor Life except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started its operations on August 5, 2015 after receiving the business license for its offshore insurance unit.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 10, 2021.

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

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

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

- 1) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified

assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are and should be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective immediately upon promulgation by the IASB January 1, 2021
<ul style="list-style-type: none"> Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” 	
“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.	
Changes in the basis for determining contractual cash flows as a result of <u>interest rate benchmark reform</u>	

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- 1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- 2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time

Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

IFRS 17 requires the Group to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together. Contracts within a product line would be expected to have similar risks and hence be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

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

The Group is not permitted to include contracts issued more than one year apart in the same group, and a group of contracts to be issued should apply the recognition and measurement of IFRS 17.

Recognition

The Group shall recognize its issuance of a group of insurance contracts from the earliest of the following:

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

Measurement on initial recognition

The Group shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and financial risk, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of a group of insurance contracts that the Group will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless a group of contracts is onerous, results in no income or expenses arising from:

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

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date, and liabilities for incurred claims include fulfilment cash flows related to past services. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows allocated to insurance contracts, any previously recognized acquisition cash flows and all cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach (“PAA”)

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the Group:

- 1) The Group reasonably expects that this will be a reasonable approximation of the general model, or
- 2) The coverage period of each contract in the group is one year or less.

At the inception, if the Group expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as:

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

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for services provided in that period, and minus all investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Group shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

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

Transition

The Group shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 11, Table 1 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

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

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Investments in associates

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

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

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

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

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

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

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

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

g. Property and equipment

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

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

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

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

h. Investment properties

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

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

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 39.

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

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

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

d) Offsetting of financial instruments

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 39.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

m. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

n. Separate account insurance products

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

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

o. Insurance liabilities

1) The Company

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

a) Unearned premium reserve

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

b) Loss reserve

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

c) Policy reserve

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

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

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

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

d) Special reserve

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

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

e) Premium deficiency reserve

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

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

f) Other reserve

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

g) Liability adequacy reserve

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

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

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

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

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

p. Liability adequacy test

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

q. Reserve for insurance contract with the nature of financial products

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

r. Reserve for foreign exchange valuation

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

s. Recognition of insurance premium income and expenses

1) The Company

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

t. Classification of insurance products

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

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

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

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

- 1) Additional payments are significant to total contractual payments.
- 2) In accordance with the contract, the amounts and dates of payment for additional payments are at the Group's discretion.
- 3) In accordance with the contract, additional payments are based on one of the following matters:
 - a) The performance of specific contract portfolio or specific types of contracts.
 - b) Returns on investment from a portfolio of specific asset portfolio held by the Group.
 - c) Profits and losses of the Group, funds, or other entities.

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

u. Reinsurance

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

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

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

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

v. Provisions

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

w. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 4 h. for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement

dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

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

x. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined

benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

y. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

According to the Income Tax Law in the ROC, an additional tax at 10% of unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

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

2) Deferred tax

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

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

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

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

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

assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 39.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 39.

c. Valuation of policy reserve and liability adequacy test

Policy reserves for insurance contracts and investment contracts with discretionary participation features are based on actuarial models and assumptions made as the insurance contracts were established, which

include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The assumptions are made based on the related laws and regulations.

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 263,287	\$ 258,876
Cash in banks	188,316,842	178,571,320
Time deposits	244,915,895	165,013,491
Cash equivalents	<u>81,624,277</u>	<u>58,207,997</u>
	<u>\$515,120,301</u>	<u>\$402,051,684</u>

7. RECEIVABLES

	December 31	
	2020	2019
Notes receivable	\$ 274,650	\$ 275,228
Other receivables	68,909,465	82,195,499
Overdue receivables	<u>4,982</u>	<u>11,919</u>
	69,189,097	82,482,646
Less: Loss allowance	<u>(10,854)</u>	<u>(14,732)</u>
	<u>\$ 69,178,243</u>	<u>\$ 82,467,914</u>

The movements in the loss allowance are as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 14,732	\$ 98,067
Provision (reversal) for the current year	6,308	(37,201)
Amounts written off	(10,522)	(46,134)
Foreign exchange	<u>336</u>	<u>-</u>
Ending balance	<u>\$ 10,854</u>	<u>\$ 14,732</u>

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic stocks	\$ 296,934,408	\$ 258,526,486
Beneficiary certificates	649,221,409	558,404,095
Government bonds	-	399,968
Financial debentures	10,361,868	14,475,317
Overseas stocks	221,380,016	220,739,840
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	148,053,159	230,049,274
Structured time deposits	18,027,331	4,011,973
Derivative financial assets (not under hedge accounting)		
Currency swap contracts ("SWAP")	23,730,446	18,728,825
Foreign exchange forward contracts ("Forward")	3,704,505	9,332,640
Cross currency swap contracts ("CCS")	594,443	148,872
Options	-	49,353
Call warrants	24,109	-
	<u>\$1,397,135,509</u>	<u>\$1,331,028,157</u>

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)	\$ 3,537,918	\$ 1,810,120
SWAP	8,095,543	1,138,856
Forward	53,606	-
CCS	-	7,342
Interest rate swap contracts ("IRS")	-	18,016
Options	-	-
	<u>\$ 11,687,067</u>	<u>\$ 2,974,334</u>

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

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Domestic stocks	\$ 296,934,408	\$ 256,601,805
Beneficiary certificates	605,836,995	523,997,872
Financial debentures	10,361,868	14,475,317
Overseas stocks	220,372,150	220,010,748
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	147,576,634	229,427,152
Structured time deposits	18,027,331	4,011,973

\$1,324,213,201 \$1,264,686,381

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	2019
Gain due to the implementation of IFRS 9 to profit or loss	\$162,399,658	\$204,393,853
Gains due to the implementation of IAS 39 to profit or loss (if applicable)	<u>(113,469,765)</u>	<u>(84,040,097)</u>
Loss reclassified due to the application of overlay approach	<u>\$ 48,929,893</u>	<u>\$120,353,756</u>

Due to the application of overlay approach, the amount of gain on financial assets and liabilities at FVTPL for the years ended December 31, 2020 and 2019 decreased from \$209,668,761 thousand to \$160,738,868 thousand, and decreased from \$201,446,622 thousand to \$81,092,866 thousand, respectively.

- b. As of December 31, 2020 and 2019, structured notes which were accounted for as financial instruments at FVTPL amounted to \$29,048,344 thousand and \$105,784,237 thousand, respectively.
- c. The financial assets at FVTPL held by the Group were not pledged as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Equity instrument investments at FVTOCI		
Domestic stocks	\$ 91,718,232	\$ 26,813,635
Overseas stocks	<u>7,706,479</u>	<u>8,815,869</u>
	<u>99,424,711</u>	<u>35,629,504</u>
Debt instrument investments at FVTOCI		
Corporate bonds	2,206,288	-
Government bonds	43,699,940	41,077,782
Overseas bonds	1,078,517,070	778,747,472
Less: Litigation deposits	(46,761)	(45,748)
Less: Deposits to Central Bank	<u>(1,114,990)</u>	<u>(1,067,739)</u>
	<u>1,123,261,547</u>	<u>818,711,767</u>
	<u>\$1,222,686,258</u>	<u>\$ 854,341,271</u>

- a. These investments in equity instruments are not held for trading, and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI held by the Group on the balance sheet date for the years ended December 31, 2020 and 2019 were \$3,014,786 thousand and \$1,726,086 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2020 and 2019 amounted to \$14,978 thousand and \$735,772 thousand, respectively.
- c. In consideration of investment strategies, the Group sold equity instrument investments at FVTOCI at

fair values of \$5,103,571 thousand and \$24,819,436 thousand at the time of sale, and transferred unrealized loss of \$75,723 thousand and \$4,459,258 thousand from other equity to retained earnings for the years ended December 31, 2020 and 2019, respectively.

- d. Refer to Note 37 for the financial assets at FVTOCI that were pledged as collateral.
- e. Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

10. HEDGING INSTRUMENTS

	December 31	
	2020	2019
<u>Financial assets for hedging</u>		
IRS	\$ 146,959	\$ 185,206
CCS	-	362,869
	<u>\$ 146,959</u>	<u>\$ 548,075</u>
<u>Financial liabilities for hedging</u>		
IRS	\$ 48,887	\$ 30,894
CCS	90,971	-
	<u>\$ 139,858</u>	<u>\$ 30,894</u>

The financial assets for hedging held by the Group were not pledged as collateral.

11. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investors	Investees	Business	Ownership Interest (%)		Note
			December 31		
			2020	2019	
The Company	Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	50.00	50.00	
The Company	Cathay Life Insurance (Vietnam) Co., Ltd.	Life insurance	100.00	100.00	
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	
The Company	Conning Holdings Limited (“CHL”)	Holding company	100.00	100.00	
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	
CHL	Conning Asia Pacific Ltd.	Asset management services	82.85	82.85	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	53.13	45.00	Note
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	
Conning Holdings Corp.	Conning & Company (“C&C”)	Holding company	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	
C&C	Octagon Credit Investors, LLC (“Octagon”)	Asset management services	85.67	81.89	
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.72	-	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	-	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	100.00	-	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	-	
Global Evolution Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	-	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	-	

Note: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were

recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. Refer to Note 43 for information relating to the business combination.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Investees	Business	Ownership Interest (%)		Note
			December 31		
			2020	2019	
The Company	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Securities investment consulting services	100.00	100.00	

The consolidated financial statements did not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in unconsolidated subsidiaries	\$ 637,478	\$ 333,089
Investments in associates	<u>28,743,039</u>	<u>44,224,460</u>
	<u>\$ 29,380,517</u>	<u>\$ 44,557,549</u>

Refer to Table 1 and Table 5 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

	December 31	
	2020	2019
Cathay Securities Investment Consulting	<u>\$ 637,478</u>	<u>\$ 333,089</u>

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Group' share of:		
Net (loss) income	\$(12,403,959)	\$ 904,907
Other comprehensive income	<u>97,076</u>	<u>76,085</u>
Total comprehensive (loss) income for the period	<u>\$(12,306,883)</u>	<u>\$ 980,992</u>

As the individual associates are not significant, the related financial information is aggregately disclosed. Except for Cathay Venture Inc., the amount of the share of profit or loss and other comprehensive income of associates were based on non-reviewed financial statements.

The investments in associates were not pledged as collateral.

The Group's associate, PT Bank Mayapada Internasional Tbk, encountered operational pressure due to the negative impact of COVID-19 to the economy of Indonesia and deficiencies in financial inspections. PT Bank Mayapada Internasional Tbk was required to increase its capital by the local authority because one of its credit clients has been prosecuted since the beginning of 2020 for involvement in a fraud case. After conducting a prudent assessment, the Group recognized a loss of \$13,980,277 thousand for the year ended December 31, 2020 relating to its investment in associate accounted for using the equity method.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2020	2019
Time deposits	\$ 3,621,636	\$ 2,641,269
Financial debentures	41,434,737	50,049,481
Corporate bonds	29,096,122	25,294,942
Government bonds	40,464,412	39,073,691
Overseas bonds	2,549,889,678	2,508,736,300
Asset-backed securities	445,000	1,189,350
Less: Litigation deposits	(1,353,429)	(1,343,931)
Less: Deposits to Central Bank	(8,039,298)	(7,858,911)
Less: Loss allowance (Note)	(2,573,415)	(1,197,021)
	<u>\$2,652,985,443</u>	<u>\$2,616,585,170</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2020 and 2019, the amounts were \$1,258 thousand and \$891 thousand, respectively.

- For the years ended December 31, 2020 and 2019, the Group disposed of bonds before maturity due to an increase in credit risk, which resulted in losses on disposal of \$259,490 thousand and \$3,032,793 thousand, respectively. The disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$38,149,433 thousand and \$11,598,209 thousand, respectively. The disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$1,613,929 thousand and \$1,360,596 thousand, respectively.
- Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.
- Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

14. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

	Investment Property			Investment Property Under Construction	Prepayments for Buildings and Land - Investments
	Land	Buildings	Total		
January 1, 2019	\$ 346,268,022	\$ 115,084,359	\$ 461,352,381	\$ 2,785,640	\$ 722,686
Adjustment on initial application of IFRS 16	9,014,035	-	9,014,035	-	-
Additions	-	-	-	3,959,386	10,547,734
Disposals	(40,153)	(32,729)	(72,882)	-	-
Reclassification	9,969,169	2,330,483	12,299,652	(2,198,309)	(10,118,057)
Gain (loss) on changes in fair value of investment property	1,985,012	(1,085,533)	899,479	-	-
Net foreign exchange differences	<u>212,020</u>	<u>167,032</u>	<u>379,052</u>	<u>-</u>	<u>-</u>
December 31, 2019	<u>\$ 367,408,105</u>	<u>\$ 116,463,612</u>	<u>\$ 483,871,717</u>	<u>\$ 4,546,717</u>	<u>\$ 1,152,363</u>
January 1, 2020	\$ 367,408,105	\$ 116,463,612	\$ 483,871,717	\$ 4,546,717	\$ 1,152,363
Additions	-	-	-	3,024,854	4,105,888
Disposals	(188,877)	(525,529)	(714,406)	-	-
Reclassification	5,049,551	6,138,532	11,188,083	(6,043,024)	(2,126,336)
Gain on changes in fair value of investment property	288,530	2,052,384	2,340,914	-	-
Net foreign exchange differences	<u>(215,169)</u>	<u>(308,118)</u>	<u>(523,287)</u>	<u>-</u>	<u>-</u>
December 31, 2020	<u>\$ 372,342,140</u>	<u>\$ 123,820,881</u>	<u>\$ 496,163,021</u>	<u>\$ 1,528,547</u>	<u>\$ 3,131,915</u>

For the Year Ended December 31

	2020	2019
Rental income from investment properties	\$ 12,440,169	\$ 12,266,651
Direct operating expenses of investment properties that generate rental income	(710,371)	(703,000)
Direct operating expenses of investment properties that do not generate rental income	<u>(147,336)</u>	<u>(132,887)</u>
	<u>\$ 11,582,462</u>	<u>\$ 11,430,764</u>

- Certain properties are held to earn rental or to achieve capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component of a property could not be sold separately, it would be classified as investment properties only when owner occupation is lower than 5% of the property.
- As of December 31, 2020, investment properties of the Company amounted to \$459,867,936 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.
- The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

- d. Valuation has been carried out by the following appraisers of joint appraiser firms that met the qualification requirements for real estate appraisers in the ROC. The valuation dates were December 31, 2020 and 2019.

Name of Appraiser Firm	December 31, 2020	December 31, 2019
DTZ Real Estate Appraiser Firm	Chang-da, Yang; Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai	Chang-da, Yang; Gen-yuan, Li
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin	Xi-zhong, Wang; You-qi, Liang
Shang-shang Real Estate Appraiser Firm Sinyi Real Estate Appraiser Firm	Hong-yuan, Wang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Hong-yuan, Wang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Zhi-wei, Lee

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

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

The main inputs used are as follows:

	December 31	
	2020	2019
Direct capitalization rates (net)	0.84%-5.70%	0.62%-6.30%
Discount rates	2.15%-3.94%	3.14%-4.23%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium disposed of in the future, to decide the direct capitalization rate and discount rate.

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

Reconciliation of fair value measurements in Level 3 movements is as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$471,748,733	\$455,726,383
Adjustment on initial application of IFRS 16	-	9,014,035
Amount recognized in profit or loss		
Gain from investment property	2,340,914	899,479
Amount recognized in other comprehensive loss		
Exchange differences resulting from translating the financial statements of foreign operations	(523,287)	379,052
Disposals	(646,500)	(41,615)
Transfers from investment property under construction	6,043,024	2,182,971
Transfers from prepayments for buildings and land	804,488	716,272
Transfers from investment property measured at cost	-	2,874,260
Other reclassification	-	(2,104)
Ending balance	<u>\$479,767,372</u>	<u>\$471,748,733</u>

The above amounts did not include those measured at cost.

- e. Refer to Tables 3 and 4 for the acquisition and disposal of individual real estate at cost or price of at least NT\$100 million or 20% of the paid-in capital.

15. LOANS

	December 31	
	2020	2019
Life insurance policy loans (a)	\$155,706,198	\$160,404,111
Premium loans (b)	12,622,690	12,012,426
Secured loans (c)	314,154,457	345,132,183
Non-accrual receivables	<u>2,041,471</u>	<u>657,797</u>
	484,524,816	518,206,517
Less: Loss allowance	<u>(4,733,716)</u>	<u>(4,825,976)</u>
	<u>\$479,791,100</u>	<u>\$513,380,541</u>

- a. Life insurance policy loans were secured by policies issued by the Group.
- b. Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the life insurance policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the effective insurance policy. Policyholders may also inform the insurer in writing to terminate the premium loan option prior to the next due date of premium payment.
- c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans Refer to Note 39 for related information of loss allowance for the years ended December 31, 2020 and 2019.

16. REINSURANCE ASSETS

	December 31	
	2020	2019
Due from reinsurers and ceding companies	\$ 590,411	\$ 403,575
Reinsurance reserve assets		
Ceded unearned premium reserve	1,113,039	894,878
Ceded loss reserve	71,723	24,014
Ceded policy reserve	<u>425,518</u>	<u>421,465</u>
	<u>\$ 2,200,691</u>	<u>\$ 1,743,932</u>

CNY Co-reinsurance Business

Authorized by the FSC under Jin Guan Bao Tsai No. 10302112370, the Group signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Group discloses the ceding information following Article 6 of the Guideline for Reinsurance with Ceded Policy Reserve by Life Insurance Enterprises.

- a. Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company's liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to

Central Reinsurance Corporation.

b. Reinsurance expense, claims recovered from reinsures and commission

	For the Year Ended December 31	
	2020	2019
Reinsurance expense	\$ 550	\$ 73,343
Claims recovered from reinsurers	35,314	11,736
Reinsurance commission	4,029	8,229

c. Net income or loss from CNY co-reinsurance business

Net gain from reinsurance of \$21,307 thousand was recognized for the year ended December 31, 2020 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission of \$4,029 thousand + Claims recovered from reinsurers of \$35,314 thousand - Net changes in reinsurance reserve assets of \$22,443 thousand - Foreign exchange gain of \$4,957 thousand - Reinsurance expense of \$550 thousand.

d. Reason and effect to income or loss from change of co-reinsurance business or contract: None.

e. Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes ceded reinsurance reserve assets including policy reserve and ceded premium deficiency reserve and provides insurance liabilities as direct business. All ceded reinsurance reserve assets should be removed at the time the co-reinsurance contract ceased.

f. Other notes designated by authorities: None.

17. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leased Assets	Leasehold Improvement	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost									
Balance at January 1, 2019	\$ 20,367,187	\$ 22,364,679	\$ 2,853,292	\$ 276,136	\$ 500,722	\$ 11,656	\$ 3,901,810	\$ 396,036	\$ 50,671,518
Additions	-	-	423,304	-	27,222	-	98,596	219,338	768,460
Disposals	(12,249)	(18,862)	(29,563)	-	-	(340)	(59,447)	-	(120,161)
Reclassification	-	450,854	(63)	(276,136)	-	-	2	(434,140)	(259,483)
Net foreign exchange differences	-	(69,736)	(25,995)	-	(13,605)	(132)	(1,742)	-	(111,210)
Balance at December 31, 2019	\$ 20,354,938	\$ 22,727,235	\$ 3,220,975	\$ -	\$ 514,339	\$ 11,184	\$ 3,939,219	\$ 181,234	\$ 50,949,124
Depreciation and impairment									
Balance at January 1, 2019	\$ 103,134	\$ 12,036,001	\$ 2,214,752	\$ 275,959	\$ 256,141	\$ 9,549	\$ 3,394,360	\$ -	\$ 18,289,896
Depreciation expense	-	412,318	195,079	-	53,133	773	128,136	-	789,439
Disposals	-	(11,139)	(28,342)	-	-	(340)	(57,004)	-	(96,825)
Reclassification	-	-	-	(275,959)	-	-	-	-	(275,959)
Net foreign exchange differences	-	(8,916)	(10,504)	-	(8,610)	(87)	(579)	-	(28,696)
Balance at December 31, 2019	\$ 103,134	\$ 12,428,264	\$ 2,370,985	\$ -	\$ 300,664	\$ 9,895	\$ 3,464,913	\$ -	\$ 18,677,855
Carrying amount at December 31, 2019	\$ 20,251,804	\$ 10,298,971	\$ 849,990	\$ -	\$ 213,675	\$ 1,289	\$ 474,306	\$ 181,234	\$ 32,271,269
Cost									
Balance at January 1, 2020	\$ 20,354,938	\$ 22,727,235	\$ 3,220,975	\$ -	\$ 514,339	\$ 11,184	\$ 3,939,219	\$ 181,234	\$ 50,949,124
Additions	-	-	350,435	-	101,181	1,186	179,544	432,872	1,065,218
Disposals	-	(101,999)	(87,433)	-	(466)	(1,154)	(109,097)	-	(300,149)
Reclassification	(2,926,864)	(320,183)	19	-	10,921	-	4,336	(3,106)	(3,234,877)
Net foreign exchange differences	-	16,926	(43,982)	-	(9,543)	27	(2,336)	-	(38,908)
Balance at December 31, 2020	\$ 17,428,074	\$ 22,321,979	\$ 3,440,014	\$ -	\$ 616,432	\$ 11,243	\$ 4,011,666	\$ 611,000	\$ 48,440,408
Depreciation and impairment									
Balance at January 1, 2020	\$ 103,134	\$ 12,428,264	\$ 2,370,985	\$ -	\$ 300,664	\$ 9,895	\$ 3,464,913	\$ -	\$ 18,677,855
Depreciation expense	-	406,749	184,216	-	51,458	604	136,874	-	779,901
Disposals	-	(42,500)	(84,563)	-	(466)	(1,038)	(107,788)	-	(236,355)
Reclassification	-	(231,430)	10	-	3,507	-	1,476	-	(226,437)
Net foreign exchange differences	-	3,155	(9,148)	-	(1,327)	11	(673)	-	(7,982)
Balance at December 31, 2020	\$ 103,134	\$ 12,564,238	\$ 2,461,500	\$ -	\$ 353,836	\$ 9,472	\$ 3,494,802	\$ -	\$ 18,986,982

Carrying amount at December 31, 2020	\$ 17,324,940	\$ 9,757,741	\$ 978,514	\$ -	\$ 262,596	\$ 1,771	\$ 516,864	\$ 611,000	\$ 29,453,426
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The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and construction	1-70 years
Computer equipment	3-10 years
Leased assets	3 years
Leasehold improvements	5 years or lease term
Transportation equipment	3-5 years
Other equipment	2-22 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 1,640,096	\$ 1,541,327
Office equipment	11,035	13,386
Transportation equipment	<u>24,078</u>	<u>22,966</u>
	<u>\$ 1,675,209</u>	<u>\$ 1,577,679</u>
Right-of-use assets presented as investment properties	<u>\$ 8,548,824</u>	<u>\$ 8,781,429</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 735,579</u>	<u>\$ 253,605</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 576,928	\$ 569,032
Office equipment	4,541	4,757
Transportation equipment	<u>10,839</u>	<u>16,313</u>
	<u>\$ 592,308</u>	<u>\$ 590,102</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	<u>\$ 10,522,490</u>	<u>\$ 10,381,894</u>

Range of discount rates for lease liabilities is as follows:

	December 31	
	2020	2019
Buildings	1.82%-8.57%	2.05%-8.57%
Office equipment	4.67%-4.76%	4.67%-4.76%
Transportation equipment	3.25%-3.66%	3.59%-3.66%
Investment property - right of superficies	2.82%-3.71%	2.82%-3.71%

19. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 2,154,016	\$ 37,659,600	\$ 403,186	\$ 3,622,314	\$ 10,498,082	\$ 214,363	\$ 54,551,561
Additions - acquired separately	140,745	-	-	-	-	-	140,745
Disposals	(253)	-	-	-	-	-	(253)
Net foreign exchange differences	(9,310)	-	(8,225)	(73,902)	(154,637)	(4,374)	(250,448)
Balance at December 31, 2019	\$ 2,285,198	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 10,343,445	\$ 209,989	\$ 54,441,605
<u>Amortization and impairment</u>							
Balance at January 1, 2019	\$ 1,849,404	\$ 7,277,841	\$ -	\$ 1,217,871	\$ -	\$ 161,485	\$ 10,506,601
Amortization	135,205	2,079,383	-	400,501	-	19,550	2,634,639
Disposal	(253)	-	-	-	-	-	(253)
Net foreign exchange differences	(7,757)	-	-	(34,746)	-	(3,778)	(46,281)
Balance at December 31, 2019	\$ 1,976,599	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 13,094,706
Carrying amounts at December 31, 2019	\$ 308,599	\$ 28,302,376	\$ 394,961	\$ 1,964,786	\$ 10,343,445	\$ 32,732	\$ 41,346,899
<u>Cost</u>							
Balance at January 1, 2020	\$ 2,285,198	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 10,343,445	\$ 209,989	\$ 54,441,605
Acquisitions through business combinations (Note 43)	-	-	-	2,467,576	3,463,356	-	5,930,932
Additions - acquired separately	250,403	-	-	-	-	-	250,403
Disposal	(32,931)	-	-	-	-	-	(32,931)
Net foreign exchange differences	844	-	(20,965)	(284,187)	(528,632)	(11,146)	(844,086)
Balance at December 31, 2020	\$ 2,503,514	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 13,278,169	\$ 198,843	\$ 59,745,923
<u>Amortization and impairment</u>							
Balance at January 1, 2020	\$ 1,976,599	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 13,094,706
Amortizations	139,554	2,079,383	-	485,836	-	18,726	2,723,499
Disposals	(32,931)	-	-	-	-	-	(32,931)
Net foreign exchange differences	1,357	-	-	(101,466)	-	(10,080)	(110,189)
Balance at December 31, 2020	\$ 2,084,579	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 15,675,085
Carrying amount at December 31, 2020	\$ 418,935	\$ 26,222,993	\$ 373,996	\$ 3,763,805	\$ 13,278,169	\$ 12,940	\$ 44,070,838

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

Computer software	1-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other	3-6 years

- b. The Group recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of December 31, 2020 and 2019, the carrying amounts of goodwill were \$13,278,169 thousand and \$10,343,445 thousand, respectively.
- c. An annual impairment test for goodwill is performed regularly. The Group estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount

is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

20. OTHER ASSETS

	December 31	
	2020	2019
Insurance Industry Stability Fund (a)	\$ 12,099,873	\$ 11,019,381
Less: Reserve for Insurance Industry Stability Fund (a)	(12,099,873)	(11,019,381)
Guarantee deposits paid (b)	24,070,098	23,151,476
Deferred acquisition costs (c)	2,596	3,629
Prepayments	1,297,483	282,823
Net defined benefit assets (Note 29)	6,280,228	6,422,413
Others	885,632	593,028
	<u>\$ 32,536,037</u>	<u>\$ 30,453,369</u>

- a. Under Tai-Tsai-Bao No. 811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stabilization Fund starting from January 1, 1993. According to the Standard of Contribution to Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stabilization Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stabilization Fund, is a contra account of the Insurance Industry Stabilization Fund.

- b. Guarantee deposits paid are comprised of:

	December 31	
	2020	2019
Insurance operation guarantee deposit	\$ 11,783,552	\$ 11,534,498
Deposit for futures and options trading	6,074,070	8,374,909
Deposit for derivatives trading	4,044,034	1,117,064
Other guarantee deposits	2,168,442	2,125,005
	<u>\$ 24,070,098</u>	<u>\$ 23,151,476</u>

The Group provided cash, time deposits and government bonds as guarantees. Refer to Note 37 for related information.

- c. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

	For the Year Ended December 31	
	2020	2019

Beginning balance	\$ 3,629	\$ 10,401
Amortization	<u>(1,033)</u>	<u>(6,772)</u>
Ending balance	<u>\$ 2,596</u>	<u>\$ 3,629</u>

21. PAYABLES

	December 31	
	2020	2019
Notes payable	\$ 1,059,356	\$ 1,276,384
Claims payable	925,772	885,438
Commissions payable	2,682,294	4,072,121
Due to reinsurers and ceding companies	961,114	630,445
Other payables	<u>24,543,011</u>	<u>24,100,214</u>
	<u>\$ 30,171,547</u>	<u>\$ 30,964,602</u>

22. BONDS PAYABLE

	December 31	
	2020	2019
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	\$ 35,000,000	\$ 35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2019 (c)	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 80,000,000</u>	<u>\$ 80,000,000</u>

- a. Pursuant to Jin Guan Bao Shou No. 10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated corporate bonds on December 13, 2016 through private placement. The key terms and conditions are as follows:

- 1) Issue amount: \$35,000,000 thousand.
- 2) Principal amount and issue price: The face value is \$1,000,000 thousand each, and is issued at par.
- 3) Years to maturity: Perpetual.
- 4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.
- 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the

required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.

- 6) Right of early redemption: The Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest. The Company may redeem the bond once a year.
 - 7) Forms of bonds: Physical certificate.
 - 8) Interest expense: Interest expense amounting to both \$1,260,000 thousand, respectively. The expense was recorded as finance costs.
- b. Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:
- 1) Issue amount: \$35,000,000 thousand.
 - 2) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - 3) Years to maturity: Perpetual.
 - 4) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year maturity.
 - 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - 6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - 7) Forms of bonds: Book-entry securities.
 - 8) Interest expense: Interest expense amounting to \$1,157,030 thousand and \$1,152,970 thousand was recorded as finance costs for the years ended December 31, 2020 and 2019, respectively.
- c. Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual non-cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
- 1) Issue amount: \$10,000,000 thousand.
 - 2) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - 3) Years to maturity: Perpetual.
 - 4) Coupon rate: Fixed rate of 3%.
 - 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - 6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the

minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

- 7) Forms of bonds: Book-entry securities.
- 8) Interest expense: Interest expense amounting to \$300,420 thousand and \$154,920 thousand for the years ended December 31, 2020 and 2019, respectively. The expense was recorded as finance costs.

23. INSURANCE LIABILITIES

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

a. The Company

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 73,271	\$ -	\$ 73,271	\$ 81,756	\$ -	\$ 81,756
Individual injury insurance	7,293,363	-	7,293,363	6,854,370	-	6,854,370
Individual health insurance	9,911,436	-	9,911,436	9,362,205	-	9,362,205
Group insurance	995,234	-	995,234	1,092,315	-	1,092,315
Investment-linked insurance	116,825	-	116,825	114,231	-	114,231
	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>	<u>17,504,877</u>	<u>-</u>	<u>17,504,877</u>
Less ceded unearned premium reserve:						
Individual life insurance	878,870	-	878,870	713,629	-	713,629
Individual injury insurance	25,638	-	25,638	17,678	-	17,678
Individual health insurance	208,531	-	208,531	163,571	-	163,571
	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>	<u>894,878</u>	<u>-</u>	<u>894,878</u>
	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>	<u>\$ 16,609,999</u>	<u>\$ -</u>	<u>\$ 16,609,999</u>

The changes in unearned premium reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 17,504,877	\$ -	\$ 17,504,877	\$ 16,458,535	\$ -	\$ 16,458,535
Provision	18,390,137	-	18,390,137	17,504,890	-	17,504,890
Recovery	(17,504,877)	-	(17,504,877)	(16,458,535)	-	(16,458,535)
Foreign exchange	(8)	-	(8)	(13)	-	(13)
Ending balance	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>	<u>17,504,877</u>	<u>-</u>	<u>17,504,877</u>
Less ceded unearned premium reserve:						
Beginning balance	894,878	-	894,878	624,337	-	624,337
Increase	<u>218,161</u>	<u>-</u>	<u>218,161</u>	<u>270,541</u>	<u>-</u>	<u>270,541</u>
Ending balance	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>	<u>894,878</u>	<u>-</u>	<u>894,878</u>
Net ending balance	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>	<u>\$ 16,609,999</u>	<u>\$ -</u>	<u>\$ 16,609,999</u>

2) Loss reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	\$ 2,994,498	\$ 35,590	\$ 3,030,088	\$ 2,437,380	\$ 31,200	\$ 2,468,580
Not yet filed	26,374	-	26,374	31,859	-	31,859
Individual injury insurance						
Filed but not paid	39,709	-	39,709	40,400	-	40,400
Not yet filed	1,944,744	-	1,944,744	1,855,652	-	1,855,652
Individual health insurance						
Filed but not paid	1,636,337	-	1,636,337	1,282,698	-	1,282,698
Not yet filed	3,212,273	-	3,212,273	3,051,864	-	3,051,864
Group insurance						
Filed but not paid	62,412	-	62,412	60,760	-	60,760
Not yet filed	1,487,129	-	1,487,129	1,592,067	-	1,592,067
Investment-linked insurance						
Filed but not paid	218,021	-	218,021	180,254	-	180,254
Not yet filed	551	-	551	477	-	477
	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>	<u>10,533,411</u>	<u>31,200</u>	<u>10,564,611</u>
Less ceded loss reserve						
Individual life insurance	46,636	-	46,636	3,074	-	3,074
Individual health insurance	<u>14,721</u>	<u>-</u>	<u>14,721</u>	<u>658</u>	<u>-</u>	<u>658</u>
	<u>61,357</u>	<u>-</u>	<u>61,357</u>	<u>3,732</u>	<u>-</u>	<u>3,732</u>
	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>	<u>\$ 10,529,679</u>	<u>\$ 31,200</u>	<u>\$ 10,560,879</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 10,533,411	\$ 31,200	\$ 10,564,611	\$ 8,522,425	\$ 9,145	\$ 8,531,570
Provision	11,636,942	35,590	11,672,532	10,538,170	31,200	10,569,370
Recovery	(10,533,411)	(31,200)	(10,564,611)	(8,522,425)	(9,145)	(8,531,570)
Foreign exchange	(14,894)	-	(14,894)	(4,759)	-	(4,759)
Ending balance	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>	<u>10,533,411</u>	<u>31,200</u>	<u>10,564,611</u>
Less ceded loss reserve						
Beginning balance	3,732	-	3,732	8,793	-	8,793
Increase	57,625	-	57,625	-	-	-
Decrease	-	-	-	(5,061)	-	(5,061)
Ending balance	<u>61,357</u>	<u>-</u>	<u>61,357</u>	<u>3,732</u>	<u>-</u>	<u>3,732</u>
Net ending balance	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>	<u>\$ 10,529,679</u>	<u>\$ 31,200</u>	<u>\$ 10,560,879</u>

3) Policy reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	\$5,144,987,292	\$ 3,810	\$5,144,991,102	\$4,812,427,110	\$ 3,747	\$4,812,430,857
Injury insurance	7,058,104	-	7,058,104	7,268,700	-	7,268,700
Health insurance	793,400,966	-	793,400,966	725,104,907	-	725,104,907
Annuity insurance	1,381,226	14,175,381	15,556,607	1,388,012	20,476,035	21,864,047
Investment-linked insurance	<u>515,821</u>	<u>-</u>	<u>515,821</u>	<u>450,698</u>	<u>-</u>	<u>450,698</u>
Total (Note 2)	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>	<u>5,546,639,427</u>	<u>20,479,782</u>	<u>5,567,119,209</u>
Less ceded policy reserve						
Life insurance	<u>403,979</u>	<u>-</u>	<u>403,979</u>	<u>421,465</u>	<u>-</u>	<u>421,465</u>
	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>	<u>\$5,546,217,962</u>	<u>\$ 20,479,782</u>	<u>\$5,566,697,744</u>

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to \$5,961,980,645 thousand and \$5,567,592,302 thousand as of December 31, 2020 and 2019, respectively.

The changes of policy reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$5,546,639,427	\$ 20,479,782	\$5,567,119,209	\$5,181,152,670	\$ 25,847,690	\$5,207,000,360
Provision	663,427,493	157,530	663,585,023	670,669,816	1,043,751	671,713,567
Recovery	(202,828,855)	(6,458,184)	(209,287,039)	(279,755,554)	(6,411,621)	(286,167,175)
Foreign exchange	(59,894,656)	63	(59,894,593)	(25,427,505)	(38)	(25,427,543)
Ending balance	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>	<u>5,546,639,427</u>	<u>20,479,782</u>	<u>5,567,119,209</u>
Less ceded policy reserve						
Beginning balance	421,465	-	421,465	365,409	-	365,409
Increase	-	-	-	71,881	-	71,881
Decrease	(22,443)	-	(22,443)	-	-	-
Foreign exchange	<u>4,957</u>	<u>-</u>	<u>4,957</u>	<u>(15,825)</u>	<u>-</u>	<u>(15,825)</u>
Ending balance	<u>403,979</u>	<u>-</u>	<u>403,979</u>	<u>421,465</u>	<u>-</u>	<u>421,465</u>
Net ending balance	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>	<u>\$5,546,217,962</u>	<u>\$ 20,479,782</u>	<u>\$5,566,697,744</u>

4) Special reserve

	December 31							
	2020				2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)	\$ (56,900)	\$ -	\$ -	\$ (56,900)
Dividend risk reserve	54,928	-	-	54,928	58,200	-	-	58,200
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,624</u>

The changes of special reserve are summarized below:

	For the Year Ended December 31							
	2020				2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624	\$ 930	\$ -	\$ 11,083,324	\$ 11,084,254
Provision for participating policies dividends reserve	14,694	-	-	14,694	17,100	-	-	17,100
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)	(11,746)	-	-	(11,746)
Recovery of dividend risk reserve	(3,272)	-	-	(3,272)	(4,984)	-	-	(4,984)
Ending balance	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,624</u>

5) Premium deficiency reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742	\$ 18,282,478	\$ -	\$ 18,282,478
Individual injury insurance	934	-	934	1,078	-	1,078
Individual health insurance	1,225,954	-	1,225,954	1,347,284	-	1,347,284
Group insurance	5,713	-	5,713	48,617	-	48,617
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>	<u>\$ 19,679,457</u>	<u>\$ -</u>	<u>\$ 19,679,457</u>

The changes of premium deficiency reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457	\$ 22,548,304	\$ -	\$ 22,548,304
Provision	5,619	-	5,619	148,615	-	148,615
Recovery	(5,716,962)	-	(5,716,962)	(2,893,265)	-	(2,893,265)
Foreign exchange	(165,771)	-	(165,771)	(124,197)	-	(124,197)
Ending balance	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>	<u>\$ 19,679,457</u>	<u>\$ -</u>	<u>\$ 19,679,457</u>

6) Other reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>	<u>\$ 1,873,141</u>	<u>\$ -</u>	<u>\$ 1,873,141</u>

The changes of other reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141	\$ 1,894,570	\$ -	\$ 1,894,570
Provision	3,784	-	3,784	-	-	-
Recovery	-	-	-	(21,429)	-	(21,429)
Ending balance	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>	<u>\$ 1,873,141</u>	<u>\$ -</u>	<u>\$ 1,873,141</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	\$ 18,390,129	\$ 17,504,877
Policy reserve	5,961,980,645	5,567,592,302
Premium deficiency reserve	13,802,343	19,679,457
Other reserve	<u>1,876,925</u>	<u>1,873,141</u>
Book value of insurance liabilities	<u>\$5,996,050,042</u>	<u>\$5,606,649,777</u>
Estimated present value of cash flows	<u>\$5,195,570,713</u>	<u>\$4,515,206,417</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing
Significant assumptions:		
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b) Discount rate	Under assets allocation plan on September 30, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2019, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

b. Cathay Lujiazui Life

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	\$ 5,362	\$ -	\$ 5,362	\$ 5,461	\$ -	\$ 5,461
Individual health insurance	33,821	-	33,821	28,293	-	28,293
Group insurance	<u>310,876</u>	<u>-</u>	<u>310,876</u>	<u>268,054</u>	<u>-</u>	<u>268,054</u>
	<u>\$ 350,059</u>	<u>\$ -</u>	<u>\$ 350,059</u>	<u>\$ 301,808</u>	<u>\$ -</u>	<u>\$ 301,808</u>

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 301,808	\$ -	\$ 301,808	\$ 279,007	\$ -	\$ 279,007
Provision	372,780	-	372,780	349,388	-	349,388
Recovery	(353,794)	-	(353,794)	(315,792)	-	(315,792)
Reclassification	25,878	-	25,878	-	-	-
Foreign exchange	<u>3,387</u>	<u>-</u>	<u>3,387</u>	<u>(10,795)</u>	<u>-</u>	<u>(10,795)</u>
Ending balance	<u>\$ 350,059</u>	<u>\$ -</u>	<u>\$ 350,059</u>	<u>\$ 301,808</u>	<u>\$ -</u>	<u>\$ 301,808</u>

2) Loss reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	\$ 4,512	\$ -	\$ 4,512	\$ 1,169	\$ -	\$ 1,169
Not yet filed	12,433	-	12,433	10,535	-	10,535
Individual injury insurance						
Filed but not paid	112	-	112	105	-	105
Not yet filed	5,518	-	5,518	3,424	-	3,424
Individual health insurance						
Filed but not paid	16,011	-	16,011	7,062	-	7,062
Not yet filed	65,990	-	65,990	54,959	-	54,959
Group insurance						
Filed but not paid	6,679	-	6,679	7,848	-	7,848
Not yet filed	<u>375,879</u>	<u>-</u>	<u>375,879</u>	<u>380,909</u>	<u>-</u>	<u>380,909</u>
	<u>487,134</u>	<u>-</u>	<u>487,134</u>	<u>466,011</u>	<u>-</u>	<u>466,011</u>
Less ceded loss reserve						
Individual life insurance	-	-	-	663	-	663
Individual injury insurance	29	-	29	1,063	-	1,063
Individual health insurance	7,193	-	7,193	18,499	-	18,499
Group insurance	<u>3,144</u>	<u>-</u>	<u>3,144</u>	<u>57</u>	<u>-</u>	<u>57</u>
	<u>10,366</u>	<u>-</u>	<u>10,366</u>	<u>20,282</u>	<u>-</u>	<u>20,282</u>
	<u>\$ 476,768</u>	<u>\$ -</u>	<u>\$ 476,768</u>	<u>\$ 445,729</u>	<u>\$ -</u>	<u>\$ 445,729</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 466,011	\$ -	\$ 466,011	\$ 367,506	\$ -	\$ 367,506
Provision	477,443	-	477,443	567,060	-	567,060
Recovery	(460,652)	-	(460,652)	(451,874)	-	(451,874)
Foreign exchange	<u>4,332</u>	<u>-</u>	<u>4,332</u>	<u>(16,681)</u>	<u>-</u>	<u>(16,681)</u>
Ending balance	<u>487,134</u>	<u>-</u>	<u>487,134</u>	<u>466,011</u>	<u>-</u>	<u>466,011</u>
Less ceded loss reserve						
Beginning balance	20,282	-	20,282	13,716	-	13,716
Increase	51,934	-	51,934	62,944	-	62,944
Decrease	(61,856)	-	(61,856)	(55,652)	-	(55,652)
Foreign exchange	<u>6</u>	<u>-</u>	<u>6</u>	<u>(726)</u>	<u>-</u>	<u>(726)</u>
Ending balance	<u>10,366</u>	<u>-</u>	<u>10,366</u>	<u>20,282</u>	<u>-</u>	<u>20,282</u>
Net ending balance	<u>\$ 476,768</u>	<u>\$ -</u>	<u>\$ 476,768</u>	<u>\$ 445,729</u>	<u>\$ -</u>	<u>\$ 445,729</u>

3) Policy reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 27,482,482	\$ -	\$ 27,482,482	\$ 19,294,499	\$ -	\$ 19,294,499
Health insurance	3,115,884	-	3,115,884	1,855,047	-	1,855,047
Investment-linked insurance	<u>787</u>	-	<u>787</u>	<u>2,599</u>	-	<u>2,599</u>
	<u>30,599,153</u>	-	<u>30,599,153</u>	<u>21,152,145</u>	-	<u>21,152,145</u>
Less ceded loss reserve						
Individual life insurance	2,074	-	2,074	-	-	-
Health insurance	<u>19,465</u>	-	<u>19,465</u>	-	-	-
	<u>21,539</u>	-	<u>21,539</u>	-	-	-
	<u>\$ 30,577,614</u>	<u>\$ -</u>	<u>\$ 30,577,614</u>	<u>\$ 21,152,145</u>	<u>\$ -</u>	<u>\$ 21,152,145</u>

The changes of policy reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 21,152,145	\$ -	\$ 21,152,145	\$ 14,909,176	\$ -	\$ 14,909,176
Provision	10,483,907	-	10,483,907	9,100,795	-	9,100,795
Recovery	(1,468,817)	-	(1,468,817)	(2,100,388)	-	(2,100,388)
Reclassification	92,400	-	92,400	-	-	-
Foreign exchange	339,518	-	339,518	(757,438)	-	(757,438)
Ending balance	<u>30,599,153</u>	<u>-</u>	<u>30,599,153</u>	<u>21,152,145</u>	<u>-</u>	<u>21,152,145</u>
Less ceded loss reserve						
Beginning balance	-	-	-	-	-	-
Increase	89,028	-	89,028	-	-	-
Decrease	(67,853)	-	(67,853)	-	-	-
Foreign exchange	364	-	364	-	-	-
Ending balance	<u>21,539</u>	<u>-</u>	<u>21,539</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 30,577,614</u>	<u>\$ -</u>	<u>\$ 30,577,614</u>	<u>\$ 21,152,145</u>	<u>\$ -</u>	<u>\$ 21,152,145</u>

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	\$ 350,059	\$ 301,808
Policy reserve	<u>30,599,153</u>	<u>21,152,145</u>
Book value of insurance liabilities	<u>\$ 30,949,212</u>	<u>\$ 21,453,953</u>
Estimated present value of cash flows	<u>\$ 24,759,370</u>	<u>\$ 17,163,162</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

Note 3: There is no merger or transfer of insurance contract for Cathay Lujiazui Life. Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing
Significant assumptions:		
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b) Discount rate	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

c. Cathay Life (Vietnam)

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	\$ 14,935	\$ -	\$ 14,935	\$ 12,351	\$ -	\$ 12,351
Individual health insurance	<u>20,826</u>	<u>-</u>	<u>20,826</u>	<u>13,167</u>	<u>-</u>	<u>13,167</u>
	<u>\$ 35,761</u>	<u>\$ -</u>	<u>\$ 35,761</u>	<u>\$ 25,518</u>	<u>\$ -</u>	<u>\$ 25,518</u>

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 25,518	\$ -	\$ 25,518	\$ 14,775	\$ -	\$ 14,775
Provision	11,854	-	11,854	11,389	-	11,389
Foreign exchange	<u>(1,611)</u>	<u>-</u>	<u>(1,611)</u>	<u>(646)</u>	<u>-</u>	<u>(646)</u>
Ending balance	<u>\$ 35,761</u>	<u>\$ -</u>	<u>\$ 35,761</u>	<u>\$ 25,518</u>	<u>\$ -</u>	<u>\$ 25,518</u>

2) Loss reserve

December 31						
2020			2019			
	Financial Instruments with Discretionary Participation Feature			Financial Instruments with Discretionary Participation Feature		
	Insurance Contracts	Total		Insurance Contracts	Total	
Individual life insurance						
Filed but not paid	\$ 3,895	\$ 3,895	\$ 2,423	\$ -	\$ 2,423	
Individual injury insurance						
Filed but not paid	991	991	275	-	275	
Not yet filed	1,952	1,952	1,321	-	1,321	
Individual health insurance						
Filed but not paid	2,052	2,052	2,385	-	2,385	
Not yet filed	6,349	6,349	3,439	-	3,439	
Investment-linked insurance						
Filed but not paid	<u>3,842</u>	<u>3,842</u>	<u>2,147</u>	<u>-</u>	<u>2,147</u>	
	<u>\$ 19,081</u>	<u>\$ 19,081</u>	<u>\$ 11,990</u>	<u>\$ -</u>	<u>\$ 11,990</u>	

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 11,990	\$ -	\$ 11,990	\$ 4,255	\$ -	\$ 4,255
Provision	7,918	-	7,918	8,071	-	8,071
Foreign exchange	<u>(827)</u>	<u>-</u>	<u>(827)</u>	<u>(336)</u>	<u>-</u>	<u>(336)</u>
Ending balance	<u>\$ 19,081</u>	<u>\$ -</u>	<u>\$ 19,081</u>	<u>\$ 11,990</u>	<u>\$ -</u>	<u>\$ 11,990</u>

3) Policy reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 6,278,493	\$ -	\$ 6,278,493	\$ 4,065,218	\$ -	\$ 4,065,218
Investment-linked insurance	<u>419,412</u>	<u>-</u>	<u>419,412</u>	<u>169,402</u>	<u>-</u>	<u>169,402</u>
	<u>\$ 6,697,905</u>	<u>\$ -</u>	<u>\$ 6,697,905</u>	<u>\$ 4,234,620</u>	<u>\$ -</u>	<u>\$ 4,234,620</u>

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 4,234,620	\$ -	\$ 4,234,620	\$ 3,219,759	\$ -	\$ 3,219,759
Provision	2,754,132	-	2,754,132	1,112,897	-	1,112,897
Foreign exchange	<u>(290,847)</u>	<u>-</u>	<u>(290,847)</u>	<u>(98,036)</u>	<u>-</u>	<u>(98,036)</u>
Ending balance	<u>\$ 6,697,905</u>	<u>\$ -</u>	<u>\$ 6,697,905</u>	<u>\$ 4,234,620</u>	<u>\$ -</u>	<u>\$ 4,234,620</u>

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	\$ 35,761	\$ 25,518
Policy reserve	<u>6,697,905</u>	<u>4,234,620</u>
Book value of insurance liabilities	<u>\$ 6,733,666</u>	<u>\$ 4,260,138</u>
Estimated present value of cash flows	<u>\$ 5,387,856</u>	<u>\$ 3,121,262</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

Note 3: There is no merger or transfer of insurance contract for Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing
Significant assumptions:		
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b) Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

24. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of December 31, 2020 and 2019, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

	December 31	
	2020	2019
Life insurance	\$ 72,080	\$ 75,004
Investment-linked insurance	<u>938,076</u>	<u>926,987</u>
	<u>\$ 1,010,156</u>	<u>\$ 1,001,991</u>
	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 1,001,991	\$ 930,654
Claims and payments	(273,584)	(227,022)
Net provision of statutory reserve	294,427	302,968
Foreign exchange	<u>(12,678)</u>	<u>(4,609)</u>
Ending balance	<u>\$ 1,010,156</u>	<u>\$ 1,001,991</u>

b. Cathay Lujiazui Life

	December 31	
	2020	2019
Life insurance	<u>\$ 12,721,352</u>	<u>\$ 9,930,017</u>
	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 9,930,017	\$ 8,388,059
Premiums received	5,195,938	3,853,105
Claims and payments	(3,029,317)	(2,351,066)
Net reserve of statutory reserve	493,002	395,254
Foreign exchange	<u>131,712</u>	<u>(355,335)</u>
Ending balance	<u>\$ 12,721,352</u>	<u>\$ 9,930,017</u>

25. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedging strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 18,000,877	\$ 17,075,289
Provision		
Compulsory reserve	8,433,364	8,765,999
Additional reserve	<u>11,153,852</u>	<u>12,174,679</u>
	19,587,216	20,940,678
Reversal	<u>(22,767,228)</u>	<u>(20,015,090)</u>
Ending balance	<u>\$ 14,820,865</u>	<u>\$ 18,000,877</u>

During the year ended December 31, 2020, the Company applied for approval and received approval from the FSC to appropriate for a reserve for foreign exchange valuation; the details are as follows:

Date Applied	Approval Number	Amount
April 2020	No. 1090418613	\$ 1,000,000
June 2020	No. 1090423624	1,000,000
July 2020	No. 1090425881	3,000,000
September 2020	No. 1090430759	2,000,000
December 2020	No. 1100410400	<u>3,000,000</u>
		<u>\$ 10,000,000</u>

c. Effects due to reserve for foreign exchange valuation

Items	For the Year Ended December 31, 2020		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	\$ 49,200,585	\$ 51,744,594	\$ 2,544,009
Earnings per share	8.41	8.84	0.43
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Equity attributable to owners of the Company	721,981,159	713,727,364	(8,253,795)
Items	For the Year Ended December 31, 2019		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	\$ 38,586,423	\$ 37,845,953	\$ (740,470)
Earnings per share	6.73	6.60	(0.13)
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Equity attributable to owners of the Company	599,416,587	588,618,783	(10,797,804)

26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 567,721,071	\$ 165,822	\$ 567,886,893	\$ 596,188,657	\$ 1,098,686	\$ 597,287,343
Reinsurance premium	110,139	-	110,139	125,595	-	125,595
Premium income	567,831,210	165,822	567,997,032	596,314,252	1,098,686	597,412,938
Less: Reinsurance expenses	(2,355,053)	-	(2,355,053)	(2,051,751)	-	(2,051,751)
Net changes in unearned premium reserve	(667,099)	-	(667,099)	(775,814)	-	(775,814)
Retained earned premium	<u>\$ 564,809,058</u>	<u>\$ 165,822</u>	<u>\$ 564,974,880</u>	<u>\$ 593,486,687</u>	<u>\$ 1,098,686</u>	<u>\$ 594,585,373</u>

2) Cathay Lujiazui Life

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 12,716,610	\$ -	\$ 12,716,610	\$ 12,004,189	\$ -	\$ 12,004,189
Reinsurance premium	-	-	-	-	-	-
Premium income	12,716,610	-	12,716,610	12,004,189	-	12,004,189
Less: Reinsurance expenses	(157,133)	-	(157,133)	(139,712)	-	(139,712)
Net changes in unearned premium reserve	(18,986)	-	(18,986)	(33,596)	-	(33,596)
Retained earned premium	<u>\$ 12,540,491</u>	<u>\$ -</u>	<u>\$ 12,540,491</u>	<u>\$ 11,830,881</u>	<u>\$ -</u>	<u>\$ 11,830,881</u>

3) Cathay Life (Vietnam)

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 2,059,694	\$ -	\$ 2,059,694	\$ 1,415,371	\$ -	\$ 1,415,371
Reinsurance premium	-	-	-	-	-	-
Premium income	2,059,694	-	2,059,694	1,415,371	-	1,415,371
Less: Reinsurance expenses	(504)	-	(504)	(71)	-	(71)
Net changes in unearned premium reserve	(11,854)	-	(11,854)	(11,389)	-	(11,389)
Retained earned premium	<u>\$ 2,047,336</u>	<u>\$ -</u>	<u>\$ 2,047,336</u>	<u>\$ 1,403,911</u>	<u>\$ -</u>	<u>\$ 1,403,911</u>

b. Retained claim payments

1) The Company

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 265,571,820	\$ 6,731,051	\$ 272,302,871	\$ 341,523,358	\$ 6,941,553	\$ 348,464,911
Reinsurance claim payments	43,045	-	43,045	40,376	-	40,376
Insurance claim payments	265,614,865	6,731,051	272,345,916	341,563,734	6,941,553	348,505,287
Less: Claims recovered from reinsures	(1,304,635)	-	(1,304,635)	(1,079,421)	-	(1,079,421)
Retained claim payments	<u>\$ 264,310,230</u>	<u>\$ 6,731,051</u>	<u>\$ 271,041,281</u>	<u>\$ 340,484,313</u>	<u>\$ 6,941,553</u>	<u>\$ 347,425,866</u>

2) Cathay Lujiazui Life

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 1,892,549	\$ -	\$ 1,892,549	\$ 1,704,179	\$ -	\$ 1,704,179
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	1,892,549	-	1,892,549	1,704,179	-	1,704,179
Less: Claims recovered from reinsures	(115,987)	-	(115,987)	(116,780)	-	(116,780)
Retained claim payments	<u>\$ 1,776,562</u>	<u>\$ -</u>	<u>\$ 1,776,562</u>	<u>\$ 1,587,399</u>	<u>\$ -</u>	<u>\$ 1,587,399</u>

3) Cathay Life (Vietnam)

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 231,646	\$ -	\$ 231,646	\$ 145,227	\$ -	\$ 145,227
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	231,646	-	231,646	145,227	-	145,227
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	<u>\$ 231,646</u>	<u>\$ -</u>	<u>\$ 231,646</u>	<u>\$ 145,227</u>	<u>\$ -</u>	<u>\$ 145,227</u>

27. PROVISIONS

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 233,871	\$ 225,277
Provision	2,956	-
Reversal	(177,405)	-
Foreign exchange	(3,177)	8,594
Ending balance	<u>\$ 56,245</u>	<u>\$ 233,871</u>

28. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 341,735	\$ 456,211
Deferred fee income	5,548	7,210
Guarantee deposits received	14,233,208	13,315,767
Others (Note)	<u>11,301,064</u>	<u>5,408,207</u>
	<u>\$ 25,881,555</u>	<u>\$ 19,187,395</u>

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to \$3,802,965 thousand as of December 31, 2020.

Deferred fee income

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred fee income related to investment management services of such contracts is summarized below:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 7,210	\$ 18,785
Amortization	(1,722)	(11,390)
Foreign exchange	<u>60</u>	<u>(185)</u>
Ending balance	<u>\$ 5,548</u>	<u>\$ 7,210</u>

29. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Subsidiaries in mainland China and other foreign countries adopted pension plans, which are defined contribution plans and make contributions in accordance with local government regulations.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and its subsidiaries in the ROC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the

difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 13,423,238	\$ 13,641,235
Fair value of plan assets	<u>(19,703,466)</u>	<u>(20,063,648)</u>
Net defined benefit assets	<u>\$ (6,280,228)</u>	<u>\$ (6,422,413)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 13,419,411</u>	<u>\$(19,104,502)</u>	<u>\$ (5,685,091)</u>
Service cost			
Current service cost	280,804	-	280,804
Interest expense (income)	<u>116,083</u>	<u>(169,296)</u>	<u>(53,213)</u>
Recognized in profit or loss	<u>396,887</u>	<u>(169,296)</u>	<u>227,591</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,137,289)	(1,137,289)
Actuarial loss			
Changes in financial assumptions	356,936	-	356,936
Experience adjustments	<u>348,923</u>	<u>-</u>	<u>348,923</u>
Recognized in other comprehensive income (loss)	<u>705,859</u>	<u>(1,137,289)</u>	<u>(431,430)</u>
Contributions from the employer	-	(533,483)	(533,483)
Benefits paid	<u>(880,922)</u>	<u>880,922</u>	<u>-</u>
Balance at December 31, 2019	<u>13,641,235</u>	<u>(20,063,648)</u>	<u>(6,422,413)</u>
Service cost			
Current service cost	278,248	-	278,248
Interest expense (income)	<u>90,067</u>	<u>(136,784)</u>	<u>(46,717)</u>
Recognized in profit or loss	<u>368,315</u>	<u>(136,784)</u>	<u>231,531</u>
Return on plan assets (excluding amounts included in net interest)	-	(402,526)	(402,526)
Actuarial loss			
Changes in financial assumptions	427,128	-	427,128
Experience adjustments	<u>300,330</u>	<u>-</u>	<u>300,330</u>
Recognized in other comprehensive income (loss)	<u>727,458</u>	<u>(402,526)</u>	<u>324,932</u>
Contributions from the employer	-	(414,278)	(414,278)
Benefits paid	<u>(1,313,770)</u>	<u>1,313,770</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 13,423,238</u>	<u>\$(19,703,466)</u>	<u>\$ (6,280,228)</u>

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The discount rate for determining the present value of defined benefit obligation is based on the government bond yield. If the actual return on investment of the retirement fund assets is lower than the yield, the insufficiency of defined benefit liabilities will increase. The retirement fund assets which are managed by the Bureau of Labor Funds, Ministry of Labor are deposited in the labor retirement fund accounts, whose investment and operation are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.
- 2) Interest rate: A decrease in government bond yield will increase the present value of the defined benefit obligation. The interest rate risk is the main source of risk in the retirement benefit plan.
- 3) Longevity risk: In the calculation of the present value of defined benefit obligation, the estimated mortality rate during employee service period is based on 100% of the fifth life table (2011TSO) of the life insurance industry. If the actual mortality rate is lower than the estimated rate, the present value of the defined benefit obligation will increase.
- 4) Salary adjustment risk: In the calculation of the present value of defined benefit obligation, the salary of an employee at the time of retirement is based on the assumed annual salary increase rate. If the actual adjustment to the employee's salary is higher than the assumed rate in the future, the present value of the defined benefit obligation will increase.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	2019
Discount rate	0.32%	0.69%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
Increase (2020: 0.25%; 2019: 0.5%)	<u>\$(281,888)</u>	<u>\$(586,573)</u>
Decrease (2020: 0.25%; 2019: 0.5%)	<u>\$ 295,311</u>	<u>\$ 627,497</u>
Expected rate of salary increase		
Increase 0.5%	<u>\$ 577,199</u>	<u>\$ 613,856</u>
Decrease 0.5%	<u>\$(550,353)</u>	<u>\$(572,932)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 417,796</u>	<u>\$ 572,248</u>
Average duration of the defined benefit obligation	8.5 years	8.8 years

30. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>10,000,000</u>	<u>10,000,000</u>
Shares authorized	<u>\$100,000,000</u>	<u>\$100,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>5,851,527</u>	<u>5,851,527</u>
Shares issued	<u>\$ 58,515,274</u>	<u>\$ 58,515,274</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and the rights to dividend.

On November 13, 2019, the Company's board of directors (on behalf of the shareholders) resolved to issue 125,000 thousand ordinary shares with a par value of \$10, for a consideration of \$80 per share which increased the share capital issued and fully paid to \$58,515,274 thousand. On November 21, 2019, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 4, 2019.

b. Capital surplus

	December 31	
	2020	2019
Additional paid-in capital	\$ 59,550,000	\$ 59,550,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142
Changes in amount of associates accounted for using the equity method	844,792	845,715
Share-based payments granted by the parent company to the Company's employees	<u>182,599</u>	<u>182,599</u>
	<u>\$ 60,606,533</u>	<u>\$ 60,607,456</u>

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus). According to Jin Guan Bao Tsai No. 10202501991 issued by the FSC on February 8, 2013, if a life insurance enterprise intends to distribute its capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders' meeting.

The capital surplus arising from investments accounted for using the equity method and share-based payments granted by the parent company to the Company's employees may not be used for any purpose.

On August 15, 2019, Cathay Financial Holdings' board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries' subscription. The Company recognized salary expenses and capital surplus in the amount of \$182,599 thousand for share-based payments at fair value of the options at the grant date.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 32 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. Pursuant to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders' meeting.

According to Jin Guan Bao Tsai No. 10202501992, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2019 and 2018 had been approved by the board of directors (on behalf of shareholders) on April 29, 2020 and May 3, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Years Ended December 31	
	2019	2018
Legal reserve	\$ 6,677,339	\$ 2,871,520
Special reserve	59,449,742	12,730,041

The appropriation of earnings and offsetting of the deficits against the legal reserve of \$31,181,609 thousand were approved in the board of directors' meeting (on behalf of the shareholders) on April 29, 2020.

The appropriations of earnings for 2020, which were proposed by the Company's board of directors on March 10, 2021, were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2020
Legal reserve	\$ 10,333,774
Special reserve	70,366,942

In addition, the Company's board of directors resolved to offset the deficit by legal reserve of \$1,676,041 thousand and special reserve of \$23,690,493 thousand on the same date.

The appropriation of earnings for 2020 will be resolved by the Company's board of directors (on behalf of the shareholders) on April 28, 2021.

d. Special reserves

	December 31	
	2020	2019
Special reserve for catastrophic events and fluctuation of risks (1)	\$ 14,908,281	\$ 14,552,237
Special reserve for the foreign exchange valuation reserve (2)	33,677,108	11,731,067
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860
Special reserve for investment properties at fair value model in subsequent measurement (4)	148,125,659	147,568,965
Special reserve for gains or losses on disposal of immature debt instruments (5)	25,491,229	-
Others (6)	<u>77,790,075</u>	<u>68,252,401</u>
	<u>\$347,320,212</u>	<u>\$289,432,530</u>

1) Special reserve for catastrophic events and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for catastrophic events and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for catastrophic events and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for catastrophic events

All types of insurance should follow the reserve rates for catastrophic events set by the authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of \$30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with IAS 12 “Income Taxes” can be recorded in the special capital reserve for catastrophic events under equity.

b) Special reserve for fluctuation of risks

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of write-down or recovery determined in accordance with the IAS 12 “Income Taxes” can be recorded in the special capital reserve for fluctuation of risks under equity.

For the abovementioned special reserves, the annual provision should be recorded in special reserve under equity, net of tax in accordance with IAS 12 “Income Taxes”.

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, life insurance enterprises should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from the implementation. The abovementioned special reserve includes the reduced recover amounts of special reserve for catastrophic events and special reserve for fluctuation of risks, which are calculated in accordance with the Articles 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Jin Guan Bao Tsai No. 09802513192, the revised Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise, issued on December 28, 2009, the provision for special reserve for catastrophic events and for fluctuation of risks is recognized at the end of the year and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

December 31, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 114,248	\$ -	\$ 114,248
Injury insurance	4,829,191	-	4,829,191
Health insurance	5,498,542	-	5,498,542
Group insurance	<u>4,466,300</u>	<u>-</u>	<u>4,466,300</u>
	<u>\$ 14,908,281</u>	<u>\$ -</u>	<u>\$ 14,908,281</u>
December 31, 2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 113,087	\$ -	\$ 113,087
Injury insurance	4,800,448	-	4,800,448
Health insurance	5,324,076	-	5,324,076
Group insurance	<u>4,314,626</u>	<u>-</u>	<u>4,314,626</u>
	<u>\$ 14,552,237</u>	<u>\$ -</u>	<u>\$ 14,552,237</u>

2) Special reserve for foreign exchange valuation reserve

According to Jin Guan Bao Tsai No. 10102501551 issued on February 7, 2012 and Article 9 of the Direction for Reserve for Foreign Exchange Reserve, the Company should appropriate a special reserve of 10% of the profit after tax in order to strengthen the foreign exchange reserve and capital.

According to Jin Guan Bao Tsai No. 10102501551 and Jin Guan Bao Tsai No. 10402026901 issued on May 8, 2015 and Article 8 of the Direction for Reserve for Foreign Exchange Reserve, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should be set aside in later years if there are no sufficient earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects at the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. According to Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861.

In accordance with Jin Guan Bao Tsai No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is \$10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Jin Guan Bao Tsai No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes of relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

5) Special reserve from gains or losses on disposal of immature debt instruments

According to Jin Guan Bao Tsai No. 10804501381 starting from January 1, 2019, a life insurance enterprise should make a special reserve from gains or losses after a tax of 20% on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

- 1) Financial assets not measured at fair value
- 2) Financial assets measured at FVTOCI
- 3) Financial assets measured at FVTPL using overlay approach

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

The changes in the accumulated balance of gains or losses on disposals of debt instruments are as follows:

	For the Year Ended December 31, 2020
Accumulated balance at the end of the previous year	\$ 25,491,229
Realized capital gains of \$56,820,630 thousand, net of income tax of \$11,364,126 thousand	45,456,504
Net amortization for the current year	<u>(3,654,515)</u>
Accumulated balance at the end of the year	<u>\$ 67,293,218</u>

As of December 31, 2020, the Company has set aside special reserve of \$25,491,229 thousand in accordance with the regulation; in 2021, the board of directors will resolve to set aside special reserve of \$41,801,989 thousand according to the changes in the current year. The accumulated balance of special reserve will be at \$67,293,218 thousand.

According to the regulation, the amortization table at the end of the previous year and the additions in the current year is as follows:

Year	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Previous Year (1)	Gains or Losses on Disposal After Tax in the Current Year (2)	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Current Year (1)+(2)
2020	\$ 1,406,919	\$ 2,247,596	\$ 3,654,515
2021	1,394,980	2,243,538	3,638,518
2022	1,391,707	2,238,659	3,630,366
2023	1,367,982	2,219,613	3,587,595
2024	1,343,733	2,046,624	3,390,357
2025	1,309,968	2,069,786	3,379,754
2026	1,255,087	1,990,315	3,245,402
2027	1,247,427	1,907,368	3,154,795
2028	1,194,481	1,849,419	3,043,900
2029	1,100,877	1,759,759	2,860,636
2030 to 2039	8,327,573	14,968,119	23,295,692
2040 to 2049	3,972,787	9,050,483	13,023,270
2050 to 2120	<u>177,708</u>	<u>865,225</u>	<u>1,042,933</u>
Total (Note)	<u>\$ 25,491,229</u>	<u>\$ 45,456,504</u>	<u>\$ 67,293,218</u>

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2020.

- 6) Other special reserve mainly included the amount of \$34,764,311 thousand transferred from insurance liabilities in accordance with Jin Guan Bao Tsai No. 10402029590.

e. Other equity

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$(11,187,030)</u>	<u>\$(10,796,480)</u>
Recognized for the year	(1,540,359)	(523,856)
Share of associates accounted for using the equity method	(239,646)	213,285
Tax effects	<u>32,923</u>	<u>(79,979)</u>
Other comprehensive loss recognized for the year	<u>(1,747,082)</u>	<u>(390,550)</u>
Ending balance	<u>\$(12,934,112)</u>	<u>\$(11,187,030)</u>

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$ 57,531,736</u>	<u>\$(20,547,627)</u>
Recognized for the year	66,141,805	117,889,380
Share of associates accounted for using the equity method	288,649	93,881
Reclassification adjustment		
Disposal of investments in debt instruments	(25,172,380)	(26,039,641)
Tax effects	<u>(6,329,330)</u>	<u>(18,323,515)</u>
Other comprehensive income recognized for the year	<u>34,928,744</u>	<u>73,620,105</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>75,723</u>	<u>4,459,258</u>
Ending balance	<u>\$ 92,536,203</u>	<u>\$ 57,531,736</u>

3) Gain on hedging instruments

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$ 331,929</u>	<u>\$ 173,288</u>
Recognized for the year	82,834	272,121
Reclassification adjustment		
Hedged item that affects profit or loss	(69,571)	(65,901)
Tax effects	<u>2,679</u>	<u>(47,579)</u>
Other comprehensive income recognized for the year	<u>15,942</u>	<u>158,641</u>
Ending balance	<u>\$ 347,871</u>	<u>\$ 331,929</u>

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 447,694	\$ 287,100
Recognized for the year (Note 29)	(324,932)	431,430
Share of associates accounted for using the equity method	48,958	(231,106)
Tax effects	55,038	(39,730)
Other comprehensive loss recognized for the year	<u>(220,936)</u>	<u>160,594</u>
Ending balance	<u>\$ 226,758</u>	<u>\$ 447,694</u>

5) Property revaluation surplus

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 187,503	\$ 187,503
Changes in the year	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 187,503</u>	<u>\$ 187,503</u>

6) Other comprehensive (loss) income on reclassification using overlay approach

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 57,760,564	\$ (52,549,236)
Recognized for the year	123,303,424	157,019,328
Reclassification adjustment		
Disposal of investments in financial instruments	(74,230,963)	(37,016,703)
Tax effects	<u>(4,739,916)</u>	<u>(9,692,825)</u>
Other comprehensive income recognized for the year	<u>44,332,545</u>	<u>110,309,800</u>
Ending balance	<u>\$102,093,109</u>	<u>\$ 57,760,564</u>

7) Other equity - other

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ -	\$ -
Initial recognition of put options on subsidiaries' share	<u>(3,944,303)</u>	<u>-</u>
Ending balance	<u>\$ (3,944,303)</u>	<u>\$ -</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 5,899,205	\$ 5,536,717
Net income attributed to non-controlling interests		
Net profit for the year	937,519	447,118
Exchange differences on translation of the financial statements of foreign operations	32,027	(202,281)
Other comprehensive (loss) income reclassified using overlay approach	(142,568)	351,131
Acquisition of non-controlling interests in subsidiaries (Note 43)	1,415,021	-
Others	<u>(742,087)</u>	<u>(233,480)</u>
Ending balance	<u>\$ 7,399,117</u>	<u>\$ 5,899,205</u>

31. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 8.84</u>	<u>\$ 6.60</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 51,744,594</u>	<u>\$ 37,845,953</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>5,851,527</u>	<u>5,736,116</u>

If reserve for foreign exchange valuation was excluded, basic earnings per share would be \$8.41 and \$6.73 for the years ended December 31, 2020 and 2019, respectively.

32. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Year Ended December 31	
	2020	2019
Financial assets at FVTOCI	\$ 31,362,610	\$ 35,171,001
Financial assets measured at amortized cost	108,727,054	106,159,621
Loans	14,552,318	16,529,838
Others	<u>2,731,266</u>	<u>3,592,325</u>
	<u>\$157,373,248</u>	<u>\$161,452,785</u>

b. Expected credit impairment losses and gains on reversal

	For the Year Ended December 31	
	2020	2019
Operating revenues - expected credit impairment losses and gains on reversal from investments		
Debt instrument investments at FVTOCI	\$ (346,403)	\$ 149,826
Financial assets measured at amortized cost	(1,376,760)	1,071,601
Receivables	-	38,138
Other financial assets	-	594
Loans	<u>64,115</u>	<u>431,236</u>
	<u>(1,659,048)</u>	<u>1,691,395</u>
Operating expenses - expected credit impairment losses from non-investments		
Receivables	<u>(6,308)</u>	<u>(877)</u>
	<u>\$ (1,665,356)</u>	<u>\$ 1,690,518</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits		
Salaries	\$ 37,111,842	\$ 44,282,394
Labor and health insurance expenses	3,126,805	3,206,531
Post-employment benefits		
Defined contribution plans	1,272,485	1,209,212
Defined benefit plans (Note 29)	231,531	227,591
Remuneration of directors	97,990	83,104
Other employee benefits	<u>1,132,939</u>	<u>1,225,281</u>
	<u>\$ 42,973,592</u>	<u>\$ 50,234,113</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 31,240,136	\$ 38,747,674
Operating expenses	<u>11,733,456</u>	<u>11,486,439</u>
	<u>\$ 42,973,592</u>	<u>\$ 50,234,113</u>

The average numbers of the Group's employees for 2020 and 2019 were 41,300 and 39,723, including 16 and 15 non-executive directors, respectively.

For the years ended December 31, 2020 and 2019, the average employee benefits expense of the Group was \$1,039 thousand and \$1,263 thousand, respectively, and the average salary expense was \$737 thousand and \$1,115 thousand, respectively; the average employee salary decreased by 34%.

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company has to first cover accumulated losses, if any. Employees' compensation shall be paid in cash or in shares and resolved by the board of directors in their meeting. The distribution is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. The resolution shall be reported to the shareholders' meeting.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, respectively, as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	\$ 4,996	\$ 3,961
Remuneration of directors and supervisors	5,400	5,700

If there will be a change in the amounts after the consolidated financial statements are authorized for issue, the differences will be recorded as a change in accounting estimate and adjusted in the next year.

The compensation and remuneration of directors and supervisors for the years ended 2019 and 2018, which were resolved by the board of directors on March 11, 2020 and March 21, 2019, respectively, are as follows:

	2019	2018
Employees' compensation	\$ 3,961	\$ 2,760
Remuneration of directors and supervisors	5,700	5,700

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

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property and equipment	\$ 779,901	\$ 789,439
Right-of-use assets	592,308	590,102
Intangible assets	<u>2,723,499</u>	<u>2,634,639</u>
	<u>\$ 4,095,708</u>	<u>\$ 4,014,180</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 1,372,209</u>	<u>\$ 1,379,541</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,723,499</u>	<u>\$ 2,634,639</u>

f. Non-operating income and expenses

	For the Year Ended December 31	
	2020	2019
(Loss) gain on disposal of property and equipment	\$ (63,484)	\$ 11,499
Others	<u>1,652,099</u>	<u>1,698,396</u>
	<u>\$ 1,588,615</u>	<u>\$ 1,709,895</u>

33. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$(17,925,581)	\$ (998,669)
Adjustments for prior years	144,114	18,635
Deferred tax		
In respect of the current year	18,999,500	(42,422)
Adjustments for prior years	(8,782)	-
Other		
Additional income tax under the Alternative Minimum Tax Act	-	(1,961,280)
Tax effect under integrated income tax systems	<u>-</u>	<u>767,741</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 1,209,251</u>	<u>\$ (2,215,995)</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 51,472,862</u>	<u>\$ 40,509,066</u>
Income tax expense calculated at the statutory rate	\$ 10,294,572	\$ 8,101,812
Tax-exempt income	(12,203,282)	(8,776,722)
Nondeductible expenses in determining taxable income	53,701	100,124
Cash dividends	-	966,770
Effect of income tax on deferred tax assets (liabilities)	8,614	29,551
Unrealized loss carryforwards	(102,143)	(32,816)
Unrealized investment credits	(132,945)	-
Withholding tax on foreign investments	3,113	3,040
Land value increment tax	930,091	582,375
Corporate income tax in China	524	545
Investment loss	(571)	(4,512)
Additional income tax under the Alternative Minimum Tax Act	-	1,961,280
Effect of different tax rates of entities in the Group operating in other jurisdictions	74,407	70,924
Tax effect under the integrated income tax system	-	(767,741)
Adjustments for prior years' tax	<u>(135,332)</u>	<u>(18,635)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (1,209,251)</u>	<u>\$ 2,215,995</u>

Foreign withholding taxes in the amounts of \$3,836 thousand and \$3,803 thousand were recognized in current tax expense for the years ended December 31, 2020 and 2019, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 35,384	\$ 374,914
Deferred tax		
Derecognition of equity instruments at FVTOCI	(35,384)	(374,914)
Capital surplus	<u>-</u>	<u>(32,121)</u>
Total income tax benefit recognized directly in equity	<u>\$ -</u>	<u>\$ (32,121)</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	\$ 32,923	\$ (79,979)
Gains (losses) on hedging instruments	2,679	(47,579)
Unrealized gains (losses) on equity instruments at FVTOCI	222,081	(564,359)
Losses on debt instruments at FVTOCI	(6,566,673)	(17,757,927)
Remeasurement of defined benefit plans	64,986	(86,286)
Shares of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	5,314	45,327
Other comprehensive loss reclassified using overlay approach	<u>(4,739,916)</u>	<u>(9,692,825)</u>
Total income tax recognized in other comprehensive income	<u><u>\$(10,978,606)</u></u>	<u><u>\$(28,183,628)</u></u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Net Foreign Exchange Difference	Other	Closing Balance
<u>Deferred tax assets (liabilities)</u>							
Temporary differences							
Property and equipment	\$ 288,086	\$ (22,435)	\$ -	\$ -	\$ -	\$ -	\$ 265,651
Investment property	(26,736,156)	(2,178,518)	-	-	(122)	20,108	(28,894,688)
Financial assets at FVTPL	(5,784,686)	(14,755)	-	-	(195)	-	(5,799,636)
Financial assets at FVTPL applying overlay approach	(6,809,229)	-	(6,435,591)	-	-	-	(13,244,820)
Equity instruments at FVTOCI	(579,515)	-	182,046	-	-	-	(397,469)
Debt instruments at FVTOCI	(11,610,692)	68,080	(6,566,673)	-	-	-	(18,109,285)
Financial assets for hedging	(108,966)	18,661	61,560	-	-	-	(28,745)
Financial assets measured at amortized cost	(93,898)	7,553	-	-	-	-	(86,345)
Financial liabilities at FVTPL	572,859	1,745,678	-	-	-	-	2,318,537
Financial liabilities for hedging	-	86,422	(68,228)	-	-	-	18,194
Rent leveling	(128,645)	(798)	-	-	-	-	(129,443)
Other payables	85,919	25,920	9,347	-	(5,415)	-	115,771
Defined benefit assets	(1,284,482)	(36,549)	64,986	-	-	-	(1,256,045)
Investments accounted for using the equity method	(449,102)	2,679,550	38,237	-	1,692	-	2,270,377
Deferred revenue	-	126,130	-	-	(3,675)	(19,599)	102,856
Lease liabilities	1,839,673	(1,717,246)	-	-	-	-	122,427
Right-of-use assets	(1,787,384)	1,787,384	-	-	-	-	-
Goodwill and franchises	45,436	10,096	-	-	-	-	55,532
Unrealized foreign exchange losses (gains)	26,764,513	22,218,209	1,735,710	(35,384)	-	-	50,683,048
Allowance for doubtful account	231,716	(17,505)	-	-	-	-	214,211
Other	(139,024)	300,396	-	-	17,198	189	178,759
Unused tax losses	<u>6,109,721</u>	<u>(6,095,555)</u>	<u>-</u>	<u>-</u>	<u>(757)</u>	<u>-</u>	<u>13,409</u>
Net deferred tax assets (liabilities)	<u><u>\$ (19,573,856)</u></u>	<u><u>\$ 18,990,718</u></u>	<u><u>\$ (10,978,606)</u></u>	<u><u>\$ (35,384)</u></u>	<u><u>\$ 8,726</u></u>	<u><u>\$ 698</u></u>	<u><u>\$ (11,587,704)</u></u>
Deferred tax assets	<u><u>\$ 36,156,766</u></u>						<u><u>\$ 56,690,743</u></u>
Deferred tax liabilities	<u><u>\$ 55,730,622</u></u>						<u><u>\$ 68,278,447</u></u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Net Foreign Exchange Difference	Closing Balance
<u>Deferred tax assets (liabilities)</u>						
Temporary differences						
Property and equipment	\$ 298,660	\$ (10,574)	\$ -	\$ -	\$ -	\$ 288,086
Investment property	(25,740,275)	(1,009,964)	-	-	14,083	(26,736,156)
Financial assets at FVTPL	(1,314,436)	(4,470,250)	-	-	-	(5,784,686)
Financial assets at FVTPL applying overlay approach	4,408,705	-	(11,217,934)	-	-	(6,809,229)
Equity instruments at FVTOCI	318,834	-	(544,783)	(353,566)	-	(579,515)
Debt instruments at FVTOCI	6,176,944	(29,709)	(17,757,927)	-	-	(11,610,692)
Financial assets for hedging	(43,323)	(18,064)	(47,579)	-	-	(108,966)
Financial assets measured at amortized cost	(167,189)	73,291	-	-	-	(93,898)
Financial liabilities at FVTPL	5,480,945	(4,908,086)	-	-	-	572,859
Rent leveling	(132,226)	3,581	-	-	-	(128,645)
Other payables	70,057	17,730	-	-	(1,868)	85,919
Defined benefit assets	(1,137,018)	(61,178)	(86,286)	-	-	(1,284,482)
Investments accounted for using the equity method	(319,093)	(63,830)	(34,652)	(32,121)	594	(449,102)
Lease liabilities	-	1,839,673	-	-	-	1,839,673
Right-of-use assets	-	(1,787,384)	-	-	-	(1,787,384)
Goodwill and franchises	35,339	10,097	-	-	-	45,436
Unrealized foreign exchange losses (gains)	14,663,933	10,616,395	1,505,533	(21,348)	-	26,764,513
Allowance for doubtful account	297,447	(65,731)	-	-	-	231,716
Other	97,495	(243,998)	-	-	7,479	(139,024)
Unused tax losses	6,044,437	65,579	-	-	(295)	6,109,721
Net deferred tax assets (liabilities)	<u>\$ 9,039,236</u>	<u>\$ (42,422)</u>	<u>\$ (28,183,628)</u>	<u>\$ (407,035)</u>	<u>\$ 19,993</u>	<u>\$ (19,573,856)</u>
Deferred tax assets	<u>\$ 38,252,456</u>					<u>\$ 36,156,766</u>
Deferred tax liabilities	<u>\$ 29,213,220</u>					<u>\$ 55,730,622</u>

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheet

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2019	\$ -	\$ 15,129
Expiry in 2023	-	1,908,009
	<u>\$ -</u>	<u>\$ 1,923,138</u>
Investment credits		
Promotion of private participation in infrastructure projects	\$ -	\$ 124,952
Biotech and new pharmaceuticals industry	-	7,975
Research and development expenses	-	1,156
	<u>\$ -</u>	<u>\$ 134,083</u>

The unrecognized investment credit will expire in 2020 to 2022.

- f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$2,298,804 thousand and \$1,930,898 thousand, respectively.

- g. Income tax assessments

The tax returns of the Company through 2014 have been assessed by the tax authorities.

34. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent company
Cathay Securities Investment Consulting	Subsidiary
Cathay Lujiazui Life Insurance Co., Ltd.	Subsidiary
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Conning Holdings Limited	Subsidiary
Global Evolution Holding ApS	Subsidiary (subsidiary's associate before June 2020)
Cathay Insurance Company Limited (China)	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Greenhealth Water Resources Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
CM Energy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Subsidiary of associate
ThinkPower Information Co., Ltd.	Subsidiary of associate
Yua-Yung Marketing (Taiwan) Co., Ltd.	Subsidiary of associate
Hong-Sui Co., Ltd.	Subsidiary of associate
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Cathay Securities Corporation	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Indovina Bank Limited	Subsidiary of fellow subsidiaries
Cathay Insurance (Vietnam) Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Private Equity Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiaries
Cathay Securities Investment Trust Co., Ltd.'s Fund	Other related party
Private Equity Fund managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holdings ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
Ally Logistic Property Co., Ltd.	Other related party (subsidiary of associate before January 2020)
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party

(Continued)

Related Party Name	Related Party Category
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cymlin Co., Ltd.	Other related party
Hsin Chung Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party
Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship)	Other related party

(Concluded)

b. Significant transactions with related parties:

1) Property transactions

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

a) Significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2020		2019	
	Items	Amount	Items	Amount
Subsidiary of associate				
Lin Yuan Property Management Co., Ltd.	Cathay headquarters building, etc.	\$ 6,645	-	\$ -
Ally Logistic Property Co., Ltd.	-	-	Yangmei Logistics Park, etc.	830,027
		<u>6,645</u>		<u>830,027</u>
Other related party				
Lin Yuan Property Management Co., Ltd.	-	-	Cathay Land Mark, etc.	13,602
Ally Logistic Property Co., Ltd.	Yangmei Logistics Park, etc.	1,142,914	-	-
San Ching Engineering Co., Ltd.	THSR Taoyuan Commercial Park, etc.	1,051,289	THSR Taoyuan Commercial Park, etc.	2,204,548
Cathay Real Estate Development Co., Ltd.	-	-	Minsheng Jingguo building, etc.	306,419
		<u>2,194,203</u>		<u>2,524,569</u>
		<u>\$ 2,200,848</u>		<u>\$ 3,354,596</u>

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were \$2,569,290 thousand and \$1,130,238 thousand, respectively.

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were \$7,393,657 thousand and \$4,196,448 thousand, respectively.

b) Real-estate rental income (from related parties)

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 123,238	\$ 100,535
Subsidiary		
Cathay Securities Investment Consulting	9,728	9,245
Associate and its subsidiary		
Symphox Information Co., Ltd.	38,409	49,833
Hong-Sui Co., Ltd.	27,339	12,494
Yua-Yung Marketing (Taiwan) Co., Ltd.	22,003	15,002
Lin Yuan Property Management Co., Ltd.	19,411	-
Ally Logistic Property Co., Ltd.	-	588,833
Cathay Insurance Company Limited (China)	-	10,733
	<u>107,162</u>	<u>676,895</u>
Fellow subsidiaries and its subsidiary		
Cathay United Bank Co., Ltd.	726,237	651,615
Cathay Century Insurance Co., Ltd.	109,922	107,625
Cathay Securities Investment Trust Co., Ltd.	52,898	48,933
Cathay Securities Corporation	48,817	42,776
Cathay Futures Co., Ltd.	7,423	7,029
Cathay Venture Inc.	5,575	4,931
	<u>950,872</u>	<u>862,909</u>
Other related party		
Ally Logistic Property Co., Ltd.	752,523	-
Cathay Medical Care Corp.	191,271	186,848
Cathay Healthcare Management Co., Ltd.	179,016	193,976
Cathay Hospitality Consulting Co., Ltd.	119,033	98,896
Cathay Hospitality Management Co., Ltd.	69,896	68,812
Cathay Real Estate Development Co., Ltd.	19,008	18,097
Retail Forest Co., Ltd.	8,621	-
San Ching engineering Co., Ltd.	5,908	5,658
Cathay United bank foundation	5,249	-
Hsin Chung Co., Ltd.	3,226	-
Liang-Ting Co., Ltd.	3,124	3,088
Lin Yuan Property Management Co., Ltd.	-	5,648
	<u>1,356,875</u>	<u>581,023</u>
	<u>\$ 2,547,875</u>	<u>\$ 2,230,607</u>

Name	Guarantee Deposits Received	
	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 29,781	\$ 30,071
Associate and its subsidiary		
Symphox Information Co., Ltd.	8,000	13,070
Hong-Sui Co., Ltd.	5,145	4,645
Yua-Yang Marketing (Taiwan) Co., Ltd.	3,487	3,553
Ally Logistic Property Co., Ltd.	-	123,085
	<u>16,632</u>	<u>144,353</u>
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	186,446	188,158
Cathay Century Insurance Co., Ltd.	26,580	26,580
Cathay Securities Investment Trust Co., Ltd.	11,873	10,991
Cathay Securities Corporation	<u>11,750</u>	<u>10,858</u>
	<u>236,649</u>	<u>236,587</u>
Other related parties		
Cathay Hospitality Management Co., Ltd.	186,584	184,944
Cathay Hospitality Consulting Co., Ltd.	180,473	108,145
Ally Logistic Property Co., Ltd.	142,869	-
Cathay Healthcare Management Co., Ltd.	20,384	16,505
Cathay Medical Care Corp.	11,435	11,393
Retail Forest Co., Ltd.	5,745	-
Cathay Real Estate Development Co., Ltd.	4,090	3,959
Cymlin Co., Ltd.	<u>4,081</u>	<u>-</u>
	<u>555,661</u>	<u>324,946</u>
	<u>\$ 838,723</u>	<u>\$ 735,957</u>

Lease periods and terms of rental income received are in compliance with the lease contracts. Lease periods are usually between 2 to 5 years and rental income are collected on a monthly basis.

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	\$ 58,426	\$ 18,400
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>21,585</u>	<u>-</u>
	<u>\$ 80,011</u>	<u>\$ 18,400</u>

Name	Lease Liabilities	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	\$ 42,437	\$ 30,983
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>16,478</u>	<u>847</u>
	<u>\$ 58,915</u>	<u>\$ 31,830</u>

Name	Lease Expense	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	<u>\$ 704</u>	<u>\$ 8,913</u>

Name	Guarantee Deposits Paid	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	<u>\$ 12,019</u>	<u>\$ 12,019</u>

d) Acquisition of equipment

Computer equipment and software

Name	For the Year Ended December 31	
	2020	2019
Subsidiary of associate		
ThinkPower Information Co., Ltd.	<u>\$ 4,625</u>	<u>\$ 11,349</u>

2) Shares transactions

a) Issuance of shares for cash by the Company

Name	Items	For the Year Ended December 31	
		2020	2019
Parent company			
Cathay Financial Holdings	Ordinary shares	<u>\$ -</u>	<u>\$ 10,000,000</u>

b) Acquisition of shares issued by the related parties

Name	Items	For the Year Ended December 31	
		2020	2019
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	\$ 230,000	\$ -
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	118,150	-
Lin Yuan Property Management Co., Ltd.	Ordinary shares	50,649	-
PSS Co., Ltd.	Ordinary shares	51,386	-
CM Energy Co., Ltd.	Ordinary shares	45,000	-
Greenhealth Water Resources Co., Ltd.	Ordinary shares	-	470,916
		<u>265,185</u>	<u>470,916</u>
Fellow subsidiary			
Cathay Venture Inc.	Ordinary shares	-	1,567,574
		<u>\$ 495,185</u>	<u>\$ 2,038,490</u>

c) Balance of shares issued by the related parties

Name	Items	December 31	
		2020	2019
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,436,792	\$ 1,381,665

Refer to Note 12, Table 1 and Table 5 for the balance of investment in associates.

3) Cash in banks

Name	Nature of Transaction	December 31	
		2020	2019
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	Time deposit	\$ 1,068,004	\$ 864,340
	Demand deposit	23,114,154	23,881,382
	Checkable deposit	349,239	240,154
	Securities deposit	6	6
Subsidiary of fellow subsidiaries			
Indovina Bank Limited	Time deposit	815,802	485,177
	Demand deposit	<u>19,863</u>	<u>12,042</u>
		<u>\$ 25,367,068</u>	<u>\$ 25,483,101</u>

For the years ended December 31, 2020 and 2019, the amounts of interest income from Cathay United Bank Co., Ltd. were \$47,760 thousand and \$84,971 thousand, respectively.

For the years ended December 31, 2020 and 2019, the amounts of interest income from Indovina Bank Limited were \$26,147 thousand and \$61,057 thousand, respectively.

4) Loans

Name	For the Year Ended December 31, 2020		
	Maximum Balance	Rate	Ending Balance
Other related party	\$ 873,711	0.75%-3.17%	<u>\$ 801,894</u>

Name	For the Year Ended December 31, 2019		
	Maximum Balance	Rate	Ending Balance
Other related party	\$ 1,042,084	1.03%-3.44%	<u>\$ 971,199</u>

For the years ended December 31, 2020 and 2019, the amounts of interest income from other related parties were \$10,951 thousand and \$14,904 thousand, respectively.

5) Balance of bonds managed by related parties

Name	December 31	
	2020	2019
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,006,641</u>	<u>\$ 5,334,030</u>

6) Balance of beneficiary certificates purchased from related parties

Name	Items	December 31	
		2020	2019
Other related party			
Funds managed by	Market value		
Octagon Credit	Cost	<u>\$ 870,939</u>	<u>\$ 670,292</u>
Investors, LLC		<u>\$ 894,337</u>	<u>\$ 679,795</u>
Funds managed by	Market value		
Global Evolution	Cost	<u>\$ 2,864,685</u>	<u>\$ 2,874,903</u>
Holding ApS		<u>\$ 2,606,653</u>	<u>\$ 2,642,230</u>
Cathay Securities	Market value	<u>\$ 68,737,375</u>	<u>\$ 61,234,575</u>
Investment Trust	Cost	<u>\$ 65,853,768</u>	<u>\$ 59,796,572</u>
Co., Ltd.'s Fund			
Private Equity Fund managed	Market value	<u>\$ 1,034,236</u>	<u>\$ 490,168</u>
by			
Cathay Private Equity	Cost	<u>\$ 989,445</u>	<u>\$ 494,150</u>

7) Discretionary account management balance

Name	December 31	
	2020	2019
Subsidiary's associate		
Global Evolution Holding ApS	\$ -	\$ 22,215,022
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	<u>312,835,430</u>	<u>213,072,442</u>
	<u>\$312,835,430</u>	<u>\$235,287,464</u>

8) Other receivables

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings (Note)	\$ -	\$ 10,147,500
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	64,684	31,050
Cathay Century Insurance Co., Ltd.	58,764	67,834
Cathay Securities Investment Trust Co., Ltd.	57,735	51,416
Indovina Bank Limited	21,574	31,672
	<u>202,757</u>	<u>181,972</u>
	<u>\$ 202,757</u>	<u>\$ 10,329,472</u>

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

9) Guarantee deposits paid (deposits for future transactions)

Name	December 31	
	2020	2019
Subsidiaries of fellow subsidiaries		
Cathay Futures Co., Ltd.	<u>\$ 1,897,019</u>	<u>\$ 3,078,757</u>

10) Guarantee deposits received

Name	December 31	
	2020	2019
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ -
Ally Logistic Property Co., Ltd.	-	151,275
	<u>5,000</u>	<u>151,275</u>
Other related party		
San Ching Engineering Co., Ltd.	979,284	453,225
Ally Logistic Property Co., Ltd.	293,285	-
Cathay Hospitality Management Co., Ltd.	-	51,000
Lin Yuan Property Management Co., Ltd.	-	5,000
	<u>1,272,569</u>	<u>509,225</u>
	<u>\$ 1,277,569</u>	<u>\$ 660,500</u>

11) Other payables

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings (Note)	\$ 6,206,423	\$ 65,589
Subsidiaries		
Cathay Securities Investment Consulting	30,788	30,164
Associate		
Symphox Information Co., Ltd.	2,961	4,871
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	350,640	43,208
Cathay Securities Investment Trust Co., Ltd.	17,516	13,412
	<u>368,156</u>	<u>56,620</u>
	<u>\$ 6,608,328</u>	<u>\$ 157,244</u>

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

12) Bonds payable

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

13) Premium income

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 6,393	\$ 5,090
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	123,336	67,136
Cathay Century Insurance Co., Ltd.	24,567	20,185
Cathay Securities Investment Trust Co., Ltd.	4,583	4,007
Cathay Securities Corporation	<u>11,454</u>	<u>8,648</u>
	<u>163,940</u>	<u>99,976</u>
Associate		
Lin Yuan Property Management Co., Ltd.	<u>3,098</u>	<u>-</u>
Other related party		
Cathay Medical Care Corp.	50,858	45,671
Cathay Real Estate Development Co., Ltd.	3,332	3,491
San Ching Engineering Co., Ltd.	3,089	2,889
Lin Yuan Property Management Co., Ltd.	-	3,142
Other	<u>447,657</u>	<u>369,504</u>
	<u>504,936</u>	<u>424,697</u>
	<u>\$ 678,367</u>	<u>\$ 529,763</u>

14) Fee income

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	\$ <u>62,835</u>	\$ <u>65,352</u>

15) Insurance expenses

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	\$ <u>115,639</u>	\$ <u>105,568</u>

16) Indemnity income

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	\$ <u>7,902</u>	\$ <u>12,721</u>

17) Other operating revenue

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	\$ <u>153,354</u>	\$ <u>138,776</u>

18) Other operating costs

Name	For the Year Ended December 31	
	2020	2019
Subsidiary's associate		
Global Evolution Holding ApS	\$ <u>14,163</u>	\$ <u>5,219</u>
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	1,070,664	1,163,173
Cathay Securities Investment Trust Co., Ltd.	<u>288,106</u>	<u>182,830</u>
	<u>1,358,770</u>	<u>1,346,003</u>
	\$ <u>1,372,933</u>	\$ <u>1,351,222</u>

19) Finance costs

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ <u>1,260,000</u>	\$ <u>1,260,000</u>

The finance costs were interest expenses of bonds payable issued by the Company.

20) Operating expenses

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ <u>5,630</u>	\$ <u>-</u>
Subsidiaries		
Cathay Securities Investment Consulting	<u>124,212</u>	<u>39,566</u>
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	798,050	-
Symphox Information Co., Ltd.	200,032	238,252
Seaward Card Co., Ltd.	69,173	75,246
ThinkPower Information Co., Ltd.	<u>8,920</u>	<u>8,315</u>
	<u>1,076,175</u>	<u>321,813</u>
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	5,483,925	6,178,311
Cathay Securities (Hong Kong) Limited	5,993	6,236
Cathay Futures Co., Ltd.	3,712	6,849
Cathay Venture Inc.	<u>-</u>	<u>11,765</u>
	<u>5,493,630</u>	<u>6,203,161</u>
Other related party		
Cathay Healthcare Management Co., Ltd.	19,086	41,181
San Ching Engineering Co., Ltd.	3,900	3,950
Cathay Real Estate Development Co., Ltd.	3,861	3,857
Lin Yuan Property Management Co., Ltd.	-	767,009
Cathay Charity Foundation	-	5,300
Cathay Medical Care Corp.	<u>2,573</u>	<u>5,071</u>
	<u>29,420</u>	<u>826,368</u>
	<u>\$ 6,729,067</u>	<u>\$ 7,390,908</u>

21) Non-operating income

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 9,756	\$ 8,557
Associate		
Symphox Information Co., Ltd.	2,834	3,358
Fellow subsidiaries and its subsidiary		
Cathay Century Insurance Co., Ltd.	671,489	677,314
Cathay United Bank Co., Ltd.	185,220	168,589
Cathay Securities Corporation	44,614	41,281
Cathay Securities Investment Trust Co., Ltd.	23,475	22,707
Cathay Insurance (Vietnam) Co., Ltd.	6,778	-
	<u>931,576</u>	<u>909,891</u>
Other related party		
Cathay Healthcare Management Co., Ltd.	5,537	5,554
Cathay Medical Care Corp.	3,719	3,719
Hsin Chung Co., Ltd.	3,072	-
	<u>12,328</u>	<u>9,273</u>
	<u>\$ 956,494</u>	<u>\$ 931,079</u>

The non-operating income was mainly generated from the Group's integrated promotion activities.

22) Others

As of December 31, 2020 and 2019, the nominal amounts of the financial instruments transactions with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of USD):

Name	December 31	
	2020	2019
SWAP	<u>US\$3,498,000</u>	<u>US\$2,615,000</u>

c. Key management personnel compensation

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 176,759	\$ 167,074
Post-employment benefits	<u>2,494</u>	<u>2,413</u>
	<u>\$ 179,253</u>	<u>\$ 169,487</u>

Key management personnel include the chairman, directors, president, senior executive vice president and senior vice general managers.

35. SEPARATE ACCOUNT INSURANCE PRODUCTS

a. The Company

The related accounts of the Company were summarized as follows:

	December 31	
	2020	2019
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 447,744	\$ 518,576
Financial assets at FVTPL	632,843,466	600,237,158
Other receivables	8,264,484	6,668,998
	<u>\$641,555,694</u>	<u>\$607,424,732</u>

Separate account insurance product liabilities

Other payables	\$ 701,555	\$ 467,361
Reserve for separate account - insurance contracts	277,388,301	244,601,804
Reserve for separate account - investment contracts	363,465,838	362,355,567
	<u>\$641,555,694</u>	<u>\$607,424,732</u>

	For the Year Ended December 31	
	2020	2019

Separate account insurance product income

Premium income	\$ 61,477,595	\$ 34,766,303
Interest income	1,558	1,593
Gains from financial assets and liabilities at FVTPL	22,709,729	33,575,852
Foreign exchange gains and losses	(10,823,926)	(4,712,309)
	<u>\$ 73,364,956</u>	<u>\$ 63,631,439</u>

Separate account insurance product expenses

Claims and payments	\$ 8,933,740	\$ 9,064,676
Cash surrender value	26,526,902	26,020,768
Withdrawal of separate account reserve	34,035,776	24,989,146
Administrative expenses	4,007,503	3,696,556
Non-operating income and expenses	(138,965)	(139,707)
	<u>\$ 73,364,956</u>	<u>\$ 63,631,439</u>

For the years ended December 31, 2020 and 2019, the rebates earned from counterparties due to the business of separate account insurance products amounted to were \$815,077 thousand and \$913,947 thousand, respectively, which were recorded under fee income.

b. Cathay Lujiazui Life

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

	December 31	
	2020	2019
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 4,845	\$ 5,231
Financial assets at FVTPL	123,985	112,315

Other	44	156
	<u>\$ 128,874</u>	<u>\$ 117,702</u>

Separate account insurance product liabilities

Other payables	\$ 1,723	\$ (134)
Reserve for separate account	<u>127,151</u>	<u>117,836</u>
	<u>\$ 128,874</u>	<u>\$ 117,702</u>

**For the Year Ended December
31**

<u>2020</u>	<u>2019</u>
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Separate account insurance product income

Premium income	\$ 150	\$ 230
Gains from financial assets and liabilities at FVTPL	31,003	20,839
Interest income	<u>50</u>	<u>145</u>
	<u>\$ 31,203</u>	<u>\$ 21,214</u>

Separate account insurance product expenses

Cash surrender value	\$ 19,729	\$ 9,846
Withdrawal of separate account reserve	8,176	8,660
Administrative expenses	1,581	1,503
Tax expenses	<u>1,717</u>	<u>1,205</u>
	<u>\$ 31,203</u>	<u>\$ 21,214</u>

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

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

37. PLEDGED ASSETS

a. The Company

The Company provided cash, time deposits and government bonds as collateral for the renting of real estate and as guarantee to the courts for litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

December 31	
<u>2020</u>	<u>2019</u>

Guarantee deposits paid - government bonds	\$ 10,553,220	\$ 10,315,438
Guarantee deposits paid - time deposits	458,667	458,667
Guarantee deposits paid - others	<u>30,754</u>	<u>39,996</u>
	<u>\$ 11,042,641</u>	<u>\$ 10,814,101</u>

. Cathay Lujiazui Life

According to the requirement by the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. Details are as follows (in thousands of CNY):

	December 31	
	2020	2019
Guarantee deposits paid - time deposits	<u>CNY600,000</u>	<u>CNY600,000</u>

c. Cathay Life (Vietnam)

According to the requirement by the Ministry of Finance of Vietnam, the guaranteed deposit is 2% of the legal capital. Details are as follows (in thousands of VND):

	December 31	
	2020	2019
Guarantee deposits paid - time deposits	<u>VND12,000,000</u>	<u>VND12,000,000</u>

38. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.
- As of December 31, 2020, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT\$1,003,600 thousand, US\$3,606,989 thousand, EUR467,845 thousand and GBP1,555 thousand.

39. FINANCIAL INSTRUMENTS

- The valuation technique and assumptions used in determining the fair value

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

- The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short maturities.
- For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

- 3) Fair value of equity instruments without an active market (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and P/B ratio of similar entities).
- 4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).
- 5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determine their credit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates their debit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.

b. Financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

December 31, 2020

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial asset</u>					
Financial assets measured at amortized cost (Note)	\$ 2,662,376,912	\$ 110,930,109	\$ 2,945,536,349	\$ -	\$ 3,056,466,458

December 31, 2019

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial asset</u>					
Financial assets measured at amortized cost (Note)	\$ 2,625,787,121	\$ 94,171,514	\$ 2,724,567,377	\$ -	\$ 2,818,738,891

Note: Including those serving as refundable deposits.

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

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

1) Fair value hierarchy

Items	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>								
Assets								
Financial assets at FVTPL								
Stocks	\$ 518,314,424	\$ 493,695,475	\$ 20,099,118	\$ 4,519,831	\$ 479,266,326	\$ 431,941,221	\$ 42,710,567	\$ 4,614,538
Bonds	158,415,027	2,509,970	153,149,957	2,755,100	244,924,559	1,966,609	241,202,978	1,754,972
Other	692,352,555	533,713,444	38,923,646	119,715,465	578,577,582	469,343,181	15,113,562	94,120,839
Financial assets at FVTOCI								
Stocks	99,424,711	94,681,296	-	4,743,415	35,629,504	30,305,530	-	5,323,974
Bonds (Note)	1,124,423,298	62,139,588	1,062,283,710	-	819,825,254	42,244,016	777,581,238	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	28,053,503	24,109	28,029,394	-	28,259,690	49,353	28,210,337	-
Derivative assets for hedging	146,959	-	146,959	-	548,075	-	548,075	-
Liabilities								
Financial liabilities at FVTPL	11,687,067	-	11,687,067	-	2,974,334	18,016	2,956,318	-
Financial liabilities for hedging	139,858	-	139,858	-	30,894	-	30,894	-

Note: Including those listed as refundable deposits.

Transfers between Level 1 and Level 2:

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Year Ended December 31, 2020	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$100,490,349	\$ 5,323,974
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	8,232,723	-
Loss on reclassification using overlay approach	(1,992,371)	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(122,015)	(281)
Other comprehensive losses reclassified using overlay approach	1,992,371	-
Losses on fair value of equity instruments at FVTOCI	-	(619,576)
Purchases	35,003,065	81,700
Disposals	(15,758,879)	(32,520)
Transfers out of Level 3	<u>(854,847)</u>	<u>(9,882)</u>
Ending balance	<u>\$126,990,396</u>	<u>\$ 4,743,415</u>

	For the Year Ended December 31, 2019	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$ 83,474,291	\$ 4,076,077
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	4,183,044	-
Gains on reclassification using overlay approach	23,170	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(37,159)	(96)
Other comprehensive gain reclassified using overlay approach	(23,170)	-
Gains on changes in fair value of equity instruments at FVTOCI	-	1,037,046
Purchases	27,910,155	258,400
Disposals	(15,016,833)	(47,453)
Transfers out of Level 3	<u>(23,149)</u>	<u>-</u>
Ending balance	<u>\$100,490,349</u>	<u>\$ 5,323,974</u>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2020 and 2019, unrealized losses of \$532,032 thousand and unrealized losses of \$1,114,661 thousand were related to financial assets held at the end of the period, respectively.

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

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

December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2019				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	23%-39%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-265%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	0%-140%	The higher the dividend payout ratio, the higher the fair value estimates

4) Valuation process for Level 3 fair value measurement

The Group's risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Group's accounting policies.

d. Categories of financial instruments

Items	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL	\$1,397,135,509	\$1,331,028,157
Financial assets at FVTOCI	1,222,686,258	854,341,271
Measured at amortized cost		
Cash and cash equivalents (Note 1)	514,857,014	401,792,808
Receivables (Note 2)	69,178,243	72,320,392
Financial assets measured at amortized cost	2,652,985,443	2,616,585,170
Loans	479,791,100	513,380,541
Guarantee deposits paid	24,070,098	23,151,476
Financial assets for hedging	146,959	548,075
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	11,687,067	2,974,334
Financial liabilities at amortized cost		
Payables (Note 2)	23,904,883	30,964,602
Bonds payable	80,000,000	80,000,000
Lease liabilities	10,522,490	10,381,894
Guarantee deposits received	14,233,208	13,315,767
Financial liabilities for hedging	139,858	30,894

Note 1: Cash on hand was excluded.

Note 2: Income tax refund receivable and payable were excluded.

e. Financial risk management objectives and policies

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

1) Sources of market risk

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

The Group assesses, monitors, and manages market risks completely and effectively by applying Value at Risk ("VaR") and stress testing consistently.

a) Value at Risk

VaR is the maximum loss on the portfolio at a given confidence level and over a given period. Currently, the Group adopts one-week VaR at 95% and 99% confidence level to measure market risk.

b) Stress testing

The Group evaluates the potential risks occurred in extreme and abnormal events regularly in addition to VaR models.

The Group performs stress testing on positions regularly by applying simple sensitivity test and scenario analysis. Such tests cover the losses on positions resulted from a change in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

Scenario analysis is to measure the changes in the total value of investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

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

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

Table of Stress Testing

Risk Factors	Changes (+/-)	For the Year Ended December 31	
		2020	2019
Equity risk (stock price index)	-10%	\$(57,825,161)	\$(48,324,062)
Interest rate risk (yield curve)	+100bps	(148,426,208)	(107,250,216)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(9,747,740)	(11,428,906)

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

c) Sensitivity analysis

Summary of Sensitivity Analysis

For the Year Ended December 31, 2020			
Risk Factors	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	\$ 5,000,932	\$ 4,844,285
	CNY (CNH)/USD appreciates 1%	1,192,325	316,591
	HKD/USD appreciates 1%	(388)	247,411
	EUR/USD appreciates 1%	(2,740)	210,729
	GBP/USD appreciates 1%	(149)	291,831
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	74	(1,245,536)
	Yield curve (CNY) parallel shifts up 1bp	-	(47,559)
	Yield curve (EUR) parallel shifts up 1bp	2,453	(7,561)
	Yield curve (GBP) parallel shifts up 1bp	-	(3,708)
	Yield curve (NTD) parallel shifts up 1bp	-	(337,406)
	Equity price increases 1%	(105,682)	5,916,482
For the Year Ended December 31, 2019			
Risk Factors	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	\$ 6,971,123	\$ 4,572,072
	CNY (CNH)/USD appreciates 1%	1,273,520	377,983
	HKD/USD appreciates 1%	(1,447)	350,916
	EUR/USD appreciates 1%	410,075	163,587
	GBP/USD appreciates 1%	78,732	296,052
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	(111)	(846,435)
	Yield curve (CNY) parallel shifts up 1bp	-	(14,547)
	Yield curve (EUR) parallel shifts up 1bp	-	(14,281)
	Yield curve (GBP) parallel shifts up 1bp	-	(9,463)
	Yield curve (NTD) parallel shifts up 1bp	147	(74,278)
	Equity price increases 1%	(70,248)	4,933,391

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

Note 4: Provision or reversal of reserve for foreign exchange valuation changes was not considered in profit or loss due to foreign currency risk.

Note 5: Information of subsidiaries was not disclosed due to immaterial impacts on disclosures

for consolidation of subsidiaries.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, the Company is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets as follows:

- i. Issuer credit risk is the risk that the Company may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations an agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that the Company may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that the Company may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration of credit risk

i. Regional distribution of maximum risk exposure for the Company's financial assets:

December 31, 2020						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 390,017,117	\$ 11,072,417	\$ 173,264	\$ 83,058,513	\$ 19,456,840	\$ 503,778,151
Financial assets at FVTPL	55,583,687	22,875,926	49,567,018	28,446,882	27,752,478	184,225,991
Financial assets at FVTOCI	44,744,477	45,223,287	163,314,323	489,450,958	380,528,502	1,123,261,547
Financial assets for hedging	74,724	-	-	72,235	-	146,959
Financial assets measured at amortized cost	<u>152,627,614</u>	<u>180,749,168</u>	<u>427,807,550</u>	<u>1,224,717,193</u>	<u>663,462,282</u>	<u>2,649,363,807</u>
	<u>\$ 643,047,619</u>	<u>\$ 259,920,798</u>	<u>\$ 640,862,155</u>	<u>\$ 1,825,745,781</u>	<u>\$ 1,091,200,102</u>	<u>\$ 4,460,776,455</u>
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

December 31, 2019						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 261,553,382	\$ 27,832,083	\$ 185,653	\$ 86,397,047	\$ 16,115,903	\$ 392,084,068
Financial assets at FVTPL	43,409,974	31,448,394	113,252,004	46,690,879	56,395,527	291,196,778
Financial assets at FVTOCI	39,964,295	37,498,812	166,000,546	353,996,509	221,251,605	818,711,767
Financial assets for hedging	87,793	-	362,869	97,413	-	548,075
Financial assets measured at amortized cost	<u>175,262,332</u>	<u>173,472,898</u>	<u>434,046,724</u>	<u>1,167,292,440</u>	<u>663,869,507</u>	<u>2,613,943,901</u>
	<u>\$ 520,277,776</u>	<u>\$ 270,252,187</u>	<u>\$ 713,847,796</u>	<u>\$ 1,654,474,288</u>	<u>\$ 957,632,542</u>	<u>\$ 4,116,484,589</u>
Proportion	12.6%	6.6%	17.3%	40.2%	23.3%	100%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

December 31, 2020					
Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 210,393,088	\$ 41,501,050	\$ 59,563,296	\$ 2,697,023	\$ 314,154,457
Non-accrual receivables	<u>163,381</u>	<u>30,890</u>	<u>47,059</u>	<u>1,800,141</u>	<u>2,041,471</u>
	<u>\$ 210,556,469</u>	<u>\$ 41,531,940</u>	<u>\$ 59,610,355</u>	<u>\$ 4,497,164</u>	<u>\$ 316,195,928</u>
Proportion	66.6%	13.1%	18.9%	1.4%	100%

Location of Collaterals	December 31, 2019				
	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 234,560,225	\$ 40,573,607	\$ 63,399,966	\$ 6,598,385	\$ 345,132,183
Non-accrual receivables	453,880	78,936	124,981	-	657,797
	<u>\$ 235,014,105</u>	<u>\$ 40,652,543</u>	<u>\$ 63,524,947</u>	<u>\$ 6,598,385</u>	<u>\$ 345,789,980</u>
Proportion	68%	11.8%	18.4%	1.8%	100%

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment will be kept and maintained
- ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii) High credit risk indicates that an entity or a subject has an insufficient ability to perform financial commitment. The capability to perform the commitment depends on the favorability of its business environment and financial conditions.
- iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

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

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit impaired:

- i) Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii) Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - The issuers or borrower fail to pay interest or principal according to the issue terms and conditions.
 - The collaterals of the borrowers are provisionally seized or enforced.
 - The borrowers claim for a change of credit conditions due to financial difficulties.
- iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

- i) The methodology and assumption applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

	December 31, 2020					
	Stage 1		Stage 3			
	12-month	Stage 2		Purchased or		
	Expected Credit	Lifetime Expected	Lifetime Expected	Originated		Gross Carrying
	Losses	Credit Losses	Credit Losses	Credit-impaired	Loss Allowance	Amount
				Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,119,207,518	\$ -	\$ -	\$ -	\$ -	\$ 1,119,207,518
Financial assets measured at amortized cost	2,635,142,149	-	-	-	(1,726,558)	2,633,415,591
Non-investment grade						
Debt instruments at FVTOCI	3,995,777	58,252	-	-	-	4,054,029
Financial assets measured at amortized cost	13,064,695	3,730,378	-	-	(846,857)	15,948,216

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

ii) Secured loans and overdue receivables of the Company

	December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Purchased or Originated Credit-impaired Financial Assets		Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non- accrual receivables	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ (4,093,427)	\$ 311,462,212
	December 31, 2019						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Purchased or Originated Credit-impaired Financial Assets		Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non- accrual receivables	\$ 337,652,839	\$ 141,286	\$ 7,995,855	\$ -	\$ (1,232,047)	\$ (3,593,929)	\$ 340,964,004

viii. Reconciliation for loss allowance is summarized below:

i) Debt instrument investments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Accrued in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(1,821)	1,821	-	-	-
New financial assets originated or purchased	430,775	-	-	-	430,775
Financial assets that have been derecognized during the period	(263,331)	(334,637)	-	-	(597,968)
Changes in models/risk parameters	217,772	332,427	-	-	550,199
Foreign exchange and other movements	(30,389)	(6,214)	-	-	(36,603)
December 31, 2020	<u>\$ 690,084</u>	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,147</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2019	\$ 468,280	\$ 17,049	\$ 12,339	\$ -	\$ 497,668
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(3,441)	3,441	-	-	-
New financial assets originated or purchased	148,212	-	7	-	148,219
Financial assets that have been derecognized during the period	(271,945)	(86,404)	(12,462)	-	(370,811)
Changes in models/risk parameters	2,062	75,028	-	-	77,090
Foreign exchange and other movements	(6,090)	552	116	-	(5,422)
December 31, 2019	<u>\$ 337,078</u>	<u>\$ 9,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,744</u>

ii) Financial assets measured at amortized cost

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(8,617)	8,617	-	-	-
New financial assets originated or purchased	385,394	-	-	-	385,394
Financial assets that have been derecognized during the period	(337,526)	(990,101)	-	-	(1,327,627)
Changes in models/risk parameters	774,325	1,680,246	-	-	2,454,571
Foreign exchange and other movements	(81,441)	(54,503)	-	-	(135,944)
December 31, 2020	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	\$ 904,430	\$ 705,622	\$ 710,444	\$ -	\$ 2,320,496
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(2,069)	2,069	-	-	-
New financial assets originated or purchased	471,829	-	-	-	471,829
Financial assets that have been derecognized during the period	(363,639)	(533,832)	(658,551)	-	(1,556,022)
Changes in models/risk parameters	55,156	(18,543)	-	-	36,613
Foreign exchange and other movements	(22,670)	(1,332)	(51,893)	-	(75,895)
December 31, 2019	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021

iii) Other financial assets

	Lifetime Expected Credit Losses				Total of Impairment Accrued in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2019	\$ 594	\$ -	\$ -	\$ -	\$ 594
Financial assets derecognized during the period	(667)	-	-	-	(667)
Foreign exchange and other movements	73	-	-	-	73
December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

iv) Secured loans and non-accrual receivables

	Lifetime Expected Credit Losses				Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transfer to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transfer to 12-month expected credit losses	607	(86)	(521)	-	-	-	-
New financial assets originated or purchased	59,347	-	10,691	-	70,038	-	70,038
Financial assets derecognized during the period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	499,498	499,498
Changes in models/risk parameters	(69,377)	8	(254,932)	-	(324,301)	-	(324,301)
December 31, 2020	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2019	\$ 90,567	\$ 201	\$ 591,486	\$ -	\$ 682,254	\$ 5,126,352	\$ 5,808,606
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(18)	894	(876)	-	-	-	-
Transfer to credit-impaired financial assets	(4,613)	(76)	4,689	-	-	-	-
Transfer to 12-month expected credit losses	1,397	(74)	(1,323)	-	-	-	-
New financial assets originated or purchased	3,918	-	11,254	-	15,172	-	15,172
Financial assets derecognized during the period	(13,573)	(33)	(229,458)	-	(243,064)	-	(243,064)
Difference from impairment accrued in accordance with Regulations Governing the Procedures to Evaluate Assets	-	-	-	-	-	(1,532,423)	(1,532,423)
Changes in models/risk parameters	7,131	(613)	771,167	-	777,685	-	777,685
December 31, 2019	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976

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

ix. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Company's receivables which are in the scope of the impairment requirements under IFRS 9 is based upon the lifetime expected credit losses under simplified approach. Loss allowance measured by a provision matrix under simplified approach was as follows:

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2020</u>					
Gross carrying amounts (Note)	\$ 16,155,217	\$ 57,342	\$ 4,641	\$ -	\$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

Note: Notes receivable of \$81,757 thousand and other receivables of \$16,135,443 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2019</u>					
Gross carrying amounts (Note)	\$ 14,553,629	\$ 74,573	\$ 495	\$ -	\$ 14,628,697
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,491	50	-	1,541

Note: Notes receivable of \$80,968 thousand and other receivables of \$14,547,729 thousand were included.

The reconciliation of loss allowance is as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 1,541	\$ 2,346
Provision (reversal) for the period	<u>70</u>	<u>(805)</u>
Ending balance	<u>\$ 1,611</u>	<u>\$ 1,541</u>

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	December 31, 2020				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 22,135,418	\$ 326,161	\$ 466,043	\$ 973,975	\$ 3,287
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	317,787	458,732	689,696	1,400,670	17,942,761
<u>Derivative financial liabilities</u>					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971
	December 31, 2019				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 29,055,173	\$ 281,015	\$ 385,835	\$ 1,195,135	\$ 47,444
Bonds payable (Note 2)	561,650	1,194,411	2,715,000	8,145,000	87,485,000
Lease liabilities (Note 3)	297,218	358,116	568,511	1,375,285	18,287,241
<u>Derivative financial liabilities</u>					
SWAP	1,834,039	298,058	-	-	-
Forward	1,231,198	-	-	-	-
IRS	1,481	1,517	3,410	1,259	-
Option	18,016	-	-	-	-

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds without maturity dates, the remaining period used to calculate the contractual cash flows was 10 years.

Note 3: For the lease liabilities, the remaining period used to calculate the contractual cash flows ranged from 1 to 43 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bond investments held by the Group may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Group held derivative instruments to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)

December 31, 2019					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	\$ 6,800,000	\$ 185,206	\$ -	Financial assets for hedging	\$ 34,498
IRS	1,317,138	-	30,894	Financial liabilities for hedging	(31,677)

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

Period Till Maturity						
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
<u>December 31, 2020</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ 195,993	\$ 4,890,875	\$ -	
Average fixed rate	-	-	2.5%	1.7%-2.5%	-	

Period Till Maturity						
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
<u>December 31, 2019</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ 2,922,306	\$ 5,194,832	\$ -	
Average fixed rate	-	-	1.6%-2.5%	1.7%-2.5%	-	

3) Hedged items

For the Year Ended December 31, 2020								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (31,333)	\$ 146,959	N/A	\$ 31,333	\$ -	\$ -	\$ (69,581)	Finance costs
Payables	20,076	(48,887)	N/A	(20,076)	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	(252)	N/A	N/A	N/A	10	Finance costs
For the Year Ended December 31, 2019								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (34,498)	\$ 185,206	N/A	\$ 34,498	\$ -	\$ -	\$ (65,902)	Finance costs
Payables	31,677	(30,894)	N/A	(31,677)	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	(275)	N/A	N/A	N/A	1	Finance costs

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

For the Year Ended December 31		
	2020	2019
Beginning balance	\$ 116,268	\$ 173,288
Gross amounts recognized in other comprehensive income (loss)		
Changes in the values of the hedging instruments recognized in other comprehensive income	11,271	2,545
Amount reclassified from cash flow hedge reserve to profit or loss	(69,571)	(65,901)
Income tax	16,992	6,336
Ending balance	<u>\$ 74,960</u>	<u>\$ 116,268</u>

Fair value hedges

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

1) Hedging instruments

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)

December 31, 2019					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
		Assets	Liabilities		
CCS	\$ 9,742,013	\$ 362,869	\$ -	Financial assets for hedging	\$ 93,293

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

	Period Till Maturity				
	3 Months -				
	1 Month	1-3 Months	1 Year	1-5 Years	Over 5 Years
December 31, 2020					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

	Period Till Maturity				
	3 Months -				
	1 Month	1-3 Months	1 Year	1-5 Years	Over 5 Years
December 31, 2019					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 9,742,013
Interest rate	-	-	-	-	2.20%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

3) Hedged items

For the Year Ended December 31, 2020								
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items		Line Item in Statement of Financial Position That Includes Hedged Items	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Oversea bonds	\$ 4,825,692	\$ -	\$ 525,402	\$ -	Financial assets measured at amortized cost	\$ 525,402	\$ -	\$ -
For the Year Ended December 31, 2019								
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items		Line Item in Statement of Financial Position That Includes Hedged Items	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Oversea bonds	\$ 9,742,013	\$ -	\$ (93,293)	\$ -	Financial assets measured at amortized cost	\$ (93,293)	\$ -	\$ -

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

	For the Year Ended December 31	
	2020	2019
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 215,661	\$ -
Gross amounts recognized in other comprehensive income (loss)		
Changes in the values of the hedging instruments recognized in other comprehensive income	71,563	269,576
Tax effects	<u>(14,313)</u>	<u>(53,915)</u>
Ending balance	<u>\$ 272,911</u>	<u>\$ 215,661</u>

g. Offsetting of financial assets and financial liabilities

The Group engages in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 28,176,353	\$ -	\$ 28,176,353	\$ 10,405,202	\$ 12,169,879	\$ 5,601,272
Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Paid	
Derivative financial instruments	\$ 11,778,038	\$ -	\$ 11,778,038	\$ 10,405,202	\$ 270,595	\$ 1,102,241

December 31, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 28,758,412	\$ -	\$ 28,758,412	\$ 2,952,747	\$ 13,341,124	\$ 12,464,541

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Paid	
Derivative financial instruments	\$ 2,956,318	\$ -	\$ 2,956,318	\$ 2,952,747	\$ -	\$ 3,571

40. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organizational structure and responsibilities of risk management

a) The board of directors

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

b) Risk management committee

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

- ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
 - iii. The committee should assist and monitor the risk management activities.
 - iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
 - v. The committee should enhance cross-department interaction and communication.
- c) Chief risk officer
- i. The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of the Company.
 - ii. The chief risk officer should be able to access any business information which may have an impact on risk overview of the Company.
 - iii. The chief risk officer should be in charge of overall risk management of the Company.
 - iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.
- d) Risk management department
- i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
 - ii. The department should perform the following functions with regard to different business activities:
 - i) Propose and execute the risk management policies set by the board of directors.
 - ii) Propose the risk limits based on risk appetite.
 - iii) Summarize the risk information provided by each department, negotiate and communicate with each departments to facilitate the execution of the policies and the risk limits.
 - iv) Regularly present risk management reports.
 - v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - vi) Assist to execute stress testing.
 - vii) Execute back testing if necessary.
 - viii) Other risk management related issues.

e) Business units

- i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii. The duties of the risk management include the following:
 - i) Identify and measure risks and report risk exposures and potential impacts on time.
 - ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
 - iii) Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
 - iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
 - v) Assist to collect data related to operational risk.
 - vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to such risks.
 - vii) Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

f) Audit department

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

g) Subsidiary

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

3) Range and nature of risk assessment or risk reporting

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

a) Market risk

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

b) Credit risk

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

c) Country risk

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

d) Liquidity risk

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

e) Operational risk

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

f) Insurance risk

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

g) Asset and liability matching risk

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

h) Risk-based capital (RBC) ratio

The RBC ratio is the total capital of the Company divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The Company regards such ratio as a management indicator for capital adequacy.

i) Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

- i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
- ii. Establish methods to evaluate insurance risks.
- iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
- iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

- i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

- ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.
 - iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.
- 5) The scope of insurance risk assessment and management from a company-wide perspective
 - a) Insurance risk assessment covers the following risks:
 - i. Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
 - ii. Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
 - iv. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating or solvency.
 - v. Claim risk: This risk arises from mishandling claims.
 - vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
 - b) The scope of management of insurance risk
 - i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.
 - ii. Establish the Company's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii. Develop related response in consideration of the Company's growth strategy and changes in the domestic and global economic and financial environments.
 - iv. Determine methods to measure insurance risks.
 - v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
 - vi. Other insurance risk management issues.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

- a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.
- b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.
- c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio and equity ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and equity ratio, the Company has established a set of capital adequacy management standards as follows:

- a) Capital adequacy management
 - i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.
 - ii. Regularly provide the analysis report to the risk management committee.
 - iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
 - iv. Regularly review RBC ratio and related control standards to ensure a solid capital adequacy management.
- b) Exception management process

When RBC ratio exceeds the internal risk criteria or other exceptions occur, the Company is required to notify the risk management department, and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

- a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
- b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by business groups, industries and countries. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,923,953	Decrease (increase)	\$ 2,339,162
Expense	×1.05 (×0.95)	Decrease (increase)	3,054,024	Decrease (increase)	2,443,220
Surrender rate	×1.05 (×0.95)	Increase (decrease)	358,110	Increase (decrease)	286,488
Rate of return	+0.1%	Increase	6,236,991	Increase	4,989,593
Rate of return	-0.1%	Decrease	6,243,108	Decrease	4,994,486

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,886,583	Decrease (increase)	\$ 2,309,267
Expense	×1.05 (×0.95)	Decrease (increase)	3,493,065	Decrease (increase)	2,794,452
Surrender rate	×1.05 (×0.95)	Increase (decrease)	624,863	Increase (decrease)	499,891
Rate of return	+0.1%	Increase	5,701,927	Increase	4,561,541
Rate of return	-0.1%	Decrease	5,707,518	Decrease	4,566,014

b) Cathay Lujiazui Life

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 153,298	Decrease (increase)	\$ 114,973
Expense	×1.05 (×0.95)	Decrease (increase)	88,596	Decrease (increase)	66,447
Surrender rate	×1.10 (×0.90)	Increase (decrease)	82,159	Increase (decrease)	61,619
Rate of return	+0.25%	Increase	117,068	Increase	87,801
Rate of return	-0.25%	Decrease	117,349	Decrease	88,012

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 156,997	Decrease (increase)	\$ 117,748
Expense	×1.05 (×0.95)	Decrease (increase)	86,067	Decrease (increase)	64,550
Surrender rate	×1.10 (×0.90)	Increase (decrease)	93,335	Increase (decrease)	70,001
Rate of return	+0.25%	Increase	97,631	Increase	73,223
Rate of return	-0.25%	Decrease	97,869	Decrease	73,402

c) Cathay Life (Vietnam)

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,484	Decrease (increase)	\$ 1,987
Expense	×1.05 (×0.95)	Decrease (increase)	62,745	Decrease (increase)	50,196
Surrender rate	×1.05 (×0.95)	Increase (decrease)	16,325	Increase (decrease)	13,060
Rate of return	+0.1%	Increase	15,464	Increase	12,371
Rate of return	-0.1%	Decrease	15,479	Decrease	12,383

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,330	Decrease (increase)	\$ 1,064
Expense	×1.05 (×0.95)	Decrease (increase)	47,212	Decrease (increase)	37,770
Surrender rate	×1.05 (×0.95)	Increase (decrease)	8,291	Increase (decrease)	6,633
Rate of return	+0.1%	Increase	13,402	Increase	10,722
Rate of return	-0.1%	Decrease	13,415	Decrease	10,732

- i. Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2020 and 2019. The changes in equity of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii. As an increase (decrease) of 0.1% in discount rates is applied to liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.
- iii. Sensitivity Test
 - i) Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
 - ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
 - iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
 - iv) Rate of return sensitivity test is executed by adjusting rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

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

2) Concentration of insurance risks

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

In principle, the Company considers the hazard and its ability to assume risk, and performs an evaluation of insurance risks according to the retention risks, which is submitted for approval by authority. The Company cedes the excess of insurance risks over the retention risks to reinsurers. At the same time, the Company considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks in each year; the Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the hazard and its ability to assume risks. Hence, the insurance risks to some degree have been diversified to reduce the potential impact on unexpected losses.

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

3) Claim development trend

a) The Company

i. Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2014	\$ 14,671,864	\$ 17,805,516	\$ 18,119,932	\$ 18,201,745	\$ 18,198,744	\$ 18,219,624	\$ 18,236,609	\$ -	\$ -
2015	15,353,566	18,647,560	18,975,168	19,056,336	19,103,869	19,131,408	19,149,290	17,882	17,918
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,043,203	20,061,493	44,862	44,953
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,915,103	21,943,902	21,963,962	96,328	96,521
2018	19,438,330	23,925,964	24,359,320	24,469,094	24,521,809	24,553,301	24,575,720	216,400	216,833
2019	21,412,454	26,422,361	26,891,979	27,013,109	27,071,040	27,105,140	27,129,381	707,020	708,434
2020	21,393,621	26,252,160	26,715,129	26,834,046	26,892,097	26,926,609	26,950,827	5,557,206	5,568,320
Expected future payments								\$ 6,652,979	
Add: Assumed reserve for claims not yet filed								18,092	
Reserve for claims not yet filed								6,671,071	
Add: Claims filed but not yet paid								4,986,567	
Loss reserve balance								\$ 11,657,638	

ii. Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2014	\$ 14,772,070	\$ 17,947,230	\$ 18,265,698	\$ 18,348,342	\$ 18,346,033	\$ 18,367,050	\$ 18,384,126	\$ -	\$ -
2015	15,474,235	18,809,508	19,140,593	19,222,947	19,270,603	19,298,248	19,316,200	17,952	17,989
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,183,105	20,201,455	45,010	45,101
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,076,519	22,105,459	22,125,612	96,966	97,160
2018	19,559,154	24,057,586	24,492,262	24,603,059	24,656,598	24,688,475	24,711,140	218,878	219,316
2019	21,440,110	26,462,299	26,933,107	27,054,705	27,113,053	27,147,360	27,171,732	709,433	710,852
2020	21,422,045	26,290,445	26,754,598	26,873,992	26,932,474	26,967,203	26,991,559	5,569,514	5,580,653
Expected future payments									\$ 6,671,071
Add: Claims filed but not yet paid									4,925,210
Retained loss reserve balance									\$ 11,596,281

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

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

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

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014	\$ 355,210	\$ 571,024	\$ 606,823	\$ 616,181	\$ 616,181	\$ 616,181	\$ 616,181	\$ -
2015	208,476	390,186	417,580	438,329	438,329	438,329	438,329	-
2016	247,382	424,511	477,165	530,075	530,075	530,075	530,075	-
2017	254,508	482,618	538,460	538,460	538,460	538,460	538,460	-
2018	314,434	369,007	410,008	426,692	426,692	426,692	426,693	16,685
2019	423,580	600,072	657,117	683,857	683,857	683,857	683,858	83,786
2020	456,989	718,937	787,282	819,319	819,319	819,319	819,320	362,331
Expected future payments								\$ 462,802
Less: Assumed reserve for claims not yet filed								(2,982)
Reserve for claims not yet filed								459,820
Add: Claims filed but not yet paid								27,314
Loss reserve balance								\$ 487,134

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014	\$ 354,379	\$ 562,712	\$ 598,471	\$ 607,826	\$ 607,826	\$ 607,826	\$ 607,826	\$ -
2015	186,831	368,136	395,509	398,600	398,600	398,600	398,600	-
2016	244,886	421,650	474,304	516,992	516,992	516,992	516,992	-
2017	242,798	470,908	525,569	525,569	525,569	525,569	525,569	-
2018	306,017	358,223	421,439	433,093	433,093	433,093	433,093	11,654
2019	420,027	595,039	658,770	676,986	676,986	676,986	676,987	81,948
2020	453,303	717,217	794,034	815,990	815,990	815,990	815,991	362,688
Expected future payments								\$ 456,290
Less: Expected claims filed but not yet paid								(2,982)
Add: Claims filed but not yet paid								23,460
Retained loss reserve balance								<u>\$ 476,768</u>

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

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

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

c) Cathay Life (Vietnam)

i. Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016	1,985	2,386	2,386	2,386	2,386
2017	13,905	16,892	16,892	16,953	16,953
2018	80,604	92,569	92,617	92,862	92,862
2019	97,065	117,682	117,730	118,042	118,042
2020	271,451	322,085	322,217	323,069	323,069

ii. Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016	1,985	2,386	2,386	2,386	2,386
2017	13,905	16,892	16,892	16,953	16,953
2018	80,604	92,569	92,617	92,862	92,862
2019	97,065	117,682	117,730	118,042	118,042
2020	271,451	322,085	322,217	323,069	323,069

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company's reinsurers are above a certain level, which complied with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively insignificant to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In Billions of New Taiwan Dollars

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2020	\$ (102.5)	\$ 448.1	\$18,222.8
December 31, 2019	(166.5)	301.2	17,932.0

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

41. SEGMENT INFORMATION

The Group operates life insurance business in accordance with Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the chief operating decision maker allocates the resources to the Group as a whole, the Group is considered as a single operating segment.

42. CAPITAL MANAGEMENT

a. Management objectives

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

b. Management policies

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

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components

of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

- a) Admitted owner's equity.
- b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

- a) Asset risk.
- b) Insurance risk.
- c) Interest rate risk.
- d) Other risk.

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

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

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

<u>Subsidiary</u>	<u>Principal Activity</u>	<u>Date of Acquisition</u>	<u>Proportion of Voting Equity Interests Acquired (%)</u>	<u>Consideration Transferred</u>
Global Evolution Holding ApS	Holding Company	June 25, 2020	53	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired 8% equity shares of Global Evolution Holding ApS, which increased its ownership interest from 45% to 53% and obtained control over Global Evolution Holding ApS.

b. Assets acquired and liabilities assumed at the date of acquisition

	<u>Global Evolution Holding ApS and its Subsidiaries</u>
Current assets	
Cash and cash equivalents	\$ 628,816
Other	519,684
Intangible assets - customer relationships	2,467,576
Non-current assets	108,667
Current liabilities	<u>(596,864)</u>
	<u>\$ 3,127,879</u>

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	<u>Global Evolution Holding ApS and its Subsidiaries</u>
Consideration transferred	\$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,415,021
Plus: Fair value of 45% share in equity	<u>4,394,897</u>
	6,591,235
Less: Fair value of identifiable net assets acquired	<u>(3,127,879)</u>
Goodwill recognized on acquisitions	<u>\$ 3,463,356</u>

- e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS and its Subsidiaries
Consideration paid in cash	\$ 781,317
Less: Cash and cash equivalent balance acquired	<u>(628,816)</u>
	<u>\$ 152,501</u>

44. OTHERS

- a. Impact of the COVID-19 Pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there were no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

- b. Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 123,894,660	28.508000	\$3,531,988,978
CNY	30,125,259	4.381330	131,988,703
AUD	5,080,277	21.972541	111,626,591
Non-monetary items			
USD	10,727,658	28.508000	305,824,083
HKD	6,727,699	3.677503	24,741,130
Investments accounted for the using equity method			
CNY	425,032	4.359200	1,852,798
PHP	27,703,366	0.593700	16,447,489
<u>Financial liabilities</u>			
Monetary items			
USD	896,804	28.508000	25,566,094

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 111,963,979	30.106000	\$3,370,787,537
CNY	16,076,378	4.323121	69,500,132
AUD	3,791,660	21.101295	80,008,942
Non-monetary items			
USD	8,811,685	30.106000	265,284,585
HKD	9,076,942	3.866013	35,091,580
Investments accounted for the using equity method			
CNY	410,632	4.321700	1,774,628
PHP	26,747,682	0.594200	15,893,473
IDR	6,526,743,236	0.002172	14,176,087

Financial liabilities

Monetary items			
USD	395,619	30.106000	11,910,495

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

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

December 31, 2020			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	\$ 515,120,301	\$ -	\$ 515,120,301
Receivables	69,175,904	2,339	69,178,243
Investments			
Financial assets at FVTPL	61,331,184	1,335,804,325	1,397,135,509
Financial assets at FVTOCI	16,333,144	1,206,353,114	1,222,686,258
Financial assets measured at amortized cost	33,005,844	2,619,979,599	2,652,985,443
Financial assets for hedging	-	146,959	146,959
Investments accounted for using the equity method	-	29,380,517	29,380,517
Investment property	-	496,163,021	496,163,021
Investment property under construction	-	1,528,547	1,528,547
Prepayments for buildings and land - investments	-	3,131,915	3,131,915
Loans	6,593,856	473,197,244	479,791,100
Total investments	117,264,028	6,165,685,241	6,282,949,269

(Continued)

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Reinsurance assets	\$ 590,412	\$ 1,610,279	\$ 2,200,691
Property and equipment	-	29,453,426	29,453,426
Right-of-use assets	-	1,675,209	1,675,209
Intangible assets	-	44,070,838	44,070,838
Deferred tax assets	-	56,690,743	56,690,743
Other assets	7,584,854	24,951,183	32,536,037
Separate account insurance product assets	<u>8,717,117</u>	<u>632,967,451</u>	<u>641,684,568</u>
Total assets	<u>\$ 718,452,616</u>	<u>\$6,957,106,709</u>	<u>\$7,675,559,325</u>
Payables	\$ 28,767,319	\$ 1,404,228	\$ 30,171,547
Current tax liabilities	477,145	-	477,145
Financial liabilities at FVTPL	11,633,462	53,605	11,687,067
Financial liabilities for hedging	-	139,858	139,858
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	18,775,949	18,775,949
Loss reserve	-	12,163,853	12,163,853
Policy reserve	-	5,999,277,703	5,999,277,703
Special reserve	-	11,084,776	11,084,776
Premium deficiency reserve	-	13,802,343	13,802,343
Other reserve	-	1,876,925	1,876,925
Total insurance liabilities	<u>-</u>	<u>6,056,981,549</u>	<u>6,056,981,549</u>
Reserve for insurance contracts with the nature of financial products	-	13,731,508	13,731,508
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Provisions	-	56,245	56,245
Lease liabilities	769,379	9,753,111	10,522,490
Deferred tax liabilities	-	68,278,447	68,278,447
Other liabilities	4,427,430	21,454,125	25,881,555
Separate account insurance product liabilities	<u>703,278</u>	<u>640,981,290</u>	<u>641,684,568</u>
Total liabilities	<u>\$ 46,778,013</u>	<u>\$6,907,654,831</u>	<u>\$6,954,432,844</u> (Concluded)

Items	December 31, 2019		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	\$ 402,051,684	\$ -	\$ 402,051,684
Receivables	82,456,625	11,289	82,467,914
Investments			
Financial assets at FVTPL	49,497,161	1,281,530,996	1,331,028,157
Financial assets at FVTOCI	6,707,439	847,633,832	854,341,271
Financial assets measured at amortized cost	39,592,170	2,576,993,000	2,616,585,170
Financial assets for hedging	21,093	526,982	548,075
Investments accounted for using the equity method	-	44,557,549	44,557,549
Investment property	-	483,871,717	483,871,717
Investment property under construction	-	4,546,717	4,546,717
Prepayments for buildings and land - investments	-	1,152,363	1,152,363
Loans	6,233,423	507,147,118	513,380,541
Total investments	<u>102,051,286</u>	<u>5,747,960,274</u>	<u>5,850,011,560</u>
Reinsurance assets	357,722	1,386,210	1,743,932
Property and equipment	-	32,271,269	32,271,269
Right-of-use assets	-	1,577,679	1,577,679
Intangible assets	-	41,346,899	41,346,899
Deferred tax assets	-	36,156,766	36,156,766
Other assets	7,154,019	23,299,350	30,453,369
Separate account insurance product assets	<u>7,187,575</u>	<u>600,354,859</u>	<u>607,542,434</u>
Total assets	<u>\$ 601,258,911</u>	<u>\$6,484,364,595</u>	<u>\$7,085,623,506</u>
Payables	\$ 29,430,865	\$ 1,533,737	\$ 30,964,602
Current tax liabilities	635,483	-	635,483
Financial liabilities at FVTPL	2,966,992	7,342	2,974,334
Financial liabilities for hedging	-	30,894	30,894
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	17,832,203	17,832,203
Loss reserve	-	11,042,612	11,042,612
Policy reserve	-	5,592,979,067	5,592,979,067
Special reserve	-	11,084,624	11,084,624
Premium deficiency reserve	-	19,679,457	19,679,457
Other reserve	-	1,873,141	1,873,141
Total insurance liabilities	<u>-</u>	<u>5,654,491,104</u>	<u>5,654,491,104</u>

(Continued)

Items	December 31, 2019		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Reserve for insurance contracts with the nature of financial products	\$ -	\$ 10,932,008	\$ 10,932,008
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Provisions	-	233,871	233,871
Lease liabilities	655,334	9,726,560	10,381,894
Deferred tax liabilities	-	55,730,622	55,730,622
Other liabilities	271,043	18,916,352	19,187,395
Separate account insurance product liabilities	<u>467,361</u>	<u>607,075,073</u>	<u>607,542,434</u>
Total liabilities	<u>\$ 34,427,078</u>	<u>\$6,456,678,440</u>	<u>\$6,491,105,518</u> (Concluded)

d. Information on discretionary investments

- 1) As of December 31, 2020 and 2019, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

Items	December 31	
	2020	2019
Domestic stocks	\$165,441,030	\$110,798,703
Overseas stocks	73,520,629	51,029,574
Repurchase bonds	20,066,000	14,812,000
Cash in banks	51,308,069	35,979,663
Beneficiary certificates	1,997,792	17,180
Futures and options	<u>501,910</u>	<u>435,322</u>
	<u>\$312,835,430</u>	<u>\$213,072,442</u>

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

- 2) As of December 31, 2020 and 2019, the discretionary investment limits are as follows (in thousands):

	December 31	
	2020	2019
Monetary items		
NTD	\$ 84,358,163	\$ 64,358,163
USD	1,462,200	952,200
HKD	74,084	544,084

e. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of December 31, 2020 and 2019, the Group provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

- a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

- b) As of December 31, 2020 and 2019, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	December 31, 2020	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Financial assets measured at amortized cost	-	119,025,227
	<u>\$119,715,465</u>	<u>\$225,786,806</u>
	December 31, 2019	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$ 94,120,839	\$ 33,447,848
Financial assets at FVTOCI	-	47,465,038
Financial assets measured at amortized cost	-	191,072,559
	<u>\$ 94,120,839</u>	<u>\$271,985,445</u>

45. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

No.	Description	Explanation
1	Acquisition of individual real estate at price over \$100 million or 20% of the paid-in capital.	Table 3
2	Disposal of individual real estate at price over \$100 million or 20% of the paid-in capital.	Table 4
3	Engage in core business transactions with related parties amounting over \$100 million or 20% of the paid-in capital.	Note 34
4	Receivables from related parties amounting over \$100 million or 20% of the paid-in capital.	Note 34
5	Trading in derivative instruments.	Notes 8, 10 and 39

b. Information of investees

No.	Description	Explanation
1	Information on investee, including name, location and etc.	Table 1
2	Financing provided to others.	N/A
3	Endorsements/guarantees provided.	N/A
4	Marketable securities held.	Table 2
5	Marketable securities acquired or disposed of at accumulated amounts over \$100 million or 20% of the paid-in capital.	N/A
6	Acquisition of individual real estate at price over \$100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over \$100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over \$100 million or 20% of the paid-in capital	Note 34
9	Receivables from related parties amounting over \$100 million or 20% of the paid-in capital.	N/A
10	Trading in derivative instruments.	N/A

c. Information on investments in Mainland China

No.	Description	Explanation
1	Name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed.	Table 5
2	Significant transaction, with investee in mainland China, directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses.	N/A
3	Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages.	N/A
4	The amount of property transactions and the amount of the resulting gains or losses.	N/A
5	The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds.	N/A
6	Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.	N/A

- d. The important intercompany transactions among the Group are disclosed in Table 6 following the notes to the consolidated financial statements.
- e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A.

TABLE 1

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Shareholding Ratio (%)	Carrying Amount			
Cathay Life Insurance Co., Ltd.	Conning Holdings Limited	UK	Holding company	\$ 15,723,539	\$ 15,723,539	2,029	100.00	\$ 12,733,098	\$ 2,850,659	\$ 2,657,933	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	9,090,730	9,090,730	-	100.00	10,981,537	(1,135,846)	(1,135,846)	Subsidiary (Note 2)
	Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	Real estate investment and operation management	16,654,013	16,654,013	326,700	100.00	13,371,694	(345,219)	(345,219)	Subsidiary (Note 1)
	Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	Real estate investment and operation management	168,222	168,222	3,300	100.00	133,199	(4,604)	(4,604)	Subsidiary (Note 1)
	Cathay Walbrook Holding 1 Limited	Jersey Island	Real estate investment and operation management	10,189,090	10,189,090	213,750	100.00	8,868,043	(26,630)	(26,630)	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	462,050	(2,824)	(2,824)	Subsidiary (Note 1)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	23.35	16,447,489	2,991,904	698,687	Associate (Note 2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	13,317,536	13,317,536	2,550,767	37.33	-	(2,537,727)	(13,980,277)	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	70,000	30,000	100.00	637,478	215,045	215,045	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	403,866	(12,491)	(6,135)	Associate (Note 2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	108,372	108,372	10,837	21.43	58,499	(1,894)	(406)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	753,562	957,118	75,356	25.00	2,042,511	1,560,206	390,051	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	712,500	750,000	71,250	21.43	760,743	33,673	7,216	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	674,804	(2,581)	(1,161)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	671,916	(4,866)	(2,190)	Associate (Note 2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	315,000	270,000	31,500	45.00	329,516	27,332	12,300	Associate (Note 2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	704,798	60,983	27,442	Associate (Note 2)
	Cathay Sunrise Corporation	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	728,790	94,993	42,746	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	41,137	27.36	830,172	142,458	38,980	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	781,364	14,186	36.22	911,004	144,733	52,659	Associate (Note 2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	455,862	(46,214)	(13,864)	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	121,059	25.00	1,666,380	377,075	94,269	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	-	1,470	49.00	56,461	62,913	22,215	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Self-usage power generation equipment utilizing renewable energy	148,000	-	14,800	37.00	147,430	(2,330)	(142)	Associate (Note 2)
Conning Holdings Limited	Global Evolution Holding ApS	Denmark	Holding company	(Note 3)	2,679,234	(Note 3)	(Note 3)	(Note 3)	377,280	148,045	(Note 3)

Note 1: Share of profit or loss is recognized on the basis of the financial statements audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the unaudited financial statements by an independent auditor.

Note 3: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, increased the ownership interest from 45% to 53%, and obtained control over Global Evolution Holding ApS.

TABLE 2

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Conning Inc.	<u>Preference shares</u> Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	\$ 5,426	1.76	\$ 5,426	
Symphox Information Co., Ltd.	<u>Stocks</u> Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	24	188	0.63	188	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	19,646	7.72	19,646	
	Buyforyou Co., Ltd.	N/A	Financial assets at FVTOCI	117	-	10.00	-	
	Seaward Card Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,000	55,498	100.00	55,498	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	5,975	337,252	71.08	337,252	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	7,237	100.00	7,237	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,485,177	100.00	1,485,177	

TABLE 3

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land located at Sanmin Section, Taoyuan City	2020.01.20	\$ 474,182	Installment payments according to contracts	King Kong Zen Temple	Non-related party	-	-	-	\$ -	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Hecuo Section, Taichung City	2020.04.21	201,344	Installment payments according to contracts	10 people surnamed He and Hui Tak Industrial Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shangshibei Section, Taichung City	2020.05.14	427,978	Installment payments according to contracts	Natural person surnamed You	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Property located at Bade Section, Taoyuan City	2020.10.23	4,680,000	Installment payments according to contracts	Pao Fong Asset Management Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shitou Section, Taoyuan City	2020.10.23	1,018,880	Installment payments according to contracts	Hai Hwa Construction Corp.	Non-related party	-	-	-	-	Valuation report of appraisers	Owner-occupied	None
	Land located at Guangming Section, Situn Section and Shangshibei Section,, Taichung City	2020.12.18	163,748	Installment payments according to contracts	Kuan-Pin Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, typing fee and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

TABLE 4

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES
DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purposes of Disposal	Pricing Reference	Other Terms
The Company	Land located at Tongan Section, Taoyuan City	2020.5.22 2020.5.25	2019.7.24	\$ 186,541	\$ 186,541	(Note 3)	(Note 3)	Taoyuan City Government R.O.C.	Non-related party	(Note 3)	(Note 3)	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript fee, typing fee, and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of collection, date of consignment trade, date of transfer, date of board of directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 3: The Company donated the land to the Taoyuan City government and the Republic of China for use in the transfer of offices.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

TABLE 5

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Principal business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	(a)	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 1,489,585	50.0	\$ 744,792 (Note 2,b,2)	\$ 6,016,144	\$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	(a)	2,943,663	-	-	2,943,663	267,783	24.5	65,606 (Note 2,b,3)	1,852,798	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	(a)	7,223,435	-	-	7,223,435	161,413	100.0	145,371 (Note 2,b,2)	7,631,432	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$16,915,676 (Including the amounts of CNY2,845,000 thousand and US\$106,352 thousand)	\$17,978,094 (Including the amounts of CNY3,090,000 thousand and US\$106,352 thousand)	\$428,236,418

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through the third-region companies.
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. If it is in preparation, there are no investment gains and losses, it should be noted.
- b. The recognition basis for investment gain (loss) are as follows:
 - 1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
 - 2) Financial statement is audited by the parent companys CPA firm in Taiwan.
 - 3) Other.

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized the Company to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company’s subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2020, the Company’s remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US\$78,210 thousand.

(Continued)

On October 17, 2007, MOEAIC authorized the Company to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. On November 26, 2019, MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. As of December 31, 2020, the Company’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of December 31, 2020, the Company’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

TABLE 6**CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenue or Assets (Note 3)
0	Cathay Life Insurance Co., Ltd.	Cathay Walbrook Holding 1 Limited	a	Other loans	\$ 12,757,610	Equivalent to general conditions of transactions	0.17
		Cathay Walbrook Holding 1 Limited	a	Other receivables	12,278	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 1 Limited	a	Interest income	405,931	Equivalent to general conditions of transactions	0.04
		Cathay Walbrook Holding 2 Limited	a	Other loans	671,453	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Other receivables	646	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Interest income	21,365	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Processing fee expense	1,245,469	Equivalent to general conditions of transactions	0.13
		Conning Holdings Limited	a	Other payables	318,750	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Prepaid expense	1,464	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Administrative expense	5,847	Equivalent to general conditions of transactions	-
		Global Evolution Holding ApS		Processing fee expense	41,003	Equivalent to general conditions of transactions	-
1	Lin Yuan (Shanghai) Real Estate	Cathay Lujiazui Life Insurance Co., Ltd.	c	Guarantee deposits received	10,069	Equivalent to general conditions of transactions	-
		Cathay Lujiazui Life Insurance Co., Ltd.	c	Rental income	39,596	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Guarantee deposits received	279	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Rental income	1,098	Equivalent to general conditions of transactions	-

Note 1: Parent is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm's length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.

V. 2020 individual financial statements

Cathay Life Insurance Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Life Insurance Co., Ltd.

Opinion

We have audited the accompanying financial statements of Cathay Life Insurance Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's financial statements for the year ended December 31, 2020 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

The management of Cathay Life Insurance Co., Ltd. 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 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 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 22 to the accompanying 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 the 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, 2020 to identify any abnormalities in 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, 2020.

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, 2020.
 - 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. Assessed the actuarial model and tested on a sample basis the significant assumptions used by the management in its liability adequacy test 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, 2020.

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, the Company used the fair values assessed by external independent appraisers as reference. 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 13 to the accompanying 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 the management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

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

Management is responsible for the preparation and fair presentation of the financial

statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements for the year ended December 31, 2020 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 audit resulting in this independent auditors' report are Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2021

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

CATHAY LIFE INSURANCE CO., LTD.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 33)	\$ 504,040,612	7	\$ 392,341,567	6
RECEIVABLES (Notes 4, 5, 7 and 33)	64,212,928	1	78,031,177	1
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 38)	1,331,633,589	18	1,280,235,253	18
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 36 and 38)	1,222,680,832	16	854,336,862	12
Financial assets measured at amortized cost (Notes 4, 5, 12, 36 and 38)	2,649,363,807	35	2,613,943,901	37
Financial assets for hedging (Notes 4, 5 and 10)	146,959	-	548,075	-
Investments accounted for using the equity method (Notes 4 and 11)	89,577,714	1	103,774,796	2
Investment property (Notes 4, 5, 13 and 33)	459,867,936	6	445,624,222	6
Investment property under construction (Notes 4, 13 and 33)	1,528,547	-	4,546,717	-
Prepayments for buildings and land - investments (Notes 4 and 13)	3,131,915	-	1,152,363	-
Loans (Notes 4, 5, 14 and 33)	<u>491,769,348</u>	<u>6</u>	<u>526,098,622</u>	<u>8</u>
Total investments	<u>6,249,700,647</u>	<u>82</u>	<u>5,830,260,811</u>	<u>83</u>
REINSURANCE ASSETS (Notes 4, 15 and 22)	2,087,931	-	1,677,797	-
PROPERTY AND EQUIPMENT (Notes 4 and 16)	26,750,271	-	29,653,823	-
RIGHT-OF-USE ASSETS (Notes 4, 17 and 33)	524,444	-	465,801	-
INTANGIBLE ASSETS (Notes 4 and 18)	29,509,337	-	31,478,209	-
DEFERRED TAX ASSETS (Notes 4 and 32)	56,453,457	1	36,056,344	1
OTHER ASSETS (Notes 19, 33 and 36)	29,493,153	-	27,469,277	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 34)	<u>641,555,694</u>	<u>9</u>	<u>607,424,732</u>	<u>9</u>
TOTAL	<u>\$ 7,604,328,474</u>	<u>100</u>	<u>\$ 7,034,859,538</u>	<u>100</u>
LIABILITIES AND EQUITY				
PAYABLES (Notes 20 and 33)	\$ 24,648,142	1	\$ 25,554,039	1
CURRENT TAX LIABILITIES (Note 4)	160,145	-	261,305	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	11,687,067	-	2,974,334	-
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	90,971	-	-	-
BONDS PAYABLE (Notes 21 and 33)	80,000,000	1	80,000,000	1
INSURANCE LIABILITIES (Notes 4, 5 and 22)				
Unearned premium reserve	18,390,129	-	17,504,877	-
Loss reserve	11,657,638	-	10,564,611	-
Policy reserve	5,961,980,645	79	5,567,592,302	79
Special reserve	11,084,776	-	11,084,624	-
Premium deficiency reserve	13,802,343	-	19,679,457	1
Other reserve	<u>1,876,925</u>	<u>-</u>	<u>1,873,141</u>	<u>-</u>
Total insurance liabilities	<u>6,018,792,456</u>	<u>79</u>	<u>5,628,299,012</u>	<u>80</u>
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 23)	1,010,156	-	1,001,991	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 24)	14,820,865	-	18,000,877	-
PROVISIONS (Notes 4 and 26)	56,245	-	56,245	-
LEASE LIABILITIES (Notes 4, 17 and 33)	9,279,631	-	9,198,368	-
DEFERRED TAX LIABILITIES (Notes 4 and 32)	67,447,866	1	54,951,648	1
OTHER LIABILITIES (Notes 27 and 33)	21,051,872	-	18,518,204	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 34)	<u>641,555,694</u>	<u>9</u>	<u>607,424,732</u>	<u>9</u>
Total liabilities	<u>6,890,601,110</u>	<u>91</u>	<u>6,446,240,755</u>	<u>92</u>
EQUITY (Notes 4 and 29)				
Share capital				
Ordinary shares	<u>58,515,274</u>	<u>1</u>	<u>58,515,274</u>	<u>1</u>
Capital surplus	<u>60,606,533</u>	<u>1</u>	<u>60,607,456</u>	<u>1</u>
Retained earnings				
Legal reserve	18,834,196	-	43,338,466	1
Special reserve	347,320,212	4	289,432,530	4
Unappropriated earnings	<u>49,938,120</u>	<u>1</u>	<u>31,652,661</u>	<u>-</u>
Total retained earnings	<u>416,092,528</u>	<u>5</u>	<u>364,423,657</u>	<u>5</u>
Other equity	<u>178,513,029</u>	<u>2</u>	<u>105,072,396</u>	<u>1</u>
Total equity	<u>713,727,364</u>	<u>9</u>	<u>588,618,783</u>	<u>8</u>
TOTAL	<u>\$ 7,604,328,474</u>	<u>100</u>	<u>\$ 7,034,859,538</u>	<u>100</u>

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

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Retained earned premium (Notes 4, 25 and 33)				
Written premium	\$567,886,893	62	\$597,287,343	66
Reinsurance premium	110,139	-	125,595	-
Premium income	567,997,032	62	597,412,938	66
Less: Reinsurance expense	(2,355,053)	-	(2,051,751)	-
Net changes in unearned premium reserve (Notes 4 and 22)	(667,099)	-	(775,814)	-
Total retained earned premium	564,974,880	62	594,585,373	66
Reinsurance commission income	533,237	-	356,060	-
Fee income (Notes 33 and 34)	8,701,291	1	8,450,463	1
Net investment incomes (losses)				
Interest income (Notes 4, 31 and 33)	157,345,612	17	161,401,719	18
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	203,100,151	23	196,818,564	22
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	28,187,167	3	27,765,727	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 12)	39,503,872	4	9,926,012	1
Share of (loss) profit of associates accounted for using the equity method (Notes 4 and 11)	(10,303,986)	(1)	2,540,377	-
Foreign exchange loss	(127,504,372)	(14)	(53,159,724)	(6)
Net changes in reserve for foreign exchange valuation (Notes 4 and 24)	3,180,012	-	(925,588)	-
Gain on investment property (Notes 4 and 33)	13,965,497	2	11,223,017	1
(Expected credit loss) reversal of expected credit loss on investments (Notes 4 and 31)	(1,659,048)	-	1,691,395	-
Other net investment income	240,111	-	510,578	-
Loss on reclassification using overlay approach (Notes 4 and 8)	(47,368,961)	(5)	(118,230,201)	(13)
Separate account insurance product income (Notes 4 and 34)	73,364,956	8	63,631,439	7
Total operating revenue	906,260,419	100	906,585,211	100
OPERATING COSTS				
Retained claims payments (Notes 4 and 25)				
Insurance claims payments	272,345,916	30	348,505,287	38
Less: Claims and payments recovered from reinsurers	(1,304,635)	-	(1,079,421)	-
Total retained claims payments	271,041,281	30	347,425,866	38

(Continued)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
Net changes in other insurance liabilities (Notes 4, 5 and 22)				
Net changes in loss reserve	\$ 1,050,296	-	\$ 2,042,861	-
Net changes in policy reserve	454,320,427	50	385,474,511	42
Net changes in special reserve	152	-	370	-
Net changes in premium deficiency reserve	(5,711,343)	(1)	(2,744,650)	-
Net changes in other reserve	3,784	-	(21,429)	-
Total net changes in other insurance liabilities	449,663,316	49	384,751,663	42
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 23)	294,427	-	302,968	-
Underwriting expenses (Note 31)	17,904,028	2	23,243,255	3
Commission expenses (Note 31)	15,614,892	2	18,171,436	2
Other operating costs (Note 33)	6,997,497	1	6,305,313	1
Finance costs (Notes 21 and 33)	2,447,944	-	2,671,933	-
Separate account insurance product expenses (Notes 4 and 34)	73,364,956	8	63,631,439	7
Total operating costs	837,328,341	92	846,503,873	93
OPERATING EXPENSES (Notes 31 and 33)				
General expenses	8,943,213	1	10,577,128	1
Administrative expenses	11,558,186	1	11,497,642	2
Employee training expenses	56,364	-	65,647	-
Non-investment expected credit loss (Notes 4 and 31)	6,308	-	877	-
Total operating expenses	20,564,071	2	22,141,294	3
OPERATING INCOME	48,368,007	6	37,940,044	4
NON-OPERATING INCOME AND EXPENSES (Notes 31 and 33)	1,582,615	-	1,663,036	-
PROFIT BEFORE INCOME TAX	49,950,622	6	39,603,080	4
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 32)	1,793,972	-	(1,757,127)	-
NET INCOME	51,744,594	6	37,845,953	4

(Continued)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (324,932)	-	\$ 431,430	-
Gain on equity instruments at fair value through other comprehensive income	3,382,878	-	6,093,722	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	331,104	-	(164,736)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 32)	294,703	-	(603,520)	-
Items that may be reclassified subsequently to profit or loss:				
Gain on debt instruments at fair value through other comprehensive income	37,585,249	4	85,755,154	10
Gain on hedging instruments	33,339	-	237,897	-
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(79,433)	-	1,458,550	-
Other comprehensive income reclassified using overlay approach	47,368,961	5	118,230,201	13
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 32)	<u>(11,282,656)</u>	<u>(1)</u>	<u>(27,580,108)</u>	<u>(3)</u>
Total other comprehensive income for the period, net of income tax	<u>77,309,213</u>	<u>8</u>	<u>183,858,590</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME	<u>\$129,053,807</u>	<u>14</u>	<u>\$221,704,543</u>	<u>24</u>
EARNINGS PER SHARE (Note 30)				
Basic earnings per share	<u>\$ 8.84</u>		<u>\$ 6.60</u>	

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

(Concluded)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain or (Loss) on Hedging Instruments	Other Equity				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings				Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) Reclassified Using Overlay Approach	Other	
BALANCE AT JANUARY 1, 2019	\$ 57,265,274	\$ 51,535,925	\$ 40,466,946	\$ 277,886,402	\$ 12,683,614	\$ (10,796,480)	\$ (20,547,627)	\$ 173,288	\$ 287,100	\$ 187,503	\$ (52,549,236)	\$ -	\$ 356,592,709
Appropriation of 2018 earnings													
Legal reserve	-	-	2,871,520	-	(2,871,520)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	9,820,004	(9,820,004)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,910)	7,910	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,734,034	(1,734,034)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	138,932	-	-	-	-	-	-	-	-	-	-	138,932
Recognition of share-based payments granted by the parent company	-	182,599	-	-	-	-	-	-	-	-	-	-	182,599
Net profit for the year ended December 31, 2019	-	-	-	-	37,845,953	-	-	-	-	-	-	-	37,845,953
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	183,858,590
Total comprehensive income for year ended December 31, 2019	-	-	-	-	37,845,953	(390,550)	73,620,105	158,641	160,594	-	110,309,800	-	221,704,543
Issuance of ordinary shares for cash	1,250,000	8,750,000	-	-	-	-	-	-	-	-	-	-	10,000,000
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(4,459,258)	-	4,459,258	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	58,515,274	60,607,456	43,338,466	289,432,530	31,652,661	(11,187,030)	57,531,736	331,929	447,694	187,503	57,760,564	-	588,618,783
Appropriation of 2019 earnings													
Legal reserve	-	-	6,677,339	-	(6,677,339)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	57,715,708	(57,715,708)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,558,777)	1,558,777	-	-	-	-	-	-	-	-
Legal reserve offset deficit	-	-	(31,181,609)	-	31,181,609	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,730,751	(1,730,751)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(923)	-	-	-	-	-	-	-	-	-	-	(923)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,944,303)	(3,944,303)
Net profit for the year ended December 31, 2020	-	-	-	-	51,744,594	-	-	-	-	-	-	-	51,744,594
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	77,309,213
Total comprehensive income (loss) for year ended December 31, 2020	-	-	-	-	51,744,594	(1,747,082)	34,928,744	15,942	(220,936)	-	44,332,545	-	129,053,807
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(75,723)	-	75,723	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 58,515,274	\$ 60,606,533	\$ 18,834,196	\$ 347,320,212	\$ 49,938,120	\$ (12,934,112)	\$ 92,536,203	\$ 347,871	\$ 226,758	\$ 187,503	\$ 102,093,109	\$ (3,944,303)	\$ 713,727,364

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

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 49,950,622	\$ 39,603,080
Adjustments for:		
Depreciation expense	842,667	887,976
Amortization expense	2,201,524	2,197,777
Gain on financial assets and liabilities at fair value through profit or loss	(188,484,273)	(173,871,972)
Gain on financial assets at fair value through other comprehensive income	(25,172,381)	(26,039,641)
Gain on derecognition of financial assets measured at amortized cost	(39,503,872)	(9,926,012)
Finance costs	2,534,710	2,736,705
Interest income	(157,345,612)	(161,401,719)
Dividend income	(17,630,664)	(24,672,678)
Net changes in insurance liabilities	390,235,144	359,999,292
Net changes in reserve for insurance contracts with the nature of financial products	8,165	71,337
Net changes in reserve for foreign exchange valuation	(3,180,012)	925,588
Expected credit loss (reversal of expected credit loss) on investments	1,659,048	(1,691,395)
Non-investments expected credit loss	6,308	877
Compensation costs of share-based payments	-	182,599
Share of loss (profit) of subsidiaries and associates accounted for using equity method	10,303,986	(2,540,377)
Loss on reclassification using overlay approach	47,368,961	118,230,201
Loss (gain) on disposal and retirement of property and equipment	60,483	(12,777)
Loss on disposal of investment property	480,581	7,320
Loss on disposal of investments accounted for using equity method	-	32,107
Gain on changes in fair value of investment property	(3,770,037)	(792,957)
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	214,058,711	115,795,152
(Increase) decrease in financial assets at fair value through other comprehensive income	(302,562,852)	185,666,085
Decrease (increase) in financial assets measured at amortized cost	2,707,206	(344,884,532)
Decrease (increase) in financial assets for hedging	93,292	(93,567)
Decrease in other financial assets	-	2,000,000
Decrease in notes receivable	412	16,673
Decrease (increase) in other receivables	2,805,748	(4,701,034)
Increase in prepaid expenses and other prepayments	(846,962)	(738,119)
(Increase) decrease in guarantee deposits paid	(4,042,654)	6,809,258
(Increase) decrease in reinsurance assets	(151,834)	124,599
(Increase) decrease in other assets	(621,520)	713,670
Decrease in financial liabilities at fair value through profit or loss	(65,127,563)	(116,399,015)
Increase in financial liabilities for hedging	432,134	-
Decrease in notes payable	(166)	(16)
Decrease in other payables	(5,408,566)	(3,985,855)
Increase in due to reinsurers and ceding companies	286,103	167,408
		(Continued)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
(Decrease) increase in commissions payable	\$ (1,457,439)	\$ 1,644,008
(Decrease) increase in advance receipts	(58,912)	49,312
Increase in guarantee deposits received	918,276	10,418,427
Decrease in deferred fee income	(1,662)	(11,575)
Increase (decrease) in other liabilities	<u>1,675,966</u>	<u>(93,873)</u>
Cash used in operations	(86,736,934)	(23,577,663)
Interest received	158,203,871	160,101,547
Dividends received	18,127,171	25,058,040
Interest paid	(2,982,724)	(2,807,253)
Income tax paid	<u>(781,850)</u>	<u>(2,276,264)</u>
Net cash generated from operating activities	<u>85,829,534</u>	<u>156,498,407</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(495,185)	(2,038,492)
Proceeds from disposal of investments accounted for using the equity method	-	87,107
Proceeds from return of capital on reduction of investments accounted for using the equity method	241,056	-
Acquisition of property and equipment	(745,804)	(392,722)
Proceeds from disposal of property and equipment	3	34,799
Acquisition of intangible assets	(232,652)	(130,412)
Decrease in loans	34,393,389	68,462,056
Acquisition of investment property	(7,130,742)	(14,507,120)
Proceeds from disposal of investment property	<u>233,825</u>	<u>65,562</u>
Net cash generated from investing activities	<u>26,263,890</u>	<u>51,580,778</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	-	10,000,000
Repayments of the principal portion of lease liabilities	(394,379)	(241,619)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>10,000,000</u>
Net cash (used in) generated from financing activities	<u>(394,379)</u>	<u>19,758,381</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,699,045	227,837,566
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>392,341,567</u>	<u>164,504,001</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$504,040,612</u></u>	<u><u>\$392,341,567</u></u>

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

(Concluded)

CATHAY LIFE INSURANCE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China (“ROC”) and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, ROC.

The Company participated in and won the bid for assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life and Singfor Life except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started business on August 5, 2015 after receiving the business license for its offshore insurance unit.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on March 10, 2021.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Upon retrospective application of the amendments, the Company complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company was required to determine whether the abovementioned rent concessions are and should be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective immediately upon promulgation by the IASB January 1, 2021
<ul style="list-style-type: none"> Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” 	
<p>“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.</p>	
<p>Changes in the basis for determining contractual cash flows as a result of <u>interest rate benchmark reform</u></p>	

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- 1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- 2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

IFRS 17 sets out the accounting standards for insurance contracts. It supersedes IFRS 4. The main standards and its amendments of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Company to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

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

The Company is not permitted to include contracts issued more than one year apart in the same group, and a group of contracts which are decided to be issued should be applied to recognition and measurement of IFRS 17.

Recognition

The Company shall recognize a group of insurance contracts it issues from the earliest of the following:

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

Measurement on initial recognition

The Company shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money and financial risk, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of the group of insurance contracts that the Company will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

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

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date, and liabilities for incurred claims include fulfilment cash flows related to past services. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Company shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach (“PAA”)

The Company may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the Company:

- 1) The Company reasonably expects that this will be a reasonable approximation of the general model, or
- 2) The coverage period of each contract in the group is one year or less.

At the inception, if the Company expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the case of 1 above.

When using the PAA, the liability for remaining coverage shall be initially recognized as:

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

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for services provided in that period, and minus all investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Company shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

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

Transition

The Company shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but only need to use information available without undue cost or effort. The Company shall apply fair value approach if reasonable and supportable information is unavailable.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

b. Basis of preparation

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

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

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

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate in these financial statements.

c. Foreign currencies

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

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

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

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

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

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is accounted for in equity transactions and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

d. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

e. Investments in associates

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

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

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

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

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

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

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

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

f. Property and equipment

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

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

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

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

g. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Beginning January 1, 2019, investment properties include right-of-use assets and properties under construction if the definition of investment properties is met; before January 1, 2019, investment properties included properties under construction if the definition of investment properties was met. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. Beginning January 1, 2019, investment properties acquired through leases are initially measured at cost. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

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

h. Goodwill

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

j. Impairment of property and equipment, right-of-use asset, intangible assets other than goodwill

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

All regular transaction of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss. Fair value is determined in the manner described in Note 40.

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

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

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in debt instruments at FVTOCI

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

The Company uses the total carrying amount of financial assets measured at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and commitment off financial statements to measure the amount of exposure at default (EAD).

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

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

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

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

c) Derecognition of financial assets

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

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

d) Offsetting of financial instruments

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 38.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

1. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

m. Separate account insurance products

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

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

n. Insurance liabilities

Funds reserved for insurance contracts and financial instruments with or without discretionary participation feature are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 10704504821. Provision of reserve for the other insurance liabilities is as follows:

Moreover, an insurance contract with discretionary participation feature is entirely classified as liability.

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

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

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

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

4) Special reserve

When selling participating life insurance policies, according to the Rule Governing application of revenue and expenses related to participating/nonparticipating policy reported to the authority, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from special reserve - participating policies dividends reserve. The excess dividend should be accounted as special reserve - provisions for risk of dividends.

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

o. Liability adequacy test

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

p. Reserve for insurance contract with the nature of financial products

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

q. Reserve for Foreign exchange valuation

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

r. Recognition of insurance premium income and expenses

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

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

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

s. Classification of insurance products

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

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

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

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

- 1) Additional payments are significant to total contractual payments.
- 2) In accordance with the contract, the amounts and dates of payment for additional payments are at the Company's discretion.
- 3) In accordance with the contract, additional payments are based on one of the following matters:
 - a) The performance of specific contract portfolio or specific types of contracts.
 - b) Returns on investment from a portfolio of specific asset portfolio held by the Company.
 - c) Profits and losses of the Company, funds, or other entities.

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

t. Reinsurance

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

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

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

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

u. Provisions

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

v. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 7 g. for the accounting policies for investment properties.

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

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

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

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

w. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

x. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 38.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 13 and 38.

c. Valuation of policy reserve and liability adequacy test

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 262,461	\$ 257,499
Cash in banks	180,901,384	172,575,911
Time deposits	241,306,544	162,683,536
Cash equivalents	<u>81,570,223</u>	<u>56,824,621</u>
	<u>\$504,040,612</u>	<u>\$392,341,567</u>

7. RECEIVABLES

	December 31	
	2020	2019
Notes receivable	\$ 274,650	\$ 275,228
Other receivables	63,943,754	77,758,702
Overdue receivables	<u>4,982</u>	<u>11,919</u>
	64,223,386	78,045,849
Less: Loss allowance	<u>(10,458)</u>	<u>(14,672)</u>
	<u>\$ 64,212,928</u>	<u>\$ 78,031,177</u>

The movements in the loss allowance are as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 14,672	\$ 98,067
Provision (reversal) for the current year	6,308	(37,261)
Amounts written off	<u>(10,522)</u>	<u>(46,134)</u>
Ending balance	<u>\$ 10,458</u>	<u>\$ 14,672</u>

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic stocks	\$ 296,934,408	\$ 258,526,486
Beneficiary certificates	638,761,371	549,007,120

Government bonds	-	399,968
Financial debentures	10,361,868	14,475,317
Overseas stocks	216,738,502	219,014,890
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	97,652,791	190,378,295
Structured time deposits	18,027,331	4,011,973
		(Continued)

	December 31	
	2020	2019
Derivative financial assets (not under hedge accounting)		
Currency swap contracts (“SWAP”)	\$ 23,730,446	\$ 18,728,825
Foreign exchange forward contacts (“Forward”)	3,704,505	9,332,640
Cross currency swap contracts (“CCS”)	594,443	148,872
Options	-	49,353
Call warrants	24,109	-
	<u>\$1,331,633,589</u>	<u>\$1,280,235,253</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
SWAP	\$ 3,537,918	\$ 1,810,120
Forward	8,095,543	1,138,856
CCS	53,606	-
Interest rate swap contracts (“IRS”)	-	7,342
Options	-	18,016
	<u>\$ 11,687,067</u>	<u>\$ 2,974,334</u>
		(Concluded)

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

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Domestic stocks	\$ 296,934,408	\$ 256,601,805
Beneficiary certificates	595,749,818	514,962,891
Financial debentures	10,361,868	14,475,317
Overseas stocks	215,797,943	218,358,053
Real estate investment trust	25,103,815	16,161,514
Overseas bonds	97,652,791	190,378,295
Structured time deposits	18,027,331	4,011,973
	<u>\$1,259,627,974</u>	<u>\$1,214,949,848</u>

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31	
	2020	2019
Gains due to applying IFRS 9 to profit or loss	\$155,949,864	\$199,781,623
Gains if applying IAS 39 to profit or loss	<u>(108,580,903)</u>	<u>(81,551,422)</u>
Loss reclassified due to application of overlay approach	<u>\$ 47,368,961</u>	<u>\$118,230,201</u>

Due to application of overlay approach, the amount of gain or loss on financial assets and liabilities at FVTPL for the years ended December 31, 2020 and 2019 had increased from gain of \$203,100,151 thousand to gain of \$155,731,190 thousand and decreased from gain of \$196,818,564 thousand to loss of \$78,588,363 thousand, respectively.

- b. As of December 31, 2020 and 2019, structured notes accounted for financial instruments at FVTPL amounted to \$29,048,344 thousand and \$105,784,237 thousand, respectively.
- c. The financial assets at FVTPL were not pledged.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Equity instrument investments at FVTOCI		
Domestic stocks	\$ 91,718,232	\$ 26,813,635
Overseas stocks	<u>7,701,053</u>	<u>8,811,460</u>
	<u>99,419,285</u>	<u>35,625,095</u>
Debt instrument investments at FVTOCI		
Corporate bonds	2,206,288	-
Government bonds	43,699,940	41,077,782
Overseas bonds	1,078,517,070	778,747,472
Less: Litigation deposits	(46,761)	(45,748)
Less: Deposits to Central Bank	<u>(1,114,990)</u>	<u>(1,067,739)</u>
	<u>1,123,261,547</u>	<u>818,711,767</u>
	<u>\$1,222,680,832</u>	<u>\$ 854,336,862</u>

- a. These investments in equity instruments are not held for trading, and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI still held by the Company on the balance sheet date for the years ended December 31, 2020 and 2019 were \$3,014,786 thousand and \$1,726,086 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2020 and 2019 were \$14,978 thousand and \$735,772 thousand, respectively.
- c. In consideration of investment strategies, the Company sold equity instrument investments at FVTOCI at fair values of \$5,103,571 thousand and \$24,819,436 thousand at the time of sale, and transferred unrealized loss of \$75,723 thousand and \$4,459,258 thousand from other equity to retained earnings for the years ended December 31, 2020 and 2019, respectively.

- d. Refer to Note 36 for the financial assets at FVTOCI that were pledged as collateral.
- e. Refer to Note 38 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

10. HEDGING INSTRUMENTS

	December 31	
	2020	2019
<u>Financial assets for hedging</u>		
IRS	\$ 146,959	\$ 185,206
CCS	<u>-</u>	<u>362,869</u>
	<u>\$ 146,959</u>	<u>\$ 548,075</u>
<u>Financial liabilities for hedging</u>		
CCS	<u>\$ 90,971</u>	<u>\$ -</u>

The financial assets for hedging were not pledged.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 60,834,675	\$ 62,324,964
Investments in associates	<u>28,743,039</u>	<u>41,449,832</u>
	<u>\$ 89,577,714</u>	<u>\$103,774,796</u>

Refer to Table 1 and Table 5 for the nature of business activities, main operating locations and countries of incorporation of the subsidiaries and associates.

- a. Investments in subsidiaries

	December 31	
	2020	2019
Cathay Securities Investment Consulting Co., Ltd.	\$ 637,478	\$ 333,089
Cathay Lujiazui Life Insurance Co., Ltd.	6,016,144	5,357,121
Cathay Life Insurance (Vietnam) Co., Ltd.	10,981,537	10,825,893
Lin Yuan (Shanghai) Real Estate Co., Ltd.	7,631,432	7,419,170
Cathay Woolgate Exchange Holding 1 Limited	13,371,694	13,947,324
Cathay Woolgate Exchange Holding 2 Limited	133,199	140,147
Cathay Walbrook Holding 1 Limited	8,868,043	9,038,997
Cathay Walbrook Holding 2 Limited	462,050	472,454
Conning Holdings Limited	<u>12,733,098</u>	<u>14,790,769</u>
	<u>\$ 60,834,675</u>	<u>\$ 62,324,964</u>

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Company' share of:		
Net (loss) income	\$(12,552,004)	\$ 583,379
Other comprehensive income	<u>134,134</u>	<u>167,305</u>
Total comprehensive (loss) income for the period	<u>\$(12,417,870)</u>	<u>\$ 750,684</u>

As the individual associates are not significant, the related financial information is disclosed aggregately. Except for Cathay Venture Inc., the amount of the share of profit or loss and other comprehensive income of associates were based on non-audited financial statements.

The investments in associates were not pledged.

PT Bank Mayapada Internasional Tbk, the Company's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, the Company recognized a loss on investment in associates accounted for using the equity method of \$13,980,277 thousand for the year ended December 31, 2020.

12. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2020	2019
Financial debentures	\$ 41,434,737	\$ 50,049,481
Corporate bonds	29,096,122	25,294,942
Government bonds	40,464,412	39,073,691
Overseas bonds	2,549,889,678	2,508,736,300
Asset-backed securities	445,000	1,189,350
Less: Litigation deposits	(1,353,429)	(1,343,931)
Less: Deposits to Central Bank	(8,039,298)	(7,858,911)
Less: Loss allowance (Note)	<u>(2,573,415)</u>	<u>(1,197,021)</u>
	<u>\$2,649,363,807</u>	<u>\$2,613,943,901</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2020 and 2019, the amounts were \$1,258 thousand and \$891 thousand, respectively.

- a. For the years ended December 31, 2020 and 2019, the Company disposed of bonds before maturity due to increase in credit risk, and the losses on disposal were \$259,490 thousand and \$3,032,793 thousand, respectively; bonds disposal before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$38,149,433 thousand and \$11,598,209 thousand, respectively; bonds disposal due to other situations such as repayments at maturities resulted in gain on disposal of 1,613,929 thousand and gain on disposal of \$1,360,596 thousand, respectively.

- b. Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.
- c. Refer to Note 38 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

13. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

	Investment Property			Investment Property Under Construction	Prepayments for Buildings and Land - Investments
	Land	Buildings	Total		
January 1, 2019	\$ 333,756,500	\$ 89,833,960	\$ 423,590,460	\$ 2,785,640	\$ 722,686
Adjustment on initial application of IFRS 16	9,014,035	-	9,014,035	-	-
Additions	-	-	-	3,959,386	10,547,734
Disposals	(40,153)	(32,729)	(72,882)	-	-
Reclassification	9,969,169	2,330,483	12,299,652	(2,198,309)	(10,118,057)
Gain (loss) on changes in fair value of investment property	<u>1,973,780</u>	<u>(1,180,823)</u>	<u>792,957</u>	<u>-</u>	<u>-</u>
December 31, 2019	<u>\$ 354,673,331</u>	<u>\$ 90,950,891</u>	<u>\$ 445,624,222</u>	<u>\$ 4,546,717</u>	<u>\$ 1,152,363</u>
January 1, 2020	\$ 354,673,331	\$ 90,950,891	\$ 445,624,222	\$ 4,546,717	\$ 1,152,363
Additions	-	-	-	3,024,854	4,105,888
Disposals	(188,877)	(525,529)	(714,406)	-	-
Reclassification	5,049,551	6,138,532	11,188,083	(6,043,024)	(2,126,336)
Gain on changes in fair value of investment property	<u>792,584</u>	<u>2,977,453</u>	<u>3,770,037</u>	<u>-</u>	<u>-</u>
December 31, 2020	<u>\$ 360,326,589</u>	<u>\$ 99,541,347</u>	<u>\$ 459,867,936</u>	<u>\$ 1,528,547</u>	<u>\$ 3,131,915</u>

For the Year Ended December 31

	2020	2019
Rental income from investment property	\$ 10,676,041	\$ 10,437,380
Direct operating expenses of investment property that generate rental income	(643,982)	(643,743)
Direct operating expenses of investment property that do not generate rental income	<u>(131,251)</u>	<u>(124,125)</u>
	<u>\$ 9,900,808</u>	<u>\$ 9,669,512</u>

- a. Certain properties are held to earn rental or to achieve capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component of a property could not be sold separately, it would be classified as investment properties only when owner occupation is lower than 5% of the property.
- b. The investment properties are held mainly for lease business. All the lease agreements of the Company's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Company were not pledged.
- c. The ownership of the Company's investment properties are not subject to restrictions other than the restriction associated with being furnished as security for other debts; the ownership of its trust property is not subject to restrictions. Besides, the Company is not involved in any situations that violate

Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

- d. Valuation has been performed by the following appraisers of joint appraiser firms that met the qualification requirements for real estate appraisers in the ROC. The valuation dates were December 31, 2020 and 2019:

Names of Appraisers Firm	December 31	
	2020	2019
DTZ Real Estate Appraiser Firm	Gen-yuan, Li Jia-he, Tsai Chun-chun, Hu	Chang-d, Yang; Gen-yuan, Li
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang;	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai Hsiang-Yi, Hsu; Wei-ru, Li	Hong-xu, Wu; Yu-hsiang, Tsai
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-zhi, Gao Jun-han, Lin	Xi-zhong, Wang; You-qi, Liang
Shang-shang Real Estate Appraiser Firm Sinyi Real Estate Appraiser Firm	Hong-yuan, Wang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Hong-yuan, Wang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee

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

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

and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	December 31	
	2020	2019
Direct capitalization rates (net)	0.84%-3.34%	0.62%-4.24%
Discount rates	2.15%-3.94%	3.14%-4.23%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate.

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

Reconciliation for fair value measurements in Level 3 movements:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$433,501,238	\$417,964,462
Adjustment on initial application of IFRS 16	-	9,014,035
Amount recognized in profit or loss		
Gain from investment property	3,770,037	792,957
Disposals	(646,500)	(41,615)
Transfers from investment property under construction	6,043,024	2,182,971
Transfers from prepayments for buildings and land	804,488	716,272
Transfers from investment property measured at cost	-	2,874,260
Other reclassification	-	(2,104)
Ending balance	<u>\$443,472,287</u>	<u>\$433,501,238</u>

The above amounts did not include those measured at cost.

- e. Refer to Tables 3 and 4 for the acquisition or disposal of individual real estate at cost or price of at least NT\$100 million or 20% of the paid-in capital.

14. LOANS

	December 31	
	2020	2019
Life insurance policy loans (a)	\$154,255,383	\$159,476,317
Premium loans (b)	12,622,690	12,012,426

Secured loans (c)	314,154,457	345,132,183
Non-accrual receivables	2,041,471	657,797
Other loans	<u>13,429,063</u>	<u>13,645,875</u>
	496,503,064	530,924,598
Less: Loss allowance	<u>(4,733,716)</u>	<u>(4,825,976)</u>
	<u>\$491,769,348</u>	<u>\$526,098,622</u>

- a. Life insurance policy loans were secured by policies issued by the Company.
- b. Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the life insurance policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the effective insurance policy. Policyholders may also inform the insurer in writing to terminate the premium loan option prior to the next due date of premium payment.
- c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Company applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. Refer to Note 38 for related information of loss allowance for the years ended December 31, 2020 and 2019.

15. REINSURANCE ASSETS

	December 31	
	2020	2019
Due from reinsurers and ceding companies	\$ 509,556	\$ 357,722
Reinsurance reserve assets		
Ceded unearned premium reserve	1,113,039	894,878
Ceded loss reserve	61,357	3,732
Ceded policy reserve	<u>403,979</u>	<u>421,465</u>
	<u>\$ 2,087,931</u>	<u>\$ 1,677,797</u>

- a. CNY co-reinsurance business

Authorized by the FSC under Jin Guan Bao Tsai No. 10302112370, the Company signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Company discloses the succeeding information following Article 6 of the Guideline for Reinsurance with Ceded Policy Reserve by Life Insurance Enterprises.

- 1) Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company's liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to Central Reinsurance Corporation.

- 2) Reinsurance expense, claims recovered from reinsures and commission

For the Year Ended December

	2020	2019
Reinsurance expense	\$ 550	\$ 73,343
Claims recovered from reinsurers	35,314	11,736
Reinsurance commission	4,029	8,229

3) Net income or loss from CNY co-reinsurance business

Net income from reinsurance of \$21,307 thousand had occurred for the year ended December 31, 2020 from CNY co-reinsurance business. The amount is calculated as follows:

Reinsurance commission of \$4,029 thousand + Claims recovered from reinsurers of \$35,314 thousand - Net changes in reinsurance reserve assets of \$22,443 thousand + Foreign exchange gains of \$4,957 thousand - reinsurance expense of \$550 thousand.

4) Reason and effect to income or loss from change of co-reinsurance business or contract: None.

5) Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes reinsurance reserve assets ceded including policy reserve and ceded premium deficiency reserve and provides insurance liabilities as direct business. All ceded reinsurance reserve assets should be removed at the time the co-reinsurance contract ceased.

6) Other notes designated by authorities: None.

16. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leased Assets	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 20,367,187	\$ 20,344,282	\$ 2,125,305	\$ 275,652	\$ 7,830	\$ 3,819,643	\$ 396,036	\$ 47,335,935
Additions	-	-	80,917	-	-	92,467	219,338	392,722
Disposals	(12,249)	(18,562)	(13,114)	-	(340)	(59,027)	-	(103,292)
Reclassification	-	450,854	-	(275,652)	-	-	(434,140)	(258,938)
Balance at December 31, 2019	\$ 20,354,938	\$ 20,776,574	\$ 2,193,108	\$ -	\$ 7,490	\$ 3,853,083	\$ 181,234	\$ 47,366,427
<u>Depreciation and impairment</u>								
Balance at January 1, 2019	\$ 103,134	\$ 11,838,641	\$ 1,887,505	\$ 275,652	\$ 7,823	\$ 3,374,428	\$ -	\$ 17,487,183
Depreciation expense	-	351,711	114,445	-	2	116,185	-	582,343
Disposals	-	(11,139)	(13,113)	-	(340)	(56,678)	-	(81,270)
Reclassification	-	-	-	(275,652)	-	-	-	(275,652)
Balance at December 31, 2019	\$ 103,134	\$ 12,179,213	\$ 1,988,837	\$ -	\$ 7,485	\$ 3,433,935	\$ -	\$ 17,712,604
Carrying amount at December 31, 2019	\$ 20,251,804	\$ 8,597,361	\$ 204,271	\$ -	\$ 5	\$ 419,148	\$ 181,234	\$ 29,653,823
<u>Cost</u>								
Balance at January 1, 2020	\$ 20,354,938	\$ 20,776,574	\$ 2,193,108	\$ -	\$ 7,490	\$ 3,853,083	\$ 181,234	\$ 47,366,427
Additions	-	-	157,714	-	299	154,919	432,872	745,804
Disposals	-	(101,999)	(16,842)	-	-	(105,219)	-	(224,060)
Reclassification	(2,926,864)	(320,183)	-	-	-	-	(3,106)	(3,250,153)
Balance at December 31, 2020	\$ 17,428,074	\$ 20,354,392	\$ 2,333,980	\$ -	\$ 7,789	\$ 3,902,783	\$ 611,000	\$ 44,638,018
<u>Depreciation and impairment</u>								
Balance at January 1, 2020	\$ 103,134	\$ 12,179,213	\$ 1,988,837	\$ -	\$ 7,485	\$ 3,433,935	\$ -	\$ 17,712,604
Depreciation expense	-	348,732	106,497	-	39	114,879	-	570,147
Disposals	-	(42,500)	(16,782)	-	-	(104,292)	-	(163,574)
Reclassification	-	(231,430)	-	-	-	-	-	(231,430)

Balance at December 31, 2020	\$ <u>103,134</u>	\$ <u>12,254,015</u>	\$ <u>2,078,552</u>	\$ <u>-</u>	\$ <u>7,524</u>	\$ <u>3,444,522</u>	\$ <u>-</u>	\$ <u>17,887,747</u>
Carrying amounts at December 31, 2020	\$ <u>17,324,940</u>	\$ <u>8,100,377</u>	\$ <u>255,428</u>	\$ <u>-</u>	\$ <u>265</u>	\$ <u>458,261</u>	\$ <u>611,000</u>	\$ <u>26,750,271</u>

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

Buildings and construction	1-70 years
Computer equipment	3-5 years
Leased assets	3 years
Transportation equipment	3-5 years
Other equipment	2-22 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 500,547	\$ 443,732
Transportation equipment	<u>23,897</u>	<u>22,069</u>
	<u>\$ 524,444</u>	<u>\$ 465,801</u>
The right-of-use assets presented as investment properties	<u>\$ 8,548,824</u>	<u>\$ 8,781,429</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 353,648</u>	<u>\$ 131,825</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 262,377	\$ 295,013
Transportation equipment	<u>10,143</u>	<u>10,620</u>
	<u>\$ 272,520</u>	<u>\$ 305,633</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	<u>\$ 9,279,631</u>	<u>\$ 9,198,368</u>
Range of discount rates for lease liabilities is as follows:		
	December 31	
	2020	2019
Buildings	1.82%-3.04%	2.05%-3.04%
Transportation equipment	3.25%-3.66%	3.59%-3.66%
Investment property - right of superficies	2.82%-3.71%	2.82%-3.71%

18. INTANGIBLE ASSETS

	<u>Computer Software</u>	<u>Franchises</u>	<u>Goodwill</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 1,864,565	\$ 37,659,600	\$ 2,918,390	\$ 42,442,555
Additions - acquired separately	<u>130,412</u>	<u>-</u>	<u>-</u>	<u>130,412</u>
Balance at December 31, 2019	<u>\$ 1,994,977</u>	<u>\$ 37,659,600</u>	<u>\$ 2,918,390</u>	<u>\$ 42,572,967</u>
<u>Amortization and impairment</u>				
Balance at January 1, 2019	\$ 1,619,140	\$ 7,277,841	\$ -	\$ 8,896,981
Amortization	<u>118,394</u>	<u>2,079,383</u>	<u>-</u>	<u>2,197,777</u>
Balance at December 31, 2019	<u>\$ 1,737,534</u>	<u>\$ 9,357,224</u>	<u>\$ -</u>	<u>\$ 11,094,758</u>
Carrying amount at December 31, 2019	<u>\$ 257,443</u>	<u>\$ 28,302,376</u>	<u>\$ 2,918,390</u>	<u>\$ 31,478,209</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 1,994,977	\$ 37,659,600	\$ 2,918,390	\$ 42,572,967
Additions - acquired separately	<u>232,652</u>	<u>-</u>	<u>-</u>	<u>232,652</u>
Balance at December 31, 2020	<u>\$ 2,227,629</u>	<u>\$ 37,659,600</u>	<u>\$ 2,918,390</u>	<u>\$ 42,805,619</u>
<u>Amortization and impairment</u>				
Balance at January 1, 2020	\$ 1,737,534	\$ 9,357,224	\$ -	\$ 11,094,758
Amortization	<u>122,141</u>	<u>2,079,383</u>	<u>-</u>	<u>2,201,524</u>
Balance at December 31, 2020	<u>\$ 1,859,675</u>	<u>\$ 11,436,607</u>	<u>\$ -</u>	<u>\$ 13,296,282</u>
Carrying amount at December 31, 2020	<u>\$ 367,954</u>	<u>\$ 26,222,993</u>	<u>\$ 2,918,390</u>	<u>\$ 29,509,337</u>

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

Computer software	3 years
Franchises	6.5 or 20 years

- b. As of December 31, 2020 and 2019, the carrying amounts of goodwill were \$2,918,390 thousand. The goodwill arose from the acquisition of which the Company assumed all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. except for their reserved assets and liabilities on July 1, 2015.
- c. An annual impairment test for goodwill is performed regularly. The Company estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

19. OTHER ASSETS

	December 31	
	2020	2019
Insurance Industry Stability Fund (a)	\$ 12,099,873	\$ 11,019,381
Less: Reserve for Insurance Industry Stability Fund (a)	(12,099,873)	(11,019,381)
Guarantee deposits paid (b)	21,345,029	20,464,703
Deferred acquisition costs (c)	2,596	3,629
Prepayments	992,776	3,629
Net defined benefit assets (Note 28)	6,280,228	6,422,413
Others	<u>872,524</u>	<u>574,903</u>
	<u>\$ 29,493,153</u>	<u>\$ 27,469,277</u>

- a. Under Tai-Tsai-Bao No.811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stabilization Fund starting from January 1, 1993. According to the Standard of Contribution to Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stabilization Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stabilization Fund, is a contra account of the Insurance Industry Stabilization Fund.

- b. Guarantee deposits paid are comprised of:

	December 31	
	2020	2019
Insurance operation guarantee deposit	\$ 9,153,212	\$ 8,925,889
Deposit for futures and options trading	6,074,070	8,374,909
Deposit for derivatives trading	4,044,034	1,117,064
Other guarantee deposits	<u>2,073,713</u>	<u>2,046,841</u>
	<u>\$ 21,345,029</u>	<u>\$ 20,464,703</u>

The Company provided cash, time deposits and government bonds as guarantees. Refer to Note 36 for related information.

- c. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 3,629	\$ 10,401
Amortization	<u>(1,033)</u>	<u>(6,772)</u>
Ending balance	<u>\$ 2,596</u>	<u>\$ 3,629</u>

20. PAYABLES

	December 31	
	2020	2019
Notes payable	\$ 402	\$ 568
Commissions payable	2,263,032	3,720,471
Reinsurance indemnity payable	863,224	577,121
Other payables	<u>21,521,484</u>	<u>21,255,879</u>
	<u>\$ 24,648,142</u>	<u>\$ 25,554,039</u>

21. BONDS PAYABLE

	December 31	
	2020	2019
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	\$ 35,000,000	\$ 35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2019 (c)	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 80,000,000</u>	<u>\$ 80,000,000</u>

- a. Pursuant to Jin Guan Bao Shou No. 10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated corporate bonds on December 13, 2016 through private placement. Key terms and conditions are as follows:

- 1) Issue amount: \$35,000,000 thousand.
- 2) Principal amount and issue price: The face value is \$1,000,000 thousand each, and is issued at par.
- 3) Years to maturity: Perpetual.
- 4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.
- 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.
- 6) Right of early redemption: The Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest. The Company may redeem the bond once a year.

- 7) Forms of bonds: Physical certificate.
 - 8) Interest expense: Interest expense amounting to \$1,260,000 thousand for the years ended December 31, 2020 and 2019, respectively. The expense was recorded as finance costs.
- b. Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:
- 1) Issue amount: \$35,000,000 thousand.
 - 2) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - 3) Years to maturity: Perpetual.
 - 4) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year maturity.
 - 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - 6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - 7) Forms of bonds: Book-entry securities.
 - 8) Interest expense: Interest expense amounting to \$1,157,030 thousand and \$1,152,970 thousand for the years ended December 31, 2020 and 2019, respectively. The expense was recorded as finance costs.
- c. Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual non-cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
- 1) Issue amount: \$10,000,000 thousand.
 - 2) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - 3) Years to maturity: Perpetual.
 - 4) Coupon rate: Fixed rate of 3%.
 - 5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - 6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

- 7) Forms of bonds: Book-entry securities.
- 8) Interest expense: Interest expense amounting to \$300,420 thousand and \$154,920 thousand for the years ended December 31, 2020 and 2019. The expense was recorded as finance costs.

22. INSURANCE LIABILITIES

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

a. Unearned premium reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 73,271	\$ -	\$ 73,271	\$ 81,756	\$ -	\$ 81,756
Individual injury insurance	7,293,363	-	7,293,363	6,854,370	-	6,854,370
Individual health insurance	9,911,436	-	9,911,436	9,362,205	-	9,362,205
Group insurance	995,234	-	995,234	1,092,315	-	1,092,315
Investment-linked insurance	116,825	-	116,825	114,231	-	114,231
	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>	<u>17,504,877</u>	<u>-</u>	<u>17,504,877</u>
Less ceded unearned premium reserve:						
Individual life insurance	878,870	-	878,870	713,629	-	713,629
Individual injury insurance	25,638	-	25,638	17,678	-	17,678
Individual health insurance	208,531	-	208,531	163,571	-	163,571
	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>	<u>894,878</u>	<u>-</u>	<u>894,878</u>
	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>	<u>\$ 16,609,999</u>	<u>\$ -</u>	<u>\$ 16,609,999</u>

The changes in unearned premium reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 17,504,877	\$ -	\$ 17,504,877	\$ 16,458,535	\$ -	\$ 16,458,535
Provision	18,390,137	-	18,390,137	17,504,890	-	17,504,890
Recovery	(17,504,877)	-	(17,504,877)	(16,458,535)	-	(16,458,535)
Foreign exchange	(8)	-	(8)	(13)	-	(13)
Ending balance	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>	<u>17,504,877</u>	<u>-</u>	<u>17,504,877</u>
Less ceded unearned premium reserve:						
Beginning balance	894,878	-	894,878	624,337	-	624,337
Increase	<u>218,161</u>	<u>-</u>	<u>218,161</u>	<u>270,541</u>	<u>-</u>	<u>270,541</u>
Ending balance	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>	<u>894,878</u>	<u>-</u>	<u>894,878</u>
Net ending balance	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>	<u>\$ 16,609,999</u>	<u>\$ -</u>	<u>\$ 16,609,999</u>

b. Loss reserve

December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance						
Filed but not paid	\$ 2,994,498	\$ 35,590	\$ 3,030,088	\$ 2,437,380	\$ 31,200	\$ 2,468,580
Not yet filed	26,374	-	26,374	31,859	-	31,859
Individual injury insurance						
Filed but not paid	39,709	-	39,709	40,400	-	40,400
Not yet filed	1,944,744	-	1,944,744	1,855,652	-	1,855,652
Individual health insurance						
Filed but not paid	1,636,337	-	1,636,337	1,282,698	-	1,282,698
Not yet filed	3,212,273	-	3,212,273	3,051,864	-	3,051,864
Group insurance						
Filed but not paid	62,412	-	62,412	60,760	-	60,760
Not yet filed	1,487,129	-	1,487,129	1,592,067	-	1,592,067
Investment-linked insurance						
Filed but not paid	218,021	-	218,021	180,254	-	180,254
Not yet filed	551	-	551	477	-	477
	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>	<u>10,533,411</u>	<u>31,200</u>	<u>10,564,611</u>
Less ceded loss reserve						
Individual life insurance	46,636	-	46,636	3,074	-	3,074
Individual health insurance	<u>14,721</u>	<u>-</u>	<u>14,721</u>	<u>658</u>	<u>-</u>	<u>658</u>
	<u>61,357</u>	<u>-</u>	<u>61,357</u>	<u>3,732</u>	<u>-</u>	<u>3,732</u>
	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>	<u>\$ 10,529,679</u>	<u>\$ 31,200</u>	<u>\$ 10,560,879</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 10,533,411	\$ 31,200	\$ 10,564,611	\$ 8,522,425	\$ 9,145	\$ 8,531,570
Provision	11,636,942	35,590	11,672,532	10,538,170	31,200	10,569,370
Recovery	(10,533,411)	(31,200)	(10,564,611)	(8,522,425)	(9,145)	(8,531,570)
Foreign exchange	(14,894)	-	(14,894)	(4,759)	-	(4,759)
Ending balance	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>	<u>10,533,411</u>	<u>31,200</u>	<u>10,564,611</u>
Less ceded loss reserve						
Beginning balance	3,732	-	3,732	8,793	-	8,793
Increase	57,625	-	57,625	-	-	-
Decrease	-	-	-	(5,061)	-	(5,061)
Ending balance	<u>61,357</u>	<u>-</u>	<u>61,357</u>	<u>3,732</u>	<u>-</u>	<u>3,732</u>
Net ending balance	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>	<u>\$ 10,529,679</u>	<u>\$ 31,200</u>	<u>\$ 10,560,879</u>

c. Policy reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	\$5,144,987,292	\$ 3,810	\$5,144,991,102	\$4,812,427,110	\$ 3,747	\$4,812,430,857
Injury insurance	7,058,104	-	7,058,104	7,268,700	-	7,268,700
Health insurance	793,400,966	-	793,400,966	725,104,907	-	725,104,907
Annuity insurance	1,381,226	14,175,381	15,556,607	1,388,012	20,476,035	21,864,047
Investment-linked insurance	<u>515,821</u>	-	<u>515,821</u>	<u>450,698</u>	-	<u>450,698</u>
Total (Note 2)	5,947,343,409	14,179,191	5,961,522,600	5,546,639,427	20,479,782	5,567,119,209
Less ceded policy reserve						
Life insurance	<u>403,979</u>	-	<u>403,979</u>	<u>421,465</u>	-	<u>421,465</u>
	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>	<u>\$5,546,217,962</u>	<u>\$ 20,479,782</u>	<u>\$5,566,697,744</u>

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

Note 2: Total policy reserve after including policy-reserve payables for the insured amounted to \$5,961,980,645 thousand and \$5,567,592,320 thousand as of December 31, 2020 and 2019, respectively.

The changes of policy reserve are summarized below:

For the Year Ended December 31						
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$5,546,639,427	\$ 20,479,782	\$5,567,119,209	\$5,181,152,670	\$ 25,847,690	\$5,207,000,360
Provision	663,427,493	157,530	663,585,023	670,669,816	1,043,751	671,713,567
Recovery	(202,828,855)	(6,458,184)	(209,287,039)	(279,755,554)	(6,411,621)	(286,167,175)
Foreign exchange	<u>(59,894,656)</u>	<u>63</u>	<u>(59,894,593)</u>	<u>(25,427,505)</u>	<u>(38)</u>	<u>(25,427,543)</u>
Ending balance	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>	<u>5,546,639,427</u>	<u>20,479,782</u>	<u>5,567,119,209</u>
Less ceded policy reserve						
Beginning balance	421,465	-	421,465	365,409	-	365,409
Increase	-	-	-	71,881	-	71,881
Decrease	(22,443)	-	(22,443)	-	-	-
Foreign exchange	<u>4,957</u>	<u>-</u>	<u>4,957</u>	<u>(15,825)</u>	<u>-</u>	<u>(15,825)</u>
Ending balance	<u>403,979</u>	<u>-</u>	<u>403,979</u>	<u>421,465</u>	<u>-</u>	<u>421,465</u>
Net ending balance	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>	<u>\$5,546,217,962</u>	<u>\$ 20,479,782</u>	<u>\$5,566,697,744</u>

d. Special reserve

		F December 31							
		2020				2019			
		Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)	\$ (56,900)	\$ -	\$ -	\$ (56,900)	
Dividend risk reserve	54,928	-	-	54,928	58,200	-	-	58,200	
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324	
	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624	

The changes of special reserve are summarized below:

		For the Year Ended December 31							
		2020				2019			
		Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624	\$ 930	\$ -	\$ 11,083,324	\$ 11,084,254	
Provision for participating policies dividends reserve	14,694	-	-	14,694	17,100	-	-	17,100	
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)	(11,746)	-	-	(11,746)	
Recovery of dividend risk reserve	(3,272)	-	-	(3,272)	(4,984)	-	-	(4,984)	
Ending balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624	

e. Premium deficiency reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742	\$ 18,282,478	\$ -	\$ 18,282,478
Individual injury insurance	934	-	934	1,078	-	1,078
Individual health insurance	1,225,954	-	1,225,954	1,347,284	-	1,347,284
Group insurance	5,713	-	5,713	48,617	-	48,617
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>	<u>\$ 19,679,457</u>	<u>\$ -</u>	<u>\$ 19,679,457</u>

The changes of premium deficiency reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457	\$ 22,548,304	\$ -	\$ 22,548,304
Provision	5,619	-	5,619	148,615	-	148,615
Recovery	(5,716,962)	-	(5,716,962)	(2,893,265)	-	(2,893,265)
Foreign exchange	(165,771)	-	(165,771)	(124,197)	-	(124,197)
Ending balance	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>	<u>\$ 19,679,457</u>	<u>\$ -</u>	<u>\$ 19,679,457</u>

f. Other reserve

	December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>	<u>\$ 1,873,141</u>	<u>\$ -</u>	<u>\$ 1,873,141</u>

The changes of other reserve are summarized below:

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141	\$ 1,894,570	\$ -	\$ 1,894,570
Provision	3,784	-	3,784	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,429)</u>	<u>-</u>	<u>(21,429)</u>
Ending balance	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>	<u>\$ 1,873,141</u>	<u>\$ -</u>	<u>\$ 1,873,141</u>

g. Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2020	2019
Unearned premium reserve	\$ 18,390,129	\$ 17,504,877
Policy reserve	5,961,980,645	5,567,592,302
Premium deficiency reserve	13,802,343	19,679,457
Other reserve	<u>1,876,925</u>	<u>1,873,141</u>
Book value of insurance liabilities	<u>\$5,996,050,042</u>	<u>\$5,606,649,777</u>
Estimated present value of cash flows	<u>\$5,195,570,713</u>	<u>\$4,515,206,417</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Liability adequacy testing methodology is listed as follows:

	December 31	
	2020	2019
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Significant assumptions:		
1) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
2) Discount rate	Under assets allocation plan on September 30, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2019, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

23. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of December 31, 2020 and 2019, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	December 31	
	2020	2019
Life insurance	\$ 72,080	\$ 75,004
Investment-linked insurance	<u>938,076</u>	<u>926,987</u>
	<u>\$ 1,010,156</u>	<u>\$ 1,001,991</u>
For the Year Ended December 31		
	2020	2019
Beginning balance	\$ 1,001,991	\$ 930,654
Claims and payments	(273,584)	(227,022)
Net provision of statutory reserve	294,427	302,968
Foreign exchange	<u>(12,678)</u>	<u>(4,609)</u>
Ending balance	<u>\$ 1,010,156</u>	<u>\$ 1,001,991</u>

24. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedging strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

For the Year Ended December 31		
	2020	2019
Beginning balance	\$ 18,000,877	\$ 17,075,289
Provision		
Compulsory reserve	8,433,364	8,765,999
Additional reserve	<u>11,153,852</u>	<u>12,174,679</u>
	<u>19,587,216</u>	<u>20,940,678</u>
Reversal	<u>(22,767,228)</u>	<u>(20,015,090)</u>
Ending balance	<u>\$ 14,820,865</u>	<u>\$ 18,000,877</u>

During the year ended December 31, 2020, the Company applied for approval and received approval from the FSC to appropriate for a reserve for foreign exchange valuation; the details are as follows:

Date Applied	Approval Number	Amount
April 2020	No. 1090418613	\$ 1,000,000
June 2020	No. 1090423624	1,000,000
July 2020	No. 1090425881	3,000,000
September 2020	No. 1090430759	2,000,000
December 2020	No. 1100410400	<u>3,000,000</u>
		<u>\$ 10,000,000</u>

c. Effects due to reserve for foreign exchange valuation

Items	For the Year Ended December 31, 2020		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	\$ 49,200,585	\$ 51,744,594	\$ 2,544,009
Earnings per share	8.41	8.84	0.43
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Equity	721,981,159	713,727,364	(8,253,795)

Items	For the Year Ended December 31, 2019		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	\$ 38,586,423	\$ 37,845,953	\$ (740,470)
Earnings per share	6.73	6.60	(0.13)
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Equity	599,416,587	588,618,783	(10,797,804)

25. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 567,721,071	\$ 165,822	\$ 567,886,893	\$ 596,188,657	\$ 1,098,686	\$ 597,287,343
Reinsurance premium	<u>110,139</u>	-	<u>110,139</u>	<u>125,595</u>	-	<u>125,595</u>
Premium income	567,831,210	165,822	567,997,032	596,314,252	1,098,686	597,412,938
Less: Reinsurance expenses	(2,355,053)	-	(2,355,053)	(2,051,751)	-	(2,051,751)
Net changes in unearned premium reserve	<u>(667,099)</u>	-	<u>(667,099)</u>	<u>(775,814)</u>	-	<u>(775,814)</u>
Retained earned premium	<u>\$ 564,809,058</u>	<u>\$ 165,822</u>	<u>\$ 564,974,880</u>	<u>\$ 593,486,687</u>	<u>\$ 1,098,686</u>	<u>\$ 594,585,373</u>

b. Retained claim payments

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct Insurance claim payments	\$ 265,571,820	\$ 6,731,051	\$ 272,302,871	\$ 341,523,358	\$ 6,941,553	\$ 348,464,911
Reinsurance claim payments	43,045	-	43,045	40,376	-	40,376
Insurance claim payments	265,614,865	6,731,051	272,345,916	341,563,734	6,941,553	348,505,287
Less: Claims recovered from reinsures	(1,304,635)	-	(1,304,635)	(1,079,421)	-	(1,079,421)
Retained claim payments	<u>\$ 264,310,230</u>	<u>\$ 6,731,051</u>	<u>\$ 271,041,281</u>	<u>\$ 340,484,313</u>	<u>\$ 6,941,553</u>	<u>\$ 347,425,866</u>

26. PROVISIONS

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 56,245	\$ 56,245
Increase in the current year	-	-
Ending balance	<u>\$ 56,245</u>	<u>\$ 56,245</u>

27. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 85,763	\$ 144,675
Deferred fee income	5,548	7,210
Guarantee deposits received	14,148,541	13,230,265
Others	<u>6,812,020</u>	<u>5,136,054</u>
	<u>\$ 21,051,872</u>	<u>\$ 18,518,204</u>

Deferred fee income

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred fee income related to investment management services of such contracts are summarized below:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 7,210	\$ 18,785
Amortization	(1,722)	(11,390)
Foreign exchange	<u>60</u>	<u>(185)</u>
Ending balance	<u>\$ 5,548</u>	<u>\$ 7,210</u>

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the defined benefit plans are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 13,423,238	\$ 13,641,235
Fair value of plan assets	<u>(19,703,466)</u>	<u>(20,063,648)</u>
Net defined benefit liabilities (assets)	<u>\$ (6,280,228)</u>	<u>\$ (6,422,413)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 13,419,411</u>	<u>\$(19,104,502)</u>	<u>\$ (5,685,091)</u>
Service cost			
Current service cost	280,804	-	280,804
Net interest expense (income)	<u>116,083</u>	<u>(169,296)</u>	<u>(53,213)</u>
Recognized in profit or loss	<u>396,887</u>	<u>(169,296)</u>	<u>227,591</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,137,289)	(1,137,289)
Actuarial (gain) loss			
Changes in financial assumptions	356,936	-	356,936
Experience adjustments	<u>348,923</u>	<u>-</u>	<u>348,923</u>
Recognized in other comprehensive income	<u>705,859</u>	<u>(1,137,289)</u>	<u>(431,430)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (533,483)	\$ (533,483)
Contributions from plan participants			
Benefits paid	<u>(880,922)</u>	<u>880,922</u>	<u>-</u>
Balance at December 31, 2019	<u>13,641,235</u>	<u>(20,063,648)</u>	<u>(6,422,413)</u>
Service cost			
Current service cost	278,248	-	278,248
Net interest expense (income)	<u>90,067</u>	<u>(136,784)</u>	<u>(46,717)</u>
Recognized in profit or loss	<u>368,315</u>	<u>(136,784)</u>	<u>231,531</u>
Return on plan assets (excluding amounts included in net interest)	-	(402,526)	(402,526)
Actuarial (gain) loss			
Changes in financial assumptions	427,128	-	427,128
Experience adjustments	<u>300,330</u>	<u>-</u>	<u>300,330</u>
Recognized in other comprehensive income	<u>727,458</u>	<u>(402,526)</u>	<u>324,932</u>
Contributions from the employer	-	(414,278)	(414,278)
Contributions from plan participants			
Benefits paid	<u>(1,313,770)</u>	<u>1,313,770</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 13,423,238</u>	<u>\$(19,703,466)</u>	<u>\$ (6,280,228)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The discount rate for determining the present value of defined benefit obligation is based on the government bond yield. If the actual return on investment of the retirement fund assets is lower than the yield, the insufficiency of defined benefit liabilities will increase. The retirement fund assets which are managed by the Bureau of Labor Funds, Ministry of Labor are deposited in the labor retirement fund accounts, whose investment and operation are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Longevity risk: The present value of the defined benefit obligation is calculated using the mortality table (2011TSO) of plan participants. As such, a decrease in death rate will increase the present value of the defined benefit obligation.
- 4) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2020	2019
Discount rate(s)	0.32%	0.69%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
Increase (2020: 0.25%; 2019: 0.5%)	<u>\$(281,888)</u>	<u>\$(586,573)</u>
Decrease (2020: 0.25%; 2019: 0.5%)	<u>\$ 295,311</u>	<u>\$ 627,497</u>
Expected rate(s) of salary increase		
Increase 0.5%	<u>\$ 577,199</u>	<u>\$ 613,856</u>
Decrease 0.5%	<u>\$(550,353)</u>	<u>\$(572,932)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 417,796</u>	<u>\$ 572,248</u>
Average duration of the defined benefit obligation	8.5 years	8.8 years

29. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>10,000,000</u>	<u>10,000,000</u>
Shares authorized	<u>\$100,000,000</u>	<u>\$100,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>5,851,527</u>	<u>5,851,527</u>
Shares issued	<u>\$ 58,515,274</u>	<u>\$ 58,515,274</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and the rights to dividend.

On November 13, 2019, the Company's board of directors (on behalf of the shareholders) resolved to issue 125,000 thousand ordinary shares with a par value of \$10, for a consideration of \$80 per share which increased the share capital issued and fully paid to \$58,515,274 thousand. On November 21, 2019, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 4, 2019.

b. Capital surplus

	December 31	
	2020	2019
Additional paid-in capital	\$ 59,550,000	\$ 59,550,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142
Changes in amount of associates accounted for using the equity method	844,792	845,715
Share-based payments granted by the parent company to the Company's employees	<u>182,599</u>	<u>182,599</u>
	<u>\$ 60,606,533</u>	<u>\$ 60,607,456</u>

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus). According to Jin Guan Bao Tsai No.10202501991 issued by the FSC on February 8, 2013, if a life insurance enterprise intends to distribute its capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders' meeting.

The capital surplus arising from investments accounted for using the equity method and share-based payments granted by the parent company to the Company's employees may not be used for any purpose.

On August 15, 2019, Cathay Financial Holdings' board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries subscribing. The Company recognized salary expenses and capital surplus of \$182,599 thousand for share-based payments at fair value of the options at the grant date.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, and the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 31 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. According to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders' meeting.

According to Jin Guan Bao Tsai No. 10202501992, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2019 and 2018 had been approved by the Board of Directors (on behalf of shareholders) on April 29, 2020 and on May 3, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 6,677,339	\$ 2,871,520
Special reserve	59,449,742	12,730,041

In addition, the board of directors (on behalf of the shareholders) resolved to offset the deficits by legal reserve of \$31,181,609 thousand on April 29, 2020.

The appropriation of earnings for 2020, which were proposed by the Company's board of directors on March 10, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 10,333,774
Special reserve	70,366,942

In addition, the Company's board of directors resolved to offset the deficits by legal reserve of \$1,676,041 thousand and special reserve of \$23,690,493 thousand on the same date.

The appropriation of earnings for 2020 will be resolved by the Company's board of directors (on behalf of the shareholders) on April 28, 2021.

d. Special reserves

	December 31	
	2020	2019
Special reserve for catastrophic incidents and fluctuation of risks (1)	\$ 14,908,281	\$ 14,552,237
Special reserve for the foreign exchange valuation reserve (2)	33,677,108	11,731,067
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860
Special reserve for investment properties at fair value model in subsequent measurement (4)	148,125,659	147,568,965
Special reserve as gains or losses on disposal of immature debts instruments (5)	25,491,229	-
Others (6)	<u>77,790,075</u>	<u>68,252,401</u>
	<u>\$347,320,212</u>	<u>\$289,432,530</u>

1) Special reserve for catastrophic events and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for catastrophic events and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for catastrophic events and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for catastrophic events

All types of insurance should follow the reserve rates for catastrophic incidents set by the authorities. Upon occurrence of the catastrophic incidents, actual claims on retained business in excess of \$30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with the IAS 12 "Income Taxes" can be recorded in the special capital reserve for catastrophic incidents under equity.

b) Special reserve for fluctuation of risks

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of

write-down or recovery determined in accordance with the IAS 12 “Income Taxes” can be recorded in the special capital reserve for fluctuation of risks under equity.

For the abovementioned special reserves, the annual provision should be recorded in special reserve under equity, net of tax in accordance with IAS 12 “Income Taxes”.

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, life insurance enterprises should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from the implementation. The abovementioned mentioned special reserve includes the reduced recover amounts of special reserve for catastrophic events and special reserve for fluctuation of risks, which are calculated in accordance with the Articles 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Jin Guan Bao Tsai No. 09802513192, the revised Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise, issued on December 28, 2009, the provision for special reserve for catastrophic events and for fluctuation of risks is recognized at the end of the year and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

	December 31, 2020		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance	\$ 114,248	\$ -	\$ 114,248
Injury insurance	4,829,191	-	4,829,191
Health insurance	5,498,542	-	5,498,542
Group insurance	<u>4,466,300</u>	<u>-</u>	<u>4,466,300</u>
	<u>\$ 14,908,281</u>	<u>\$ -</u>	<u>\$ 14,908,281</u>
	December 31, 2019		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance	\$ 113,087	\$ -	\$ 113,087
Injury insurance	4,800,448	-	4,800,448
Health insurance	5,324,076	-	5,324,076
Group insurance	<u>4,314,626</u>	<u>-</u>	<u>4,314,626</u>
	<u>\$ 14,552,237</u>	<u>\$ -</u>	<u>\$ 14,552,237</u>

2) Special reserve for foreign exchange valuation reserve

According to Jin Guan Bao Tsai No.10102501551 issued on February 7, 2012 and Article 9 of the Direction for Reserve for Foreign Exchange Reserve, the Company should appropriate a special reserve of 10% of the profit after tax in order to strengthen the foreign exchange reserve and capital.

According to Jin Guan Bao Tsai No.10102501551 and Jin Guan Bao Tsai No.10402026901 issued on May 8, 2015 and Article 8 of the Direction for Reserve for Foreign Exchange Reserve, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should be set aside in later years if there are no sufficient earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects at the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861.

In accordance with Jin Guan Bao Tsai No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is \$10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Jin Guan Bao Tsai No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes of relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

5) Special reserve from gains or losses on disposal of immature debt instruments

According to Jin Guan Bao Tsai No.10804501381 starting from January 1, 2019, a life insurance enterprise should make a special reserve from gains or losses after a tax of 20% on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

- a) Financial assets not measured at fair value
- b) Financial assets measured at FVTOCI
- c) Financial assets measured at FVTPL using overlay approach

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. According to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before the shareholders' meeting.

According to Jin Guan Bao Tsai No.10804501381 starting from January 1, 2019, a life insurance enterprise should appropriate to a special reserve amounts equal to 20% of after tax gains on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

- a) Financial assets not measured at fair value.
- b) Financial assets measured at FVTOCI.
- c) Financial assets measured at FVTPL using overlay approach.

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

The changes in the accumulated balance of gains or losses on disposals of debt instruments are as follows:

	For the Year Ended December 31, 2020
Accumulated balance at the end of the previous year	\$ 25,491,229
Realized capital gains of \$56,820,630 thousand, net of income tax of \$11,364,126 thousand	45,456,504
Net amortization for the current year	<u>(3,654,515)</u>
Accumulated balance at the end of the year	<u>\$ 67,293,218</u>

As of December 31, 2020, the Company has set aside special reserve of \$25,491,229 thousand in accordance with the regulation; in 2021, the board of directors will resolve to set aside special reserve of \$41,801,989 thousand according to the changes in the current year. The accumulated balance of special reserve will be \$67,293,218 thousand.

According to the regulation, the amortization table for the balance at the end of the previous year and the additions in the current year is as follows:

Year	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Previous Year (1)	Gains or Losses on Disposal After Tax in the Current Year (2)	Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Current Year (1)+(2)
2020	\$ 1,406,919	\$ 2,247,596	\$ 3,654,515
2021	1,394,980	2,243,538	3,638,518
2022	1,391,707	2,238,659	3,630,366
2023	1,367,982	2,219,613	3,587,595
2024	1,343,733	2,046,624	3,390,357
2025	1,309,968	2,069,786	3,379,754
2026	1,255,087	1,990,315	3,245,402
2027	1,247,427	1,907,368	3,154,795
2028	1,194,481	1,849,419	3,043,900
2029	1,100,877	1,759,759	2,860,636
2030 to 2039	8,327,573	14,968,119	23,295,692
2040 to 2049	3,972,787	9,050,483	13,023,270
2050 to 2120	<u>177,708</u>	<u>865,225</u>	<u>1,042,933</u>
Total (Note)	<u>\$ 25,491,229</u>	<u>\$ 45,456,504</u>	<u>\$ 67,293,218</u>

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2020.

- 6) Other special reserve mainly included the amount of \$34,764,311 thousand transferred from insurance liabilities in accordance with Jin Guan Bao Tsai No. 10402029590.

e. Other equity

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$(11,187,030)</u>	<u>\$(10,796,480)</u>
Share of associates accounted for using the equity method	(1,780,005)	(310,571)
Tax effects	<u>32,923</u>	<u>(79,979)</u>
Other comprehensive income (loss) recognized for the year	<u>(1,747,082)</u>	<u>(390,550)</u>
Ending balance	<u>\$(12,934,112)</u>	<u>\$(11,187,030)</u>

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$ 57,531,736</u>	<u>\$ (20,547,627)</u>
Recognized for the year	66,140,507	117,888,517
Share of associates accounted for using the equity method	289,947	94,744
Reclassification adjustment		
Disposal of investments in debt instruments	(25,172,380)	(26,039,641)
Tax effects	<u>(6,329,330)</u>	<u>(18,323,515)</u>
Other comprehensive income (loss) recognized for the year	<u>34,928,744</u>	<u>73,620,105</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>75,723</u>	<u>4,459,258</u>
Ending balance	<u>\$ 92,536,203</u>	<u>\$ 57,531,736</u>

3) Gain (loss) on hedging instruments

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$ 331,929</u>	<u>\$ 173,288</u>
Recognized for the year	102,910	303,798
Share of associates accounted for using the equity method	(10,729)	(31,677)
Reclassification adjustment		
Hedged item that affects profit or loss	(69,571)	(65,901)
Tax effects	<u>(6,668)</u>	<u>(47,579)</u>
Other comprehensive income (loss) recognized for the year	<u>15,942</u>	<u>158,641</u>
Ending balance	<u>\$ 347,871</u>	<u>\$ 331,929</u>

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2020	2019
Beginning balance	<u>\$ 447,694</u>	<u>\$ 287,100</u>
Recognized for the year (Note 28)	(324,932)	431,430
Share of associates accounted for using the equity method	48,958	(231,106)
Tax effects	<u>55,038</u>	<u>(39,730)</u>
Other comprehensive income (loss) recognized for the year	<u>(220,936)</u>	<u>160,594</u>
Ending balance	<u>\$ 226,758</u>	<u>\$ 447,694</u>

5) Property revaluation surplus

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 187,503	\$ 187,503
Tax effects	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 187,503</u>	<u>\$ 187,503</u>

6) Other comprehensive income (loss) on reclassification using overlay approach

	For the Year Ended December 31	
	2020	2019
Beginning balance per IFRS 9	\$ 57,760,564	\$(52,549,236)
Recognized for the year	119,978,195	155,277,181
Share of associates accounted for using the equity method	1,703,500	1,772,424
Reclassification adjustment		
Disposal of investments in financial instruments	(72,609,234)	(37,046,980)
Tax effects	<u>(4,739,916)</u>	<u>(9,692,825)</u>
Other comprehensive income (loss) recognized for the year	<u>44,332,545</u>	<u>110,309,800</u>
Ending balance	<u>\$102,093,109</u>	<u>\$ 57,760,564</u>

7) Other equity - other

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ -	\$ -
Share of subsidiaries and associates accounted for using the equity method	<u>(3,944,303)</u>	<u>-</u>
Ending balance	<u>\$(3,944,303)</u>	<u>\$ -</u>

30. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 8.84</u>	<u>\$ 6.60</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 51,744,594</u>	<u>\$ 37,845,953</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	<u>5,851,527</u>	<u>5,736,116</u>

If reserve for foreign exchange valuation was not applied, basic earnings per share would be \$8.41 and \$6.73 for the years ended December 31, 2020 and 2019, respectively.

31. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Year Ended December 31	
	2020	2019
Financial assets at FVTOCI	\$ 31,362,610	\$ 35,171,001
Financial assets measured at amortized cost	108,727,054	106,155,101
Loans	14,909,572	17,021,795
Others	<u>2,346,376</u>	<u>3,053,822</u>
	<u>\$157,345,612</u>	<u>\$161,401,719</u>

b. Expected credit impairment losses and gains on reversal

	For the Year Ended December 31	
	2020	2019
Operating revenues - expected credit impairment losses and gains on reversal from investments		
Debt instrument investments at FVTOCI	\$ (346,403)	\$ 149,826
Financial assets measured at amortized cost	(1,376,760)	1,071,601
Receivables	-	38,138
Other financial assets	-	594
Loans	<u>64,115</u>	<u>431,236</u>
	<u>(1,659,048)</u>	<u>1,691,395</u>
Operating expenses - expected credit impairment losses from non-investments		
Receivables	<u>(6,308)</u>	<u>(877)</u>
	<u><u>\$(1,665,356)</u></u>	<u><u>\$ 1,690,518</u></u>

c. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits		
Salaries	\$ 30,408,215	\$ 38,024,878
Labor and health insurance expenses	2,677,039	2,620,582
Post-employment benefits		
Defined contribution plans	1,272,485	1,209,212
Defined benefit plans (Note 28)	231,531	227,591
Remuneration of directors	62,665	65,480
Other employee benefits	<u>823,081</u>	<u>911,123</u>
	<u><u>\$ 35,475,016</u></u>	<u><u>\$ 43,058,866</u></u>
An analysis of employee benefits expense by function		
Operating costs	\$ 30,316,750	\$ 37,949,471
Operating expenses	<u>5,158,266</u>	<u>5,109,395</u>
	<u><u>\$ 35,475,016</u></u>	<u><u>\$ 43,058,866</u></u>

For the years ended December 31, 2020 and 2019, the average numbers of the Company's employees were 33,241 and 32,409, respectively, including 7 non-executive directors in both years.

For the years ended December 31, 2020 and 2019, the average employee benefits expense of the Company was \$1,066 thousand and \$1,327 thousand, respectively. The average salary expense was \$915 thousand and \$1,174 thousand, respectively, the average salary decreased by 22%.

For the years ended December 31, 2020 and 2019, the remuneration of supervisors amounted to \$5,384 thousand and \$5,193 thousand, respectively.

The Company's Compensation policies were as follows:

- 1) The Company's Guideline on Payment of Salary and Remuneration of Directors and Supervisors (the "Guideline") stipulated that remuneration of directors and supervisors includes fees, rewards, traffic, and other allowances.
- 2) According to the Guideline, fees are only paid for the chairman and vice chairman of the board of directors, and other directors receive traffic and other allowances and no remunerations. The chairman and vice chairman's fixed monthly fees are determined by the board of directors based on the level of their individual participation and contribution to the Company's operations and the usual peer level, and they are paid additional performance bonuses using the same standards as managers, which are linked to the Company's overall performance and their individual performance.
- 3) The Articles of Incorporation provide that the remuneration of directors and supervisors shall be no more than 0.1% of annual profits, if any.
- 4) Compensations of managers includes monthly salaries, bonuses, and pensions. Monthly salaries are related to responsibilities, performances and capabilities, and external salary benchmarks. The compensation shall be approved by the chairman according to the Guideline on Payment of Compensation of Managers.
- 5) Compensations of back office employees includes monthly salaries, bonuses, benefits, and subsidies, according to the Guideline on Compensations of Back Office Employees. Monthly salaries are related to responsibilities, performance, capabilities, and external salary benchmarks. Guideline on Year-End Bonus and other reward policies are established to encourage employees to improve their performance and professional capabilities. Compensations of field work employees is paid according to other guidelines established by the Company.

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. Employees' compensation shall be paid in cash or in shares and have been resolved by the board of directors, when no less than two-thirds of the members presented and over half of the presented agreed, and reported to shareholders.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, respectively, as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	\$ 4,996	\$ 3,961
Remuneration of directors and supervisors	5,400	5,700

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

The compensation and remuneration of directors and supervisors for the year ended 2019 and 2018, which were resolved by the board of directors on March 21, 2020 and March 21, 2019, respectively, are as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	\$ 3,961	\$ 2,760
Remuneration of directors and supervisors	5,700	5,700

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

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property and equipment	\$ 570,147	\$ 582,343
Right-of-use assets	272,520	305,633
Intangible assets	<u>2,201,524</u>	<u>2,197,777</u>
	<u>\$ 3,044,191</u>	<u>\$ 3,085,753</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 842,667</u>	<u>\$ 887,976</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,201,524</u>	<u>\$ 2,197,777</u>

f. Non-operating income and expenses

	For the Year Ended December 31	
	2020	2019
(Loss) gain on disposal of property and equipment	\$ (60,483)	\$ 12,777
Other	<u>1,643,098</u>	<u>1,650,259</u>
	<u>\$ 1,582,615</u>	<u>\$ 1,663,036</u>

32. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$(17,011,804)	\$ (455,344)
Adjustments for prior years	(118,456)	(114,652)
Deferred tax		
In respect of the current year	18,924,110	6,408
Adjustments to deferred tax attributable to changes in tax rates and laws	122	-
Other		
Additional income tax under the Alternative Minimum Tax Act	-	(1,961,280)
Tax effect under integrated income tax systems	-	767,741
Income tax benefit (expense) recognized in profit or loss	<u>\$ 1,793,972</u>	<u>\$ (1,757,127)</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 49,950,622</u>	<u>\$ 39,603,080</u>
Income tax expense calculated at the statutory rate	\$ 9,990,124	\$ 7,920,616
Tax-exempt income	(12,392,293)	(9,025,810)
Nondeductible expenses in determining taxable income	15,879	5,912
Cash dividends	-	966,770
Withholding tax on foreign investments	3,113	3,040
Land value increment tax	930,091	582,375
Corporate income tax in China	524	545
Investment loss	(571)	(4,512)
Additional income tax under the Alternative Minimum Tax Act	-	1,961,280
Tax effect under integrated income tax system	-	(767,741)
Unrecognized loss carryforwards	(326,228)	-
Unrecognized investment credits	(132,945)	-
Adjustments for prior years' tax	<u>118,334</u>	<u>114,652</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (1,793,972)</u>	<u>\$ 1,757,127</u>

Foreign withholding taxes of \$3,836 thousand and \$3,803 thousand were recognized as current tax expense for the years ended December 31, 2020 and 2019, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 35,384	\$ 374,914
Deferred tax		
Derecognition of equity instruments at FVTOCI	(35,384)	(374,914)
Capital surplus	<u>-</u>	<u>(32,121)</u>
Total income tax benefit recognized directly in equity	<u>\$ -</u>	<u>\$ (32,121)</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Gains on hedging instruments	\$ (6,668)	\$ (47,579)
Fair value changes of equity instruments at FVTOCI	222,081	(564,359)
Gains on debt instruments at FVTOCI	(6,566,673)	(17,757,927)
Remeasurement of defined benefit plans	64,986	(86,286)
Shares of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	38,237	(34,652)
Other comprehensive income reclassified using overlay approach	<u>(4,739,916)</u>	<u>(9,692,825)</u>
Total income tax recognized in other comprehensive income	<u><u>\$(10,987,953)</u></u>	<u><u>\$(28,183,628)</u></u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Closing Balance
Temporary differences					
Property and equipment	\$ 288,086	\$ (22,435)	\$ -	\$ -	\$ 265,651
Investment property	(26,342,441)	(2,048,166)	-	-	(28,390,607)
Financial assets at FVTPL	(5,784,686)	(20,200)	-	-	(5,804,886)
Financial assets at FVTPL applying overlay approach	(6,809,229)	-	(6,435,591)	-	(13,244,820)
Equity instruments at FVTOCI	(579,515)	-	182,046	-	(397,469)
Debt instruments at FVTOCI	(11,610,692)	68,080	(6,566,673)	-	(18,109,285)
Financial assets for hedging	(108,966)	18,661	61,560	-	(28,745)
Financial assets measured at amortized cost	(93,898)	7,553	-	-	(86,345)
Financial liabilities at FVTPL	572,859	1,745,678	-	-	2,318,537
Rent leveling	-	86,422	(68,228)	-	18,194
Other payables	(128,645)	(798)	-	-	(129,443)
Defined benefit assets	(1,284,482)	(36,549)	64,986	-	(1,256,045)
					(Continued)

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Closing Balance
Investments accounted for using the equity method	\$ (421,710)	\$ 2,686,176	\$ 38,237	\$ -	\$ 2,302,703
Lease liabilities	1,839,673	(1,717,246)	-	-	122,427
Right-of-use assets	(1,787,384)	1,787,384	-	-	-
Goodwill and franchises	45,436	10,096	-	-	55,532
Unrealized foreign exchange losses (gains)	26,764,513	22,218,209	1,735,710	(35,384)	50,683,048
Allowance for doubtful account	231,716	(17,505)	-	-	214,211
Other	218,843	254,090	-	-	472,933
Unused tax losses	6,095,218	(6,095,218)	-	-	-
Net deferred tax assets (liabilities)	\$ (18,895,304)	\$ 18,924,232	\$ (10,987,953)	\$ (35,384)	\$ (10,994,409)
Deferred tax assets	\$ 36,056,344				\$ 56,453,457
Deferred tax liabilities	\$ 54,951,648				\$ 67,447,866

(Concluded)

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Closing Balance
Temporary differences					
Property and equipment	\$ 298,660	\$ (10,574)	\$ -	\$ -	\$ 288,086
Investment property	(25,386,151)	(956,290)	-	-	(26,342,441)
Financial assets at FVTPL	(1,314,436)	(4,470,250)	-	-	(5,784,686)
Financial assets at FVTPL applying overlay approach	4,408,705	-	(11,217,934)	-	(6,809,229)
Equity instruments at FVTOCI	318,834	-	(544,783)	(353,566)	(579,515)
Debt instruments at FVTOCI	6,176,944	(29,709)	(17,757,927)	-	(11,610,692)
Financial assets for hedging	(43,323)	(18,064)	(47,579)	-	(108,966)
Financial assets measured at amortized cost	(167,189)	73,291	-	-	(93,898)
Financial liabilities at FVTPL	5,480,945	(4,908,086)	-	-	572,859
Financial liabilities for hedging	(132,226)	3,581	-	-	(128,645)
Rent leveling	(1,137,018)	(61,178)	(86,286)	-	(1,284,482)
Other payables	(296,576)	(58,361)	(34,652)	(32,121)	(421,710)
Defined benefit assets	-	1,839,673	-	-	1,839,673
Investments accounted for using the equity method	-	(1,787,384)	-	-	(1,787,384)
Goodwill and franchises	35,339	10,097	-	-	45,436
Unrealized foreign exchange losses (gains)	14,663,933	10,616,395	1,505,533	(21,348)	26,764,513
Allowance for doubtful account	297,447	(65,731)	-	-	231,716
Other	457,155	(238,312)	-	-	218,843
Unused tax losses	6,027,908	67,310	-	-	6,095,218
Net deferred tax assets (liabilities)	\$ 9,688,951	\$ 6,408	\$ (28,183,628)	\$ (407,035)	\$ (18,895,304)
Deferred tax assets	\$ 38,165,870				\$ 36,056,344
Deferred tax liabilities	\$ 28,476,919				\$ 54,951,648

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheet.

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2023	\$ -	\$ 1,908,009
Investment credits		
Promotion of private participation in infrastructure projects	\$ -	\$ 124,952
Biotech and new pharmaceuticals industry	-	7,975
Research and development expenses	-	1,156
	\$ -	\$ 134,083

The unrecognized investment credit will expire in 2020 to 2022.

- f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$2,298,804 thousand and \$1,930,898 thousand, respectively.

- g. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities.

33. TRANSACTIONS WITH RELATED PARTIES

- a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent company
Cathay Securities Investment Consulting	Subsidiary
Cathay Lujiazui Life Insurance Co., Ltd.	Subsidiary
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Conning Holdings Limited	Subsidiary
Global Evolution Holding ApS	Subsidiary (subsidiary's associate before June 2020)
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Greenhealth Water Resources Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)

(Continued)

Related Party Name	Related Party Category
CM Energy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Subsidiary of associate
ThinkPower Information Co., Ltd.	Subsidiary of associate
Yua-Yung Marketing (Taiwan) Co., Ltd.	Subsidiary of associate
Hong-Sui Co., Ltd.	Subsidiary of associate
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Cathay Securities Corporation	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiaries
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Other related party
Private Equity Fund managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holdings ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
Ally Logistic Property Co., Ltd.	Other related party (subsidiary of associate before January 2020)
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cymlin Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party
Hsin Chung Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship)	Other related party

(Concluded)

b. Significant transactions with related parties:

1) Property transactions

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

a) Significant transactions of undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2020		2019	
	Items	Amount	Items	Amount
Subsidiary of associate				
Lin Yuan Property Management Co., Ltd.	Taipei International Building, etc.	\$ 6,645	-	\$ -
Ally Logistic Property Co., Ltd.	-	-	Yangmei Logistics Park, etc.	830,027
		6,645		830,027
Other related party				
Lin Yuan Property Management Co., Ltd.	-	-	Cathay Life Head Office Building, etc.	13,602
Ally Logistic Property Co., Ltd.	Yangmei Logistics Park, etc.	1,142,914	-	-
San Ching Engineering Co., Ltd.	THSR Taoyuan Commercial Park, etc.	1,051,289	THSR Taoyuan Commercial Park, etc.	2,204,548
Cathay Real Estate Development Co., Ltd.	-	-	Minsheng Jingguo building, etc.	306,419
		2,194,203		2,524,569
		<u>\$ 2,200,848</u>		<u>\$ 3,354,596</u>

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Company and Ally Logistic Property Co., Ltd. were \$2,569,290 thousand and \$1,130,238 thousand, respectively.

As of December 31, 2020 and 2019, the total amounts of contracted projects for real estate between the Company and San Ching Engineering Co., Ltd. were \$7,393,657 thousand and \$4,196,448 thousand, respectively.

b) Real-estate rental income

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 123,238	\$ 100,535
Subsidiary		
Cathay Securities Investment Consulting Co., Ltd.	9,728	9,245
Associate and its subsidiary		
Symphox Information Co., Ltd.	38,409	49,833
Hong-Sui Co., Ltd.	27,339	12,494
Yua-Yung Marketing (Taiwan) Co., Ltd.	22,003	15,002
Lin Yuan Property Management Co., Ltd.	19,411	-
Ally Logistic Property Co., Ltd.	-	588,833
	107,162	666,162
Fellow subsidiaries and its subsidiary		
Cathay United Bank Co., Ltd.	726,237	651,615
Cathay Century Insurance Co., Ltd.	109,922	107,625
Cathay Securities Investment Trust Co., Ltd.	52,898	48,933
Cathay Securities Corporation	48,817	42,776
Cathay Futures Co., Ltd.	7,423	7,029
Cathay Venture Inc.	5,575	4,931
	950,872	862,909

(Continued)

Name	For the Year Ended December 31	
	2020	2019
Other related party		
Ally Logistic Property Co., Ltd.	\$ 752,523	\$ -
Cathay Medical Care Corp.	191,271	186,848
Cathay Hospitality Management Co., Ltd.	179,016	193,976
Cathay Hospitality Consulting Co., Ltd.	119,033	98,896
Cathay Healthcare Management Co., Ltd.	69,896	68,812
Cathay Real Estate Development Co., Ltd.	19,008	18,097
Retail Forest Co., Ltd.	8,621	-
San Chin Engineering Co., Ltd.	5,908	5,658
Cathay United Bank Foundation	5,249	-
Hsin Chung Co., Ltd.	3,226	-
Liang-Ting Co., Ltd.	3,124	3,088
Lin Yuan Property Management Co., Ltd.	-	5,648
	<u>1,356,875</u>	<u>581,023</u>
	<u>\$ 2,547,875</u>	<u>\$ 2,219,874</u> (Concluded)
Guarantee Deposits Received		
Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 29,781	\$ 30,071
Associate and its subsidiary		
Symphox Information Co., Ltd.	8,000	13,070
Hong-Sui Co., Ltd.	5,145	4,645
Yua-Yung Marketing (Taiwan) Co., Ltd.	3,487	3,553
Ally Logistic Property Co., Ltd.	-	123,085
	<u>16,632</u>	<u>144,353</u>
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	186,446	188,158
Cathay Century Insurance Co., Ltd.	26,580	26,580
Cathay Securities Investment Trust Co., Ltd.	11,873	10,991
Cathay Securities Corporation	11,750	10,858
	<u>236,649</u>	<u>236,587</u>
Other related party		
Cathay Hospitality Management Co., Ltd.	186,584	184,944
Cathay Hospitality Consulting Co., Ltd.	180,473	108,145
Ally Logistic Property Co., Ltd.	142,869	-
Cathay Healthcare Management Co., Ltd.	20,384	16,505
Cathay Medical Care Corp.	11,435	11,393
Retail Forest Co., Ltd.	5,745	-
Cathay Real Estate Development Co., Ltd.	4,090	3,959
Cymlin Co., Ltd.	4,081	-
	<u>555,661</u>	<u>324,946</u>
	<u>\$ 838,723</u>	<u>\$ 735,957</u>

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

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	\$ 58,426	\$ 18,400
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>21,585</u>	<u>-</u>
	<u>\$ 80,011</u>	<u>\$ 18,400</u>

Name	Lease Liabilities	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	\$ 42,437	\$ 30,983
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>16,478</u>	<u>847</u>
	<u>\$ 58,915</u>	<u>\$ 31,830</u>

Name	Lease Expense	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	<u>\$ 704</u>	<u>\$ 8,913</u>

Name	Guarantee Deposits Paid	
	December 31	
	2020	2019
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	<u>\$ 12,019</u>	<u>\$ 12,019</u>

d) Acquisition of equipment

Computer equipment and software

Name	For the Year Ended December 31	
	2020	2019
Subsidiary of associate		
ThinkPower Information Co., Ltd	<u>\$ 4,625</u>	<u>\$ 11,349</u>

2) Shares transactions

a) Capital increase by the Company

Name	Items	For the Year Ended December 31	
		2020	2019
Parent company Cathay Financial Holdings	Ordinary shares	\$ -	\$ 10,000,000

b) Acquisition of shares issued by the related parties

Name	Items	For the Year Ended December 31	
		2020	2019
Subsidiary Cathay Securities Investment Consulting Co., Ltd.	Ordinary shares	\$ 230,000	\$ -
Associate TaiYang Solar Power Co., Ltd.	Ordinary shares	118,150	-
Lin Yuan Property Management Co., Ltd.	Ordinary shares	50,649	-
PSS Co., Ltd.	Ordinary shares	51,386	-
CM Energy Co., Ltd.	Ordinary shares	45,000	-
Greenhealth Water Resources Co., Ltd.	Ordinary shares	-	470,916
		265,185	470,916
Fellow subsidiary Cathay Venture Inc.	Ordinary shares	-	1,567,574
		\$ 495,185	\$ 2,038,490

c) Balance of shares issued by the related parties

Name	Items	December 31	
		2020	2019
Other related party Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,436,792	\$ 1,381,665

See Note 11, Table 1 and Table 5 for investments in subsidiaries and associates.

3) Cash in banks

Name	Nature of Transaction	December 31	
		2020	2019
Fellow subsidiaries Cathay United Bank Co., Ltd.	Demand deposit	\$ 22,885,777	\$ 23,677,155
	Check deposit	349,239	240,154
	Security deposit	6	6
		\$ 23,235,022	\$ 23,917,315

For the years ended December 31, 2020 and 2019, interest income from Cathay United Bank Co., Ltd. were \$14,426 thousand and \$39,874 thousand, respectively.

4) Loans

Name	For the Year Ended December 31, 2020		
	Maximum Balance	Rate	Ending Balance
Subsidiaries			
Cathay Walbrook Holding 1 Limited	\$ 13,015,179	2.93%-3.73%	\$ 12,757,610
Cathay Walbrook Holding 2 Limited	685,009	2.93%-3.73%	<u>671,453</u>
			13,429,063
Other related party			
Others	873,711	0.75%-3.17%	<u>801,894</u>
			<u>\$ 14,230,957</u>

Name	For the Year Ended December 31, 2019		
	Maximum Balance	Rate	Ending Balance
Subsidiaries			
Cathay Walbrook Holding 1 Limited	\$ 13,372,187	3.72%-3.84%	\$ 12,963,581
Cathay Walbrook Holding 2 Limited	703,799	3.72%-3.84%	<u>682,294</u>
			13,645,875
Other related party			
Others	1,042,084	1.03%-3.44%	<u>971,199</u>
			<u>\$ 14,617,074</u>

For the years ended December 31, 2020 and 2019, interest income from Cathay Walbrook Holding 1 Limited were \$405,931 thousand and \$486,524 thousand, respectively.

For the years ended December 31, 2020 and 2019, interest income from Cathay Walbrook Holding 2 Limited were \$21,365 thousand and \$25,607 thousand, respectively.

For the years ended December 31, 2020 and 2019 interest income from other related parties were \$10,951 thousand and \$14,904 thousand, respectively.

5) Balance of bonds managed by related parties

Name	Guarantee Deposits Paid	
	December 31	
	2020	2019
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,006,641</u>	<u>\$ 5,334,030</u>

6) Balance of funds managed by related parties

Name	Items	December 31	
		2020	2019
Other related party			
Funds managed by	Market value	\$ 870,939	\$ 670,292
Octagon Credit	Cost	\$ 894,337	\$ 679,795
Investors, LLC			
Funds managed by	Market value	\$ 2,864,685	\$ 2,874,903
Global Evolution	Cost	\$ 2,606,653	\$ 2,642,230
Holding ApS			
Cathay Securities	Market value	\$ 68,737,375	\$ 61,234,575
Investment Trust Co., Ltd.'s	Cost	\$ 65,853,768	\$ 59,796,572
Fund			
Private Equity Fund	Market value	\$ 1,034,236	\$ 490,168
managed by Cathay Private	Cost	\$ 989,445	\$ 494,150
Equity			

7) Discretionary account management balance

Name	December 31	
	2020	2019
Subsidiary		
Conning Holdings Limited	\$1,136,115,298	\$1,131,901,998
Global Evolution Holding ApS	21,235,680	-
Subsidiary's associate		
Global Evolution Holding ApS	-	22,215,022
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	312,835,430	213,072,442
	<u>\$1,470,186,408</u>	<u>\$1,367,189,462</u>

8) Other receivables

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings (Note)	\$ -	\$ 10,147,500
Subsidiary		
Cathay Walbrook Holding 1 Limited	12,278	15,883
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	58,764	67,834
Cathay Securities Investment Trust Co., Ltd.	18,809	21,929
	<u>77,573</u>	<u>89,763</u>
	<u>\$ 89,851</u>	<u>\$ 10,253,146</u>

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

9) Guarantee deposits paid (deposits for future transactions)

Name	December 31	
	2020	2019
Fellow subsidiaries		
Cathay Futures Co., Ltd.	<u>\$ 1,897,019</u>	<u>\$ 3,078,757</u>

10) Guarantee deposits received

Name	December 31	
	2020	2019
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ -
Ally Logistic Property Co., Ltd.	<u>-</u>	<u>151,275</u>
	<u>5,000</u>	<u>151,275</u>
Other related party		
San Ching Engineering Co., Ltd.	979,284	453,225
Ally Logistic Property Co., Ltd.	293,285	-
Cathay Hospitality Management Co., Ltd.	-	51,000
Lin Yuan Property Management Co., Ltd.	<u>-</u>	<u>5,000</u>
	<u>1,272,569</u>	<u>509,225</u>
	<u>\$ 1,277,569</u>	<u>\$ 660,500</u>

11) Other payables

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings (Note)	<u>\$ 6,206,423</u>	<u>\$ 65,589</u>
Subsidiary		
Conning Holdings Limited	<u>318,750</u>	<u>317,571</u>
Associate		
Symphox Information Co., Ltd.	<u>2,961</u>	<u>4,871</u>
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	350,640	43,208
Cathay Securities Investment Trust Co., Ltd.	<u>17,273</u>	<u>13,146</u>
	<u>367,913</u>	<u>56,354</u>
	<u>\$ 6,896,047</u>	<u>\$ 444,385</u>

Note: The payables were remuneration of directors and supervisors, accrued interests of bonds payable, and tax payables calculated from integrated income tax systems.

12) Bonds payable

Name	December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

13) Premium income

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	\$ 6,393	\$ 5,090
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	123,336	67,136
Cathay Century Insurance Co., Ltd.	24,567	20,185
Cathay Securities Corporation	11,454	8,648
Cathay Securities Investment Trust Co., Ltd.	4,583	4,007
	<u>163,940</u>	<u>99,976</u>
Subsidiary of associate		
Lin Yuan Property Management Co., Ltd.	3,098	-
Other related party		
Cathay Medical Care Corp.	50,858	45,671
Cathay Real Estate Development Co., Ltd.	3,332	3,491
San Ching Engineering Co., Ltd.	3,089	2,889
Lin Yuan Property Management Co., Ltd.	-	3,142
Other	447,657	369,504
	<u>504,936</u>	<u>424,697</u>
	<u>\$ 678,367</u>	<u>\$ 529,763</u>

14) Fee income

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Securities Investment Trust Co., Ltd.	\$ 62,835	\$ 65,352

15) Insurance expenses

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	\$ 115,639	\$ 105,568

16) Indemnity income

Name	For the Year Ended December 31	
	2020	2019
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	\$ 7,902	\$ 12,721

17) Other operating costs

Name	For the Year Ended December 31	
	2020	2019
Subsidiary		
Conning Holdings Limited	\$ 1,245,469	\$ 844,655
Global Evolution Holding ApS	41,003	-
	<u>1,286,472</u>	<u>844,655</u>
Subsidiary's associate		
Global Evolution Holding ApS	<u>14,163</u>	<u>5,219</u>
Fellow subsidiaries		
Cathay United Bank Co., Ltd.	1,070,664	1,163,173
Cathay Securities Investment Trust Co., Ltd.	288,106	182,830
	<u>1,358,770</u>	<u>1,346,003</u>
	<u>\$ 2,659,405</u>	<u>\$ 2,195,877</u>

18) Finance costs

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>

The finance costs were interest expenses of bond payable issued by the Company.

19) Operating expenses

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	<u>\$ 5,630</u>	<u>\$ -</u>
Associate		
Conning Holdings Limited	<u>5,847</u>	<u>5,759</u>
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	798,050	-
Symphox Information Co., Ltd.	200,032	238,252
Seaward Card Co., Ltd.	69,173	75,246
ThinkPower Information Co., Ltd.	8,920	8,315
	<u>1,076,175</u>	<u>321,813</u>
Fellow subsidiaries and subsidiary of fellow subsidiaries		
Cathay United Bank Co., Ltd.	5,483,924	6,178,311
Cathay Securities (Hong Kong) Limited	5,993	6,236
Cathay Futures Co., Ltd.	3,712	6,849
Cathay Venture Inc.	-	11,765
	<u>5,493,629</u>	<u>6,203,161</u>

(Continued)

Name	For the Year Ended December 31	
	2020	2019
Other related party		
Cathay Healthcare Management Co., Ltd.	\$ 19,086	\$ 41,181
San Ching Engineering Co., Ltd.	3,900	3,950
Cathay Real Estate Development Co., Ltd.	3,861	3,857
Lin Yuan Property Management Co., Ltd.	-	767,009
Cathay Charity Foundation	-	5,300
Cathay Medical Care Corp.	<u>2,573</u>	<u>5,071</u>
	<u>29,420</u>	<u>826,368</u>
	<u>\$ 6,610,701</u>	<u>\$ 7,357,101</u>
		(Concluded)

20) Non-operating income

Name	For the Year Ended December 31	
	2020	2019
Parent company		
Cathay Financial Holdings	<u>\$ 9,756</u>	<u>\$ 8,557</u>
Associate		
Symphox Information Co., Ltd.	<u>2,834</u>	<u>3,358</u>
Fellow subsidiaries		
Cathay Century Insurance Co., Ltd.	671,489	677,314
Cathay United Bank Co., Ltd.	185,220	168,589
Cathay Securities Corporation	44,614	41,281
Cathay Securities Investment Trust Co., Ltd.	<u>23,475</u>	<u>22,707</u>
	<u>924,798</u>	<u>909,891</u>
Other related party		
Cathay Healthcare Management Co., Ltd.	5,537	5,554
Cathay Medical Care Corp.	3,719	3,719
Hsin Chung Co., Ltd.	<u>3,072</u>	<u>-</u>
	<u>12,328</u>	<u>9,273</u>
	<u>\$ 949,716</u>	<u>\$ 931,079</u>

The non-operating income was mainly generated from the Company's integrated promotion activities.

21) Other

As of December 31, 2020 and 2019, the nominal amounts of the financial instruments transactions with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of USD):

Name	December 31	
	2020	2019
SWAP	<u>US\$3,498,000</u>	<u>US\$2,615,000</u>

c. Key management personnel compensation

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 176,759	\$ 167,074
Post-employment benefits	<u>2,494</u>	<u>2,413</u>
	<u>\$ 179,253</u>	<u>\$ 169,487</u>

The key management includes chairman, directors, president, senior executive vice president and senior vice general managers.

34. SEPARATE ACCOUNT INSURANCE PRODUCTS

The related accounts were summarized as follows:

	December 31	
	2020	2019
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 447,744	\$ 518,576
Financial assets at FVTPL	632,843,466	600,237,158
Other receivables	<u>8,264,484</u>	<u>6,668,998</u>
	<u>\$641,555,694</u>	<u>\$607,424,732</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 701,555	\$ 467,361
Reserve for separate account - insurance contracts	277,388,301	244,601,804
Reserve for separate account - investment contracts	<u>363,465,838</u>	<u>362,355,567</u>
	<u>\$641,555,694</u>	<u>\$607,424,732</u>
	For the Year Ended December 31	
	2020	2019
<u>Separate account insurance product income</u>		
Premium income	\$ 61,477,595	\$ 34,766,303
Interest income	1,558	1,593
Gains from financial assets at FVTPL	22,709,729	33,575,852
Foreign exchange losses	<u>(10,823,926)</u>	<u>(4,712,309)</u>
	<u>\$ 73,364,956</u>	<u>\$ 63,631,439</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 8,933,740	\$ 9,064,676
Cash surrender value	26,526,902	26,020,768
Reserve of separate account reserve	34,035,776	24,989,146
Administrative expenses	4,007,503	3,696,556
Non-operating income and expenses	<u>(138,965)</u>	<u>(139,707)</u>
	<u>\$ 73,364,956</u>	<u>\$ 63,631,439</u>

For the years ended December 31, 2020 and 2019, the rebates earned from counterparties due to the business of separate account insurance products were \$815,077 thousand and \$913,947 thousand, respectively, which were recorded under fee income.

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

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

36. PLEDGED ASSETS

The Company provided cash, time deposits and government bonds with legal courts in as guarantee of renting real estate and litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

	December 31	
	2020	2019
Guarantee deposits paid - government bonds	\$ 10,553,220	\$ 10,315,438
Guarantee deposits paid - time deposits	458,667	458,667
Guarantee deposits paid - others	30,754	39,996
	<u>\$ 11,042,641</u>	<u>\$ 10,814,101</u>

37. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.
- b. As of December 31, 2020, the remaining capital commitments for the contracted private equity fund of the Company were NT\$1,003,600 thousand, US\$3,606,989 thousand, EUR467,845 thousand and GBP1,555 thousand.

38. FINANCIAL INSTRUMENTS

- a. The methods and assumptions applied in determining the fair value

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

- 1) The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their

fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

- 3) Fair value of equity instruments without an active market (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and P/B ratio of similar entities).
 - 4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).
 - 5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
 - 6) The Company evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Company will not default, the Company determine their credit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Company calculates their debit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the Company. The Company decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Company sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.
- b. Financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

December 31, 2020

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at amortized cost (Note)	\$ 2,658,755,276	\$ 107,308,473	\$ 2,945,536,349	\$ -	\$ 3,052,844,822

December 31, 2019

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at amortized cost (Note)	\$ 2,623,145,852	\$ 92,827,691	\$ 2,724,567,377	\$ -	\$ 2,817,395,068

Note: Guarantee deposits paid in bonds are included.

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

c. Fair value of financial instruments that are measured at fair value - recurring measurements

1) Fair value hierarchy

Items	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>								
Assets								
Financial assets at FVTPL								
Stocks	\$ 513,672,910	\$ 489,053,961	\$ 20,099,118	\$ 4,519,831	\$ 477,541,376	\$ 430,216,271	\$ 42,710,567	\$ 4,614,538
Bonds	108,014,659	-	108,014,659	-	205,253,580	-	205,253,580	-
Other	681,892,517	533,679,632	28,497,420	119,715,465	569,180,607	460,308,200	14,751,568	94,120,839
Financial assets at FVTOCI								
Stocks	99,419,285	94,681,296	-	4,737,989	35,625,095	30,305,530	-	5,319,565
Bonds (Note)	1,124,423,298	62,139,588	1,062,283,710	-	819,825,254	42,244,016	777,581,238	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	28,053,503	24,109	28,029,394	-	28,259,690	49,353	28,210,337	-
Financial assets for hedging	146,959	-	146,959	-	548,075	-	548,075	-
Liabilities								
Financial liabilities at FVTPL	11,687,067	-	11,687,067	-	2,974,334	18,016	2,956,318	-
Financial liabilities for hedging	90,971	-	90,971	-	-	-	-	-

Note: Guarantee deposits paid in bonds are included.

Transfers between Level 1 and Level 2:

For the year ended December 31, 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Year Ended December 31, 2020	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$ 98,735,377	\$ 5,319,565
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	8,249,818	-
Gains on reclassification using overlay approach	(1,991,773)	-
Recognized in other comprehensive income		
Other comprehensive loss reclassified using overlay approach	1,991,773	-
Gains on equity instruments at fair value of FVTOCI	-	(620,874)
Purchases	33,632,920	81,700
Disposals	(15,527,972)	(32,520)
Transfers out of Level 3	<u>(854,847)</u>	<u>(9,882)</u>
Ending balance	<u>\$124,235,296</u>	<u>\$ 4,737,989</u>

	For the Year Ended December 31, 2019	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$ 81,971,144	\$ 4,072,435
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	4,289,678	-
Loss on reclassification using overlay approach	23,374	-
Recognized in other comprehensive income		
Other comprehensive income reclassified using overlay approach	(23,374)	-
Losses on equity instruments at fair value of FVTOCI	-	1,036,183
Purchases	27,448,006	258,400
Disposals	(14,950,302)	(47,453)
Transfers out of Level 3	<u>(23,149)</u>	<u>-</u>
Ending balance	<u>\$ 98,735,377</u>	<u>\$ 5,319,565</u>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2020 and 2019, unrealized losses of \$425,289 thousand and unrealized losses of \$1,005,019 thousand were related to financial assets held at the end of the first half year, respectively.

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

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

December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2019				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	23%-39%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-265%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	0%-140%	The higher the dividend payout ratio, the higher the fair value estimates

4) Valuation process for Level 3 fair value measurement

The Company's risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Company's accounting policies.

d. Categories of financial instruments

Items	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL	\$1,331,633,589	\$1,280,235,253
Financial assets at FVTOCI	1,222,680,832	854,336,862
Measured at amortized cost		
Cash and cash equivalents (Note)	503,778,151	392,084,068
Receivables	64,212,928	67,883,655
Financial assets measured at amortized cost	2,649,363,807	2,613,943,901
Other financial assets		
Loans	491,769,348	526,098,622
Guarantee deposits paid	21,345,029	20,464,703
Financial assets for hedging	146,959	548,075
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	11,687,067	2,974,334
Financial liabilities at amortized cost		
Payables (Note 2)	18,381,478	25,554,039
Bonds payable	80,000,000	80,000,000
Lease liabilities	9,279,631	9,198,368
Guarantee deposits received	14,148,541	13,230,265
Financial liabilities for hedging	90,971	-

Note 1: Cash on hand was excluded.

Note 2: Income tax refund receivable and payable were excluded.

e. Financial risk management objectives and policies

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

1) Sources of market risk

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

The Company assesses, monitors, and manages market risks completely and effectively by applying Value at Risk ("VaR") and stress testing consistently.

a) Value at Risk

VaR is the maximum loss on the portfolio at a given confidence level and over a given period. Currently, the Company adopts one-week VaR at 95% and 99% confidence level to measure market risk.

b) Stress testing

The Company evaluates the potential risks occurred in extreme and abnormal events regularly in addition to VaR models.

The Company performs stress testing on positions regularly by applying simple sensitivity test and scenario analysis. Such tests cover the losses on positions resulted from a change in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

Scenario analysis is to measure the changes in the total value of investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

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

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

Table of Stress Testing

Risk Factors	Changes (+/-)	For the Year Ended December 31	
		2020	2019
Equity risk (stock price index)	-10%	\$(57,825,161)	\$(48,324,062)
Interest rate risk (yield curve)	+100bps	(148,426,208)	(107,250,216)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(9,747,740)	(11,428,906)

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

c) Sensitivity analysis

Summary of Sensitivity Analysis

For the Year Ended December 31, 2020			
Risk Factors	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	\$ 5,000,932	\$ 4,844,285
	CNY (CNH)/USD appreciates 1%	1,192,325	316,591
	HKD/USD appreciates 1%	(388)	247,411
	EUR/USD appreciates 1%	(2,740)	210,729
	GBP/USD appreciates 1%	(149)	291,831
Interest rate risk	Yield curve (USD) parallel shifts up 1 bp	74	(1,245,536)
	Yield curve (CNY) parallel shifts up 1 bp	-	(47,559)
	Yield curve (EUR) parallel shifts up 1 bp	2,453	(7,561)
	Yield curve (GBP) parallel shifts up 1 bp	-	(3,708)
	Yield curve (NTD) parallel shifts up 1 bp	-	(337,406)
	Equity price increases 1%	(105,682)	5,916,482
For the Year Ended December 31, 2019			
Risk Factors	Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	\$ 6,971,123	\$ 4,572,072
	CNY (CNH)/USD appreciates 1%	1,273,520	377,983
	HKD/USD appreciates 1%	(1,447)	350,916
	EUR/USD appreciates 1%	410,075	163,587
	GBP/USD appreciates 1%	78,732	296,052
Interest rate risk	Yield curve (USD) parallel shifts up 1 bp	(111)	(846,435)
	Yield curve (CNY) parallel shifts up 1 bp	-	(14,547)
	Yield curve (EUR) parallel shifts up 1 bp	-	(14,281)
	Yield curve (GBP) parallel shifts up 1 bp	-	(9,463)
	Yield curve (NTD) parallel shifts up 1 bp	147	(74,278)
	Equity price increases 1%	(70,248)	4,933,391

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

Note 4: Provision or reversal of reserve for foreign exchange valuation changes was not considered in profit or loss due to foreign currency risk.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, the Company is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- i. Issuer credit risk is the risk that the Company may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations an agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that the Company may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that the Company may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration of credit risk

- i. Regional distribution of maximum risk exposure for the Company's financial assets:

December 31, 2020						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 390,017,117	\$ 11,072,417	\$ 173,264	\$ 83,058,513	\$ 19,456,840	\$ 503,778,151
Financial assets at FVTPL	55,583,687	22,875,926	49,567,018	28,446,882	27,752,478	184,225,991
Financial assets at FVTOCI	44,744,477	45,223,287	163,314,323	489,450,958	380,528,502	1,123,261,547
Financial assets for hedging	74,724	-	-	72,235	-	146,959
Financial assets measured at amortized cost	<u>152,627,614</u>	<u>180,749,168</u>	<u>427,807,550</u>	<u>1,224,717,193</u>	<u>663,462,282</u>	<u>2,649,363,807</u>
	<u>\$ 643,047,619</u>	<u>\$ 259,920,798</u>	<u>\$ 640,862,155</u>	<u>\$ 1,825,745,781</u>	<u>\$ 1,091,200,102</u>	<u>\$ 4,460,776,455</u>
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

December 31, 2019						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 261,553,382	\$ 27,832,083	\$ 185,653	\$ 86,397,047	\$ 16,115,903	\$ 392,084,068
Financial assets at FVTPL	43,409,974	31,448,394	113,252,004	46,690,879	56,395,527	291,196,778
Financial assets at FVTOCI	39,964,295	37,498,812	166,000,546	353,996,509	221,251,605	818,711,767
Financial assets for hedging	87,793	-	362,869	97,413	-	548,075
Financial assets measured at amortized cost	<u>175,262,332</u>	<u>173,472,898</u>	<u>434,046,724</u>	<u>1,167,292,440</u>	<u>663,869,507</u>	<u>2,613,943,901</u>
	<u>\$ 520,277,776</u>	<u>\$ 270,252,187</u>	<u>\$ 713,847,796</u>	<u>\$ 1,654,474,288</u>	<u>\$ 957,632,542</u>	<u>\$ 4,116,484,589</u>
Proportion	12.6%	6.6%	17.3%	40.2%	23.3%	100%

- ii. Regional distribution of maximum risk exposure for the Company's secured loans:

December 31, 2020					
Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 210,393,088	\$ 41,501,050	\$ 59,563,296	\$ 2,697,023	\$ 314,154,457
Non-accrual receivables	<u>163,381</u>	<u>30,890</u>	<u>47,059</u>	<u>1,800,141</u>	<u>2,041,471</u>
	<u>\$ 210,556,469</u>	<u>\$ 41,531,940</u>	<u>\$ 59,610,355</u>	<u>\$ 4,497,164</u>	<u>\$ 316,195,928</u>
Proportion	66.6%	13.1%	18.9%	1.4%	100%

Location of Collaterals	December 31, 2019				
	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 234,560,225	\$ 40,573,607	\$ 63,399,966	\$ 6,598,385	\$ 345,132,183
Non-accrual receivables	453,880	78,936	124,981	-	657,797
	<u>\$ 235,014,105</u>	<u>\$ 40,652,543</u>	<u>\$ 63,524,947</u>	<u>\$ 6,598,385</u>	<u>\$ 345,789,980</u>
Proportion	68%	11.8%	18.4%	1.8%	100%

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment will be kept and maintained
- ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform the commitment depends on the favorability of its business environment and financial conditions.
- iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

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

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i) Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii) Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - The collaterals of the borrowers are provisionally seized or enforced.
 - The borrowers claim for a change of credit conditions due to financial difficulties.
- iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

- i) The methodology and assumption applied

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

Expected credit loss in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers for both periods are multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

	December 31, 2020					
	Stage 1		Stage 3			
	12-month	Stage 2		Purchased or		
	Expected Credit	Lifetime Expected	Lifetime Expected	Credit-impaired	Loss Allowance	Gross Carrying
	Losses	Credit Losses	Credit Losses	Financial Assets		Amount
Investment grade						
Debt instruments at FVTOCI	\$ 1,119,207,518	\$ -	\$ -	\$ -	\$ -	\$ 1,119,207,518
Financial assets measured at amortized cost	2,635,142,149	-	-	-	(1,726,558)	2,633,415,591
Non-investment grade						
Debt instruments at FVTOCI	3,995,777	58,252	-	-	-	4,054,029
Financial assets measured at amortized cost	13,064,695	3,730,378	-	-	(846,857)	15,948,216

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

ii) Secured loans and overdue receivables of the Company

December 31, 2020							
Secured loans and non-accrual receivable	Stage 1		Stage 3		Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
		Lifetime Expected Credit Losses					
	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ (4,093,427)	\$ 311,462,212
December 31, 2019							
Secured loans and non-accrual receivable	Stage 1		Stage 3		Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses	Stage 2	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets			
		Lifetime Expected Credit Losses					
	\$ 337,652,839	\$ 141,286	\$ 7,995,855	\$ -	\$ (1,232,047)	\$ (3,593,929)	\$ 340,964,004

viii. Reconciliation for loss allowance is summarized below:

i) Debt instrument investments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Accrued in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(1,821)	1,821	-	-	-
New financial assets originated or purchased	430,775	-	-	-	430,775
Financial assets that have been derecognized during the year	(263,331)	(334,637)	-	-	(597,968)
Changes in models/risk parameters	217,772	332,427	-	-	550,199
Foreign exchange and other movements	<u>(30,389)</u>	<u>(6,214)</u>	<u>-</u>	<u>-</u>	<u>(36,603)</u>
December 31, 2020	<u>\$ 690,084</u>	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,147</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Accrued in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2019	\$ 468,280	\$ 17,049	\$ 12,339	\$ -	\$ 497,668
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(3,441)	3,441	-	-	-
New financial assets originated or purchased	148,212	-	7	-	148,219
Financial assets that have been derecognized during the period	(271,945)	(86,404)	(12,462)	-	(370,811)
Changes in models/risk parameters	2,062	75,028	-	-	77,090
Foreign exchange and other movements	<u>(6,090)</u>	<u>552</u>	<u>116</u>	<u>-</u>	<u>(5,422)</u>
December 31, 2019	<u>\$ 337,078</u>	<u>\$ 9,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,744</u>

ii) Financial assets measured at amortized cost

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2010	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(8,617)	8,617	-	-	-
New financial assets originated or purchased	385,394	-	-	-	385,394
Financial assets that have been derecognized during the year	(337,526)	(990,101)	-	-	(1,327,627)
Changes in models/risk parameters	774,325	1,680,246	-	-	2,454,571
Foreign exchange and other movements	(81,441)	(54,503)	-	-	(135,944)
December 31, 2020	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Asset	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	\$ 904,430	\$ 705,622	\$ 710,444	\$ -	\$ 2,320,496
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(2,069)	2,069	-	-	-
New financial assets originated or purchased	471,829	-	-	-	471,829
Financial assets that have been derecognized during the period	(363,639)	(533,832)	(658,551)	-	(1,556,022)
Changes in models/risk parameters	55,156	(18,543)	-	-	36,613
Foreign exchange and other movements	(22,670)	(1,332)	(51,893)	-	(75,895)
December 31, 2019	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021

iii) Other financial assets

	Lifetime Expected Credit Losses				Total of Impairment Accrued in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2019	\$ 594	\$ -	\$ -	\$ -	\$ 594
Financial assets that have been derecognized during the year	(667)	-	-	-	(667)
Foreign exchange and other movements	73	-	-	-	73
December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

iv) Secured loans and non-accrual receivable

	Lifetime Expected Credit Losses				Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transfer to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transfer to 12-month expected credit losses	607	(86)	(521)	-	-	-	-
New financial assets originated or purchased	59,347	-	10,691	-	70,038	-	70,038
Financial assets that have been derecognized during the year	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	499,498	499,498
Changes in models/risk parameters	(69,377)	8	(254,932)	-	(324,301)	-	(324,301)
December 31, 2020	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716

	Lifetime Expected Credit Losses				Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2019	\$ 90,567	\$ 201	\$ 591,486	\$ -	\$ 682,254	\$ 5,126,352	\$ 5,808,606
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(18)	894	(876)	-	-	-	-
Transfer to credit-impaired financial assets	(4,613)	(76)	4,689	-	-	-	-
Transfer to 12-month expected credit losses	1,397	(74)	(1,323)	-	-	-	-
New financial assets originated or purchased	3,918	-	11,254	-	15,172	-	15,172
Financial assets that have been derecognized during the period	(13,573)	(33)	(229,458)	-	(243,064)	-	(243,064)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(1,532,423)	(1,532,423)
Changes in models/risk parameters	7,131	(613)	771,167	-	777,685	-	777,685
December 31, 2019	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976

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

ix. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Company's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under simplified approach. Loss allowance measured by a provision matrix under simplified approach was as follows:

	Recognition				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2020</u>					
Gross carrying amounts (Note)	\$ 16,155,217	\$ 57,342	\$ 4,641	\$ -	\$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

Note: Notes receivable of \$81,757 thousand and other receivables of \$16,135,443 thousand were included.

	Recognition				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2019</u>					
Gross carrying amounts (Note)	\$ 14,553,629	\$ 74,573	\$ 495	\$ -	\$ 14,628,697
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,491	50	-	1,541

Note: Notes receivable of \$80,968 thousand and other receivables of \$14,547,729 thousand were included.

The reconciliation of loss allowance was as follows:

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 1,541	\$ 2,346
Provision (reversal) for the year	<u>70</u>	<u>(805)</u>
Ending balance	<u>\$ 1,611</u>	<u>\$ 1,541</u>

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	December 31, 2020				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 18,315,889	\$ 65,589	\$ -	\$ -	\$ -
Bonds payables (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	191,117	338,858	473,853	1,047,496	17,489,690
<u>Derivative financial liabilities</u>					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971
	December 31, 2019				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 25,488,450	\$ 65,589	\$ -	\$ -	\$ -
Bonds payables (Note 2)	561,650	1,194,411	2,715,000	8,145,000	87,485,000
Lease liabilities (Note 3)	161,576	230,196	402,714	1,073,974	17,812,048
<u>Derivative financial liabilities</u>					
SWAP	1,834,039	298,058	-	-	-
Forward	1,231,198	-	-	-	-
IRS	1,481	1,517	3,410	1,259	-
Option	18,016	-	-	-	-

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds without maturity dates, the contract cash flows were determined for 10 years as remaining periods.

Note 3: For the lease liabilities, the contract cash flows were determined for 1 to 43 years as remaining periods.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bonds investments held by the Company may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Company held derivative instruments to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
December 31, 2019					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period
		Assets	Liabilities		
IRS	\$ 6,800,000	\$ 185,206	\$ -	Financial assets for hedging	\$ 34,498

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

Due in						
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
<u>December 31, 2020</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	
Average fixed rate	-	-	-	1.7%	-	
Due in						
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
<u>December 31, 2019</u>						
IRS						
Nominal principal	\$ -	\$ -	\$ 2,800,000	\$ 4,000,000	\$ -	
Average fixed rate	-	-	1.6%	1.7%	-	

3) Hedged items

For the Year Ended December 31, 2020								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (31,333)	\$ 146,959	N/A	\$ 31,333	\$ -	\$ -	\$ (69,581)	Finance costs
Discontinued hedge - bonds investments	N/A	N/A	\$ (252)	N/A	N/A	N/A	10	Finance costs
For the Year Ended December 31, 2019								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (34,498)	\$ 185,206	N/A	\$ 34,498	\$ -	\$ -	\$ (65,902)	Finance costs
Discontinued hedge - bonds investments	N/A	N/A	\$ (275)	N/A	N/A	N/A	1	Finance costs

4) Reconciliation for equity component applying hedge accounting and related other comprehensive income were summarized below:

For the Year Ended December 31		
	2020	2019
Beginning balance	\$ 147,945	\$ 173,288
Gross amounts recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	31,347	34,222
Amount reclassified from cash flow hedge reserve to profit or loss	(69,571)	(65,901)
Income tax	7,645	6,336
Ending balance	<u>\$ 117,366</u>	<u>\$ 147,945</u>

Fair value hedges

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

1) Hedging instruments

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)

December 31, 2019					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period
		Assets	Liabilities		
CCS	\$ 9,742,013	\$ 362,869	\$ -	Financial assets for hedging	\$ 93,293

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

	Due in				
	1 Month	1-3 Months	3 Months-1 Year	1-5 Years	Over 5 Years
December 31, 2020					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

	Due in				
	1 Month	1-3 Months	3 Months-1 Year	1-5 Years	Over 5 Years
December 31, 2019					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 9,742,013
Interest rate	-	-	-	-	2.20%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

3) Hedged items

For the Year Ended December 31, 2020								
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair Value of Hedged Items Included in Book Value of Hedged Items		Line Item in Statement of Financial Position that Includes Hedged Items	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Oversea bonds	\$ 4,825,692	\$ -	\$ 525,402	\$ -	Financial assets measured at amortized cost	\$ 525,402	\$ -	\$ -

For the Year Ended December 31, 2019								
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair Value of Hedged Items Included in Book Value of Hedged Items		Line Item in Statement of Financial Position that Includes Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for the Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Oversea bonds	\$ 9,742,013	\$ -	\$ (93,293)	\$ -	Financial assets measured at amortized cost	\$ (93,293)	\$ -	\$ -

- 4) Reconciliation for equity component applying hedged accounting and related other comprehensive income were summarized below:

	For the Year Ended December 31	
	2020	2019
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 215,661	\$ -
Gross amounts recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	71,563	269,576
Income tax	<u>(14,313)</u>	<u>(53,915)</u>
Ending balance	<u>\$ 272,911</u>	<u>\$ 215,661</u>

g. Offsetting of financial assets and financial liabilities

The Company engages in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 28,176,353	\$ -	\$ 28,176,353	\$ 10,405,202	\$ 12,169,879	\$ 5,601,272
Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Paid	
Derivative financial instruments	\$ 11,778,038	\$ -	\$ 11,778,038	\$ 10,405,202	\$ 270,595	\$ 1,102,241

December 31, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 28,758,412	\$ -	\$ 28,758,412	\$ 2,952,747	\$ 13,341,124	\$ 12,464,541

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Paid	
Derivative financial instruments	\$ 2,956,318	\$ -	\$ 2,956,318	\$ 2,952,747	\$ -	\$ 3,571

39. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organization structure and responsibilities of risk management

a) The board of directors

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

b) Risk management committee

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

- ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.
 - iii. The committee should assist and monitor the risk management activities.
 - iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
 - v. The committee should enhance cross-department interaction and communication.
- c) Chief risk officer
 - i. The chief risk officer should maintain independence and should not concurrently play a business or financial role nor hold a position in any profit center of the Company.
 - ii. The chief risk officer should be able to access any and all business information which may have an impact on risk overview of the Company.
 - iii. The chief risk officer should be in charge of overall risk management of the Company.
 - iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.
- d) Risk management department
 - i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independent to business.
 - ii. The department should perform the following functions with regard to different business activities:
 - i) Propose and execute the risk management policies set by the board of directors.
 - ii) Propose the risk limits based on risk appetite.
 - iii) Summarize the risk information provided by each department, negotiate and communicate with each departments to facilitate the execution of the policies and the risk limits.
 - iv) Regularly present risk management reports.
 - v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - vi) Assist to execute stress testing.
 - vii) Execute back testing if necessary.
 - viii) Other risk management related issues.
- e) Business units
 - i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii. The duties of the risk management include the following:

- i) Identify and measure risks and report risk exposures and potential impacts on time.
- ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
- iii) Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
- iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- v) Assist to collect data related to operational risk.
- vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to such risks.
- vii) Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

f) Audit department

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

g) Subsidiary

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

3) The range and nature of risk reporting or evaluation system

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

a) Market risk

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

b) Credit risk

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

c) Country risk

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

d) Liquidity risk

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

e) Operational risk

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

f) Insurance risk

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

g) Asset and liability matching risk

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

h) Capital adequacy

The Company regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of the Company divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is the Company's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

i) Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

- i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
- ii. Establish methods to evaluate insurance risks.
- iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
- iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

- i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
- ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

- iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

5) The scope of insurance risk assessment and management from a company-wide perspective

- a) Insurance risk assessment covers the following risks:
 - i. Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
 - ii. Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
 - iv. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating or solvency.
 - v. Claim risk: This risk arises from mishandling claims.
 - vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
- b) The scope of management of insurance risk
 - i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.
 - ii. Establish the Company's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii. Develop related response in consideration of the Company's growth strategy and changes in the domestic and global economic and financial environments.
 - iv. Determine methods to measure insurance risks.
 - v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
 - vi. Other insurance risk management issues.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

- a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.
- b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.
- c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

- i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.
- ii. Regularly provide the capital adequacy management analysis report to the risk management committee.
- iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio.
- iv. Regularly review RBC ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio exceeds the internal risk criteria or other exceptions occur, the Company is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings together with the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

- a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

- b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by business groups, industries and countries. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

b. Information of insurance risk

- 1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,923,953	Decrease (increase)	\$ 2,339,162
Expense	×1.05 (×0.95)	Decrease (increase)	3,054,024	Decrease (increase)	2,443,220
Surrender rate	×1.05 (×0.95)	Increase (decrease)	358,110	Increase (decrease)	286,488
Rate of return	+0.1%	Increase	6,236,991	Increase	4,989,593
Rate of return	-0.1%	Decrease	6,243,108	Decrease	4,994,486

For the Year Ended December 31, 2019					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,886,583	Decrease (increase)	\$ 2,309,267
Expense	×1.05 (×0.95)	Decrease (increase)	3,493,065	Decrease (increase)	2,794,452
Surrender rate	×1.05 (×0.95)	Increase (decrease)	624,863	Increase (decrease)	499,891
Rate of return	+0.1%	Increase	5,701,927	Increase	4,561,541
Rate of return	-0.1%	Decrease	5,707,518	Decrease	4,566,014

- a) Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2020 and 2019. The changes in equity were assumed that the income tax was calculated at rates of 20%.
- b) As an increase (decrease) of 0.1% in discount rates is applied to liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.
- c) Sensitivity test
 - i. Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

- ii. Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- iii. Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- iv. Rate of return sensitivity test is executed by adjusting rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

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

2) Concentration of insurance risks

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

In principle, the Company reviews the overall results of claims and payments and its ability to assume risk periodically, and performs an evaluation of insurance risks according to the retention amounts, which is submitted for approval by authority. The Company cedes the excess of insurance risks over the retention amounts to reinsurers. At the same time, the Company considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks regularly; the Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the range of losses and its ability to assume risks. Hence, the insurance risks to some degree have been diversified to reduce the potential impact on unexpected losses.

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

3) Claim development trend

a) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2014	14,671,864	17,805,516	18,119,932	18,201,745	18,198,744	18,219,624	18,236,609	-	-
2015	15,353,566	18,647,560	18,975,168	19,056,336	19,103,869	19,131,408	19,149,290	17,882	17,918
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,043,203	20,061,493	44,862	44,953
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,915,103	21,943,902	21,963,962	96,328	96,521
2018	19,438,330	23,925,964	24,359,320	24,469,094	24,521,809	24,553,301	24,575,720	216,400	216,833
2019	21,412,454	26,422,361	26,891,979	27,013,109	27,071,040	27,105,140	27,129,381	707,020	708,434
2020	21,393,621	26,252,160	26,715,129	26,834,046	26,892,097	26,926,609	26,950,827	5,557,206	5,568,320
Expected future payments								\$ 6,652,979	
Add: Assumed reserve for claims not yet filed								18,092	
Reserve for claims not yet filed								6,671,071	
Add: Claims filed but not yet paid								4,986,567	
Loss reserve balance								\$ 11,657,638	

b) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2014	14,772,070	17,947,230	18,265,698	18,348,342	18,346,033	18,367,050	18,384,126	-	-
2015	15,474,235	18,809,508	19,140,593	19,222,947	19,270,603	19,298,248	19,316,200	17,952	17,989
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,183,105	20,201,455	45,010	45,101
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,076,519	22,105,459	22,125,612	96,966	97,160
2018	19,559,154	24,057,586	24,492,262	24,603,059	24,656,598	24,688,475	24,711,140	218,878	219,316
2019	21,440,110	26,462,299	26,933,107	27,054,705	27,113,053	27,147,360	27,171,732	709,433	710,852
2020	21,422,045	26,290,445	26,754,598	26,873,992	26,932,474	26,967,203	26,991,559	5,569,514	5,580,653
Expected future payments								\$ 6,671,071	
Add: Claims filed but not yet paid								4,925,210	
Retained loss reserve balance								\$ 11,596,281	

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

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

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

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company's reinsurers are above a certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the actual result and expected amount.

Unit: In Billions of New Taiwan Dollars

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2020	\$ (1,025)	\$ 4,481	\$ 182,228
December 31, 2019	(1,665)	3,012	179,320

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

40. CAPITAL MANAGEMENT

a. Management objectives

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

b. Management policies

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

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

- a) Admitted owner's equity
- b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

- a) Asset risk
- b) Insurance risk
- c) Interest rate risk
- d) Other risk

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

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

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

41. OTHERS

a. Impact of COVID-19 pandemic

The Company had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of the financial report, there were no significant impact on the Company. The Company will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

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

December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 123,894,660	28.508000	\$3,531,988,978
CNY	30,125,259	4.381330	131,988,703
AUD	5,080,277	21.972541	111,626,591
Non-monetary items			
USD	10,727,658	28.508000	305,824,083
HKD	6,727,699	3.677503	24,741,130
Investments accounted for the using equity method			
CNY	3,555,784	4.359200	15,500,374
USD	446,650	28.508000	12,733,098
PHP	27,703,366	0.593700	16,447,489
VND	8,891,933,066	0.001235	10,981,537
GBP	586,600	38.927670	22,834,986
<u>Financial liabilities</u>			
Monetary items			
USD	896,804	28.508000	25,566,094

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 111,963,979	30.106000	\$3,370,787,537
CNY	16,076,378	4.323121	69,500,132
AUD	3,791,660	21.101295	80,008,942
Non-monetary items			
USD	8,811,685	30.106000	265,284,585
HKD	9,076,942	3.866013	35,091,580
Investments accounted for the using equity method			
CNY	3,366,944	4.321700	14,550,919
USD	491,290	30.106000	14,790,769
PHP	26,747,682	0.594200	15,893,473
IDR	6,526,743,236	0.002172	14,176,087
VND	8,334,020,467	0.001299	10,825,893
GBP	596,591	39.556300	23,598,922
<u>Financial liabilities</u>			
Monetary items			
USD	395,619	30.106000	11,910,495

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

December 31, 2020			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	\$ 504,040,612	\$ -	\$ 504,040,612
Receivables	64,210,589	2,339	64,212,928
Investments			
Financial assets at FVTPL	46,142,376	1,285,491,213	1,331,633,589
Financial assets at FVTOCI	16,333,144	1,206,347,688	1,222,680,832
Financial assets measured at amortized cost	33,005,844	2,616,357,963	2,649,363,807
Financial assets for hedging	-	146,959	146,959
Investments accounted for using the equity method	-	89,577,714	89,577,714
Investment property	-	459,867,936	459,867,936
Investment property under construction	-	1,528,547	1,528,547
Prepayments for buildings and land - investments	-	3,131,915	3,131,915
Loans	5,143,040	486,626,308	491,769,348
Total investments	100,624,404	6,149,076,243	6,249,700,647
Reinsurance assets	509,555	1,578,376	2,087,931
Property and equipment	-	26,750,271	26,750,271
(Continued)			

December 31, 2020			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Right-of-use assets	\$ -	\$ 524,444	\$ 524,444
Intangible assets	-	29,509,337	29,509,337
Deferred tax assets	-	56,453,457	56,453,457
Other assets	7,342,670	22,150,483	29,493,153
Separate account insurance product assets	<u>8,712,228</u>	<u>632,843,466</u>	<u>641,555,694</u>
Total assets	<u>\$ 685,440,058</u>	<u>\$6,918,888,416</u>	<u>\$7,604,328,474</u>
Payables	\$ 24,648,142	\$ -	\$ 24,648,142
Current tax liabilities	160,145	-	160,145
Financial liabilities at FVTPL	11,633,461	53,606	11,687,067
Financial liabilities for hedging	-	90,971	90,971
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	18,390,129	18,390,129
Loss reserve	-	11,657,638	11,657,638
Policy reserve	-	5,961,980,645	5,961,980,645
Special reserve	-	11,084,776	11,084,776
Premium deficiency reserve	-	13,802,343	13,802,343
Other reserve	-	1,876,925	1,876,925
Total insurance liabilities	<u>-</u>	<u>6,018,792,456</u>	<u>6,018,792,456</u>
Reserve for insurance contracts with the nature of financial products	-	1,010,156	1,010,156
Reserve for foreign exchange valuation	-	14,820,865	14,820,865
Provisions	-	56,245	56,245
Lease liabilities	529,975	8,749,656	9,279,631
Deferred tax liabilities	-	67,447,866	67,447,866
Other liabilities	-	21,051,872	21,051,872
Separate account insurance product liabilities	<u>701,555</u>	<u>640,854,139</u>	<u>641,555,694</u>
Total liabilities	<u>\$ 37,673,278</u>	<u>\$6,852,927,832</u>	<u>\$6,890,601,110</u> (Concluded)

December 31, 2019			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	\$ 392,341,567	\$ -	\$ 392,341,567
Receivables	78,019,887	11,290	78,031,177
Investments			
Financial assets at FVTPL	36,371,906	1,243,863,347	1,280,235,253
Financial assets at FVTOCI	6,707,439	847,629,423	854,336,862
Financial assets measured at amortized cost	39,592,170	2,574,351,731	2,613,943,901
			(Continued)

December 31, 2019			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Financial assets for hedging	\$ 21,093	\$ 526,982	\$ 548,075
Investments accounted for using the equity method	-	103,774,796	103,774,796
Investment property	-	445,624,222	445,624,222
Investment property under construction	-	4,546,717	4,546,717
Prepayments for buildings and land - investments	-	1,152,363	1,152,363
Loans	5,305,629	520,792,993	526,098,622
Total investments	<u>87,998,237</u>	<u>5,742,262,574</u>	<u>5,830,260,811</u>
Reinsurance assets	357,722	1,320,075	1,677,797
Property and equipment	-	29,653,823	29,653,823
Right-of-use assets	-	465,801	465,801
Intangible assets	-	31,478,209	31,478,209
Deferred tax assets	-	36,056,344	36,056,344
Other assets	6,870,709	20,598,568	27,469,277
Separate account insurance product assets	<u>7,187,575</u>	<u>600,237,157</u>	<u>607,424,732</u>
Total assets	<u>\$ 572,775,697</u>	<u>\$6,462,083,841</u>	<u>\$7,034,859,538</u>
Payables	\$ 25,554,039	\$ -	\$ 25,554,039
Current tax liabilities	261,305	-	261,305
Financial liabilities at FVTPL	2,966,992	7,342	2,974,334
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities	-	-	-
Unearned premium reserve	-	17,504,877	17,504,877
Loss reserve	-	10,564,611	10,564,611
Policy reserve	-	5,567,592,302	5,567,592,302
Special reserve	-	11,084,624	11,084,624
Premium deficiency reserve	-	19,679,457	19,679,457
Other reserve	-	1,873,141	1,873,141
Total insurance liabilities	<u>-</u>	<u>5,628,299,012</u>	<u>5,628,299,012</u>
Reserve for insurance contracts with the nature of financial products	-	1,001,991	1,001,991
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Provisions	-	56,245	56,245
Lease liabilities	391,772	8,806,596	9,198,368
Deferred tax liabilities	-	54,951,648	54,951,648
Other liabilities	-	18,518,204	18,518,204
Separate account insurance product liabilities	<u>467,361</u>	<u>606,957,371</u>	<u>607,424,732</u>
Total liabilities	<u>\$ 29,641,469</u>	<u>\$6,416,599,286</u>	<u>\$6,446,240,755</u>

(Concluded)

c. Information for discretionary investment

- 1) As of December 31, 2020 and 2019, the Company contracts with securities investment trust companies for discretionary investment service and the related investments are as follows:

Items	December 31	
	2020	2019
Domestic stocks	\$165,441,030	\$110,798,703
Overseas stocks	73,520,629	51,029,574
Reverse repurchase bonds	20,066,000	14,812,000
Cash in banks	51,308,069	35,979,663
Beneficiary certificates	1,997,792	17,180
Futures and options	501,910	435,322
	<u>\$312,835,430</u>	<u>\$213,072,442</u>

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

- 2) As of December 31, 2020 and 2019, the discretionary investments limits are as follows:

Items	December 31	
	2020	2019
Monetary items		
NTD	\$ 84,358,163	\$ 64,358,163
USD	1,462,200	952,200
HKD	74,084	544,084

d. Structured entities

- 1) Structured entities controlled by the Company

The structured entities controlled by the Company are the real estate investment and management organizations. As of December 31, 2020 and 2019, the Company provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

- 2) Structured entities - not controlled by the Company

- a) The Company holds interests in structured entities not controlled by the Company and the Company does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Company. The information of these uncontrolled structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

- b) As of December 31, 2020 and 2019, the carrying amounts of the Company's assets related to its interests in uncontrolled structured entities are disclosed as follows:

	December 31, 2020	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$119,715,465	\$ 39,756,436
Financial assets at FVTOCI	-	66,528,618
Financial assets measured at amortized cost	<u>-</u>	<u>119,025,227</u>
	<u>\$119,715,465</u>	<u>\$225,310,281</u>
	December 31, 2019	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$ 94,120,839	\$ 33,010,751
Financial assets at FVTOCI	-	47,465,038
Financial assets measured at amortized cost	<u>-</u>	<u>191,072,559</u>
	<u>\$ 94,120,839</u>	<u>\$271,548,348</u>

42. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions:

No.	Description	Explanation
1	Acquisition of individual real estate at price over \$100 million or 20% of the paid-in capital.	Table 3
2	Disposal of individual real estate at price over \$100 million or 20% of the paid-in capital.	Table 4
3	Engage in core business transactions with related parties amounting over \$100 million or 20% of the paid-in capital.	Note 33
4	Receivables from related parties amounting over \$100 million or 20% of the paid-in capital.	Note 33
5	Trading in derivative instruments.	Notes 8, 10 and 38

b. Information of investees

No.	Description	Explanation
1	Information on investee, including name, location and etc.	Table 1
2	Financing provided to others.	N/A
3	Endorsements/guarantees provided.	N/A
4	Marketable securities held.	Table 2
5	Marketable securities acquired or disposed of at accumulated amounts over \$100 million or 20% of the paid-in capital.	N/A
6	Acquisition of individual real estate at price over \$100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over \$100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over \$100 million or 20% of the paid-in capital.	Note 33
9	Receivables from related parties amounting over \$100 million or 20% of the paid-in capital.	N/A
10	Trading in derivative instruments.	N/A

c. Information on investments in Mainland China

No.	Description	Explanation
1	Name, principle business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed.	Table 5
2	Significant transaction, with investee in mainland China, directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses.	N/A
3	Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages.	N/A
4	The amount of property transactions and the amount of the resulting gains or losses.	N/A
5	The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds.	N/A
6	Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.	N/A

d. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A

TABLE 1

CATHAY LIFE INSURANCE CO., LTD.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Ratio (%)	Carrying Amount			
The Company	Conning Holdings Limited	UK	Holding company	\$ 15,723,539	\$ 15,723,539	2,029	100.00	\$ 12,733,098	\$ 2,850,659	\$ 2,657,933	Subsidiary (2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	9,090,730	9,090,730	-	100.00	10,981,537	(1,135,846)	(1,135,846)	Subsidiary (2)
	Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	Real estate investment and operation management	16,654,013	16,654,013	326,700	100.00	13,371,694	(345,219)	(345,219)	Subsidiary (1)
	Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	Real estate investment and operation management	168,222	168,222	3,300	100.00	133,199	(4,604)	(4,604)	Subsidiary (1)
	Cathay Walbrook Holding 1 Limited	Jersey Island	Real estate investment and operation management	10,189,090	10,189,090	213,750	100.00	8,868,043	(26,630)	(26,630)	Subsidiary (1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	462,050	(2,824)	(2,824)	Subsidiary (1)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	23.35	16,447,489	2,991,904	698,687	Associate (2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	13,317,536	13,317,536	2,550,767	37.33	-	(2,537,727)	(13,980,277)	Associate (2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	70,000	30,000	100.00	637,478	215,045	215,045	Subsidiary (1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	403,866	(12,491)	(6,135)	Associate (2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	108,372	108,372	10,837	21.43	58,499	(1,894)	(406)	Associate (2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	753,562	957,118	75,356	25.00	2,042,511	1,560,206	390,051	Associate (2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	712,500	750,000	71,250	21.43	760,743	33,673	7,216	Associate (2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	674,804	(2,581)	(1,161)	Associate (2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	671,916	(4,866)	(2,190)	Associate (2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	315,000	270,000	31,500	45.00	329,516	27,332	12,300	Associate (2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	704,798	60,983	27,442	Associate (2)
	Cathay Sunrise Corporation	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	728,790	94,993	42,746	Associate (2)
	Ding Teng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	41,137	27.36	830,172	142,458	38,980	Associate (2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	781,364	14,186	36.22	911,004	144,733	52,659	Associate (2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	455,862	(46,214)	(13,864)	Associate (2)
	Cathay Venture Inc.	Taiwan	Venture Investment	1,567,574	1,567,574	121,059	25.00	1,666,380	377,075	94,269	Associate (1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	-	1,470	49.00	56,461	62,913	22,215	Associate (2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Self-usage power generation equipment utilizing renewable energy	148,000	-	14,800	37.00	147,430	(2,330)	(142)	Associate (2)

Note 1: Share of profit or loss is recognized on the basis of the financial statements audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statements unaudited by an independent auditor.

TABLE 2**CATHAY LIFE INSURANCE CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Conning Inc.	<u>Preference shares</u> Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	\$ 5,426	1.76	\$ 5,426	
Symphox Information Co., Ltd.	<u>Stocks</u> Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	24	188	0.63	188	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	19,646	7.72	19,646	
	Buyforyou Co., Ltd.	N/A	Financial assets at FVTOCI	117	-	10.00	-	
	Seaward Card Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,000	55,498	100.00	55,498	
	Thinkpower Information Corporation	Parent and subsidiary	Investments accounted for using the equity method	5,975	337,252	71.08	337,252	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	7,237	100.00	7,237	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,485,177	100.00	1,485,177	

TABLE 3

CATHAY LIFE INSURANCE CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land located at Sanmin Section, Taoyuan City	2020.01.20	\$ 474,182	Installment payments according to contracts	King Kong Zen Temple	Non-related party	-	-	-	\$ -	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Hecuo Section, Taichung City	2020.04.21	201,344	Installment payments according to contracts	10 people surnamed He and Hui Tak Industrial Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shangshibei Section, Taichung City	2020.05.14	427,978	Installment payments according to contracts	Natural person surnamed You	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Property located at Bade Section, Taoyuan City	2020.10.23	4,680,000	Installment payments according to contracts	Pao Fong Asset Management Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shintou Section, Taoyuan City	2020.10.23	1,018,880	Installment payments according to contracts	Haihwa Construction Corp.	Non-related party	-	-	-	-	Valuation report of appraisers	Self-use	None
	Land located at Guangming Section, Situn Section and Shangshibei Section, Taoyuan City	2020.12.18	163,748	Installment payments according to contracts	Kuan-Pin Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

TABLE 4

CATHAY LIFE INSURANCE CO., LTD.

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purposes of Disposal	Pricing Reference	Other Terms
The Company	Land located at Tongan Section, Taoyuan City	2020.5.22 2020.5.25	2019.7.24	\$ 186,541	\$ 186,541	(Note 3)	(Note 3)	Taoyuan City Government R.O.C.	Non-related party	(Note 3)	(Note 3)	None

- Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript fee, typing fee, and stamp duty.
- Note 2: The term “event date” refers to the date of contract signing, date of collection, date of consignment trade, date of transfer, dates of boards of directors’ resolutions or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.
- Note 3: The Company donated the land to the Taoyuan City government and the Republic of China for use in the transfer of offices.

TABLE 5

CATHAY LIFE INSURANCE CO., LTD.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Investee Company	Principle business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	(a)	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 1,489,585	50.0	\$ 744,792 (Note 2,b,2)	\$ 6,016,144	\$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	(a)	2,943,663	-	-	2,943,663	267,783	24.5	65,606 (Note 2,b,3)	1,852,798	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	(a)	7,223,435	-	-	7,223,435	161,413	100.0	145,371 (Note 2,b,2)	7,631,432	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$16,915,676 (Including the amounts of CNY2,845,000 thousand and US\$106,352 thousand)	\$17,978,094 (Including the amounts of CNY3,090,000 thousand and US\$106,352 thousand)	\$428,236,418

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through the third-region companies.
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. If it is in preparation, there are no investment gains and losses, it should be noted.
- b. The recognition basis for investment gain (loss) are as follows:
 - 1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
 - 2) Financial statement is audited by the parent companys CPA firm in Taiwan.
 - 3) Other.

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized the Company to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company’s subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2020, the Company’s remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US\$78,210 thousand.

(Continued)

On October 17, 2007, MOEAIC authorized the Company to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. As of December 31, 2020, the Company’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of December 31, 2020, the Company’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

- VI. If the company or an affiliated enterprise has encountered any financial difficulties in the most recent fiscal year, the impact on the company's financial condition shall be set forth:
- None.

Seven. Review and analysis of financial status and financial performance and risk management

I. Financial Status

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference		
			Amount	%	
Cash and cash equivalents	\$504,040,612	\$392,341,567	\$111,699,045	28.47%	1
Receivable	64,212,928	78,031,177	(13,818,249)	(17.71%)	
Financial assets and loans	6,249,700,647	5,830,260,811	419,439,836	7.19%	
Reinsurance assets	2,087,931	1,677,797	410,134	24.44%	2
Property and equipment	26,750,271	29,653,823	(2,903,552)	(9.79%)	
Intangible assets	29,509,337	31,478,209	(1,968,872)	(6.25%)	
Other assets (Note 1)	728,026,748	671,416,154	56,610,594	8.43%	
Total assets	7,604,328,474	7,034,859,538	569,468,936	8.09%	
Payables	24,648,142	25,554,039	(905,897)	(3.55%)	
Financial Liabilities	91,778,038	82,974,334	8,803,704	10.61%	
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve	6,034,623,477	5,647,301,880	387,321,597	6.86%	
Provisions	56,245	56,245	-	-	
Other liabilities (Note 2)	739,495,208	690,354,257	49,140,951	7.12%	
Total liabilities	6,890,601,110	6,446,240,755	444,360,355	6.89%	
Capital stock	58,515,274	58,515,274	-	-	
Capital surplus	60,606,533	60,607,456	(923)	-	
Retained earnings	416,092,528	364,423,657	51,668,871	14.18%	
Other equity	178,513,029	105,072,396	73,440,633	69.90%	3
Total equity	713,727,364	588,618,783	125,108,581	21.25%	
Note 1: Other assets include refundable deposits, deferred tax assets, right-of-use assets and separate account product assets.					
Note 2: Other liabilities include guarantee deposits received, deferred tax liabilities, lease liabilities and separate account product liabilities.					
Analysis of increase (decrease) in proportion:					
1. Mainly due to increase in time deposits and cash equivalents in 2020.					
2. Mainly due to the increase in due from reinsurers and ceding companies and unearned premiums reserve in 2020.					
3. Mainly due to the increase in unrealized income of financial assets in 2020.					

II. Financial Performance

Unit: NT\$ thousand

Item \ Year	2020	2019	Change in amount	Change in proportion (%)	
Operating income	\$906,260,419	\$906,585,211	(\$324,792)	(0.04%)	
Operating cost	837,328,341	846,503,873	(9,175,532)	(1.08%)	
Operating expenses	20,564,071	22,141,294	(1,577,223)	(7.12%)	1
Operating benefit	48,368,007	37,940,044	10,427,963	27.49%	
Non-operating income and expenses	1,582,615	1,663,036	(80,421)	(4.84%)	
Pre-tax net income of the units in continued business operation	49,950,622	39,603,080	10,347,542	26.13%	2
Income tax benefit (expense)	1,793,972	(1,757,127)	3,551,099	202.10%	3
Net profit this term of the units in continued business operation	51,744,594	37,845,953	13,898,641	36.72%	4
Analysis of increase (decrease) in proportion: 1. Mainly due to decrease in operating cost in 2020. 2. Mainly due to decrease in operating cost in 2020. 3. Mainly due to increase in deferred tax assets in 2020. 4. Mainly due to decrease in operating cost in 2020.					

III. Cash flows

(I) Liquidity Analysis

Item \ Year	2020	2019	Increase (decrease) in proportion (%)	
Cash flow ratio (%)	232.15	536.43	231.17%	1
Cash flow adequacy rate (%)	174.88	(82.15)	(313.34%)	2
Cash reinvestment ratio (%)	1.25	2.46	83.53%	3
Analysis of increase (decrease) in proportion: 1. Mainly due to less cash flows from operating activities in 2020 compared to that in 2019. 2. Mainly due to more cash flows from operating activities in the last five years for 2020 compared to that for 2019. 3. Mainly due to less cash flows from operating activities in 2020 compared to that in 2019.				

(II) Cash Liquidity Analysis for the Next Year

The balance of cash and cash equivalents at the end of 2020 was NT\$504.041 billion, with sufficient cash liquidity expected in 2021.

IV. Major capital expenditures in the most recent year

None.

V. The investment Strategy in the most recent year. Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

1. In 2020, PT Bank Mayapada Internasional Tbk. (hereinafter referred to as the Bank) in Indonesia was involved in a fraud case of a local state-owned insurance company under prosecution, and was affected by the negative impact of global economic recession and financial inspection deficiencies. This led to difficulties in the Bank's business operations, and the competent authority in Indonesia requested on capital increase. After prudent evaluation, the Company decided to recognize Share of Profit (Loss) of Associates Accounted for Using the Equity Method of NT\$14 billion based on the conservatism principle. However, this may not cause material impact on the Company's financial structure as its net worth and capital are stable. In the future, any participating in the Bank's improvement plan structure will only be carried out after relevant legal procedures are completed, with approval by the competent authorities in Taiwan and Indonesia.
2. In response to increasingly stringent capital adequacy requirements and changes in accounting standards, the company maintains cautious and prudent strategy for relevant investment plans and policies for the next year, dedicating efforts towards its long-term business development and sustainability, and maximize the value and interests of its employees and shareholders. The company plans on capital increase for Cathay Life Insurance (Vietnam) Co., Ltd. in 2021, as it is optimistic towards the fundamentals and long-term development potential of Vietnam's life insurance market. As a result, the company will expand its business in Vietnam through capital increase, and will continue to strengthen its capital to support its business development and preparation for future adoption of global standards. Relevant capital increase plan will be carried out after approval by the competent authorities in Taiwan and Vietnam.

VI. Risk analysis and evaluation

- (I) The impact of changes in interest rates, exchange rates, and inflation on the company's profit/loss and future countermeasures:
1. Interest rate: In 2020, the COVID-19 pandemic affected the global economy, which caused economic downturn in major countries. With that, the central banks of the countries have undertaken loose monetary policies. Compared with the 1.5% policy interest rate cut in the U.S., the central bank in Taiwan cut the discount rate by 0.25% to stabilize economic growth. Looking forward to 2021, as the global economy will only recover moderately after COVID-19 vaccination, the central banks are expected to maintain loose monetary policies. In addition, the world are still facing many uncertainties, such as recurrence of the COVID-19 pandemic, US–China trade relationship, the impact of Brexit, and geopolitical risks. Therefore, the company will evaluate the possibility of various interest rate changes, develop appropriate investment strategies, and dynamically adjust investment portfolio to reduce the impact of interest rate fluctuations.company
 2. Exchange rate: In 2020, in order to reduce the impact of COVID-19 pandemic on the economy, the US Federal Reserve announced unlimited QE, which led to appreciation of most of the major currencies against USD. NTD appreciated 5.6% against USD because of the successful prevention and control of COVID-19 pandemic in Taiwan, and its steady economic growth appealing offshore capital, especially in the electronic components and telecommunications industries. Looking forward to 2021, we expect continual NTD appreciation because of the strong demand for NTD arising from the return of overseas Taiwanese businesses to invest in Taiwan and the slowdown in overseas investment by life insurance companies. In addition, the gradual global economic recovery helps enhance better export performance and continuous return of investments in Taiwan, which support the appreciation of NTD. The company will appropriately adjust its FX hedging strategies in response to various FX movements to reduce the impact of exchange rate fluctuations and stabilize the company's profits/losses.company
 3. Inflation: In 2020, the spread of COVID-19 pandemic and drop in international crude oil prices have dragged down the Taiwan consumer price index by 0.23%. Taiwan's central bank predicts consumer price index to grow by 1.07% in 2021, which is moderate and will not result in significant impact on the company's profit/loss.
- (II) The main causes for profits or losses for engaging in high-risk, high-leverage investments, loaning funds to others, endorsement/ guarantees and derivatives trading policies, and the future countermeasures:
1. The use of company funds are in compliance with relevant laws and regulations, with the principle of seeking maximum returns under a conservative and stable method, and has not engaged in high-risk and high-leverage investments.
 2. The company has not provided endorsements or guarantees for others.
 3. The transaction of derivatives are handled in accordance with the "Regulations Governing Derivatives Transactions Conducted by Insurance Companies" for the purpose of hedging and increasing investment efficiency. The transactions for hedging purpose is to reduce market risk and credit risk of assets, and the transactions for enhancing the investment efficiency is for investment efficiency enhancement with risks under control. The company has investment limits and stop-loss requirements for transactions with the purpose of investment efficiency

enhancement, and conducts daily assessments on profit/loss and risk conditions.

(III) Future R & D plans and the budgets on R & D:

Please refer to the contents in Chapter One: I. (IV).

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

Corresponding to the event of changes in local regulations in 2020, the company's relevant response measures are as follows: company

1. Urge life insurers to establish a stabilization mechanism for credited interest rates & ensure the rationality of the contract service margin(CSM) (CSM>0)

The Insurance Bureau requires the industry, when adopting credited interest rates, to consider the coupon rate on fixed-income bonds in their segregate accounts, reflecting the required profit and expense. It also requires the CSM of insurance contracts issued less than one year to be greater than 0. This regulation urges the insurance companies to set reasonable credited interest rates to avoid the risk of future negative interest spread problem due to large amount of premiums, and restrict the sale of unprofitable insurance policies. To meet legal requirements, the company has already included the CSM in the internal control indicators, and the credited interest rate is prudently set to reasonably reflect the changes in market interest rates and related parameters, which help reduce the cost of liability and ensure stable business operations. company

2. Stipulate the consistency and materiality principle for insurance companies in disposing of financial assets measured at amortized cost (AC)

The Insurance Bureau requires insurance companies to sell AC financial assets no more than 5% of its AC financial assets account balance each year since 2021, otherwise the companies shall not classify new investments as AC financial assets before the adoption of IFRS 17. Since the objective to hold an AC financial asset is to collect contractual cash flows instead of selling the securities, the regulation requires that insurance companies shall take into account their business models when classifying financial assets and stipulates consistent selling restriction standards for AC financial assets. The company will implement the legal restrictions on the disposal of AC bonds and consider the effect of bond classification on the company's net worth when planning asset allocation and evaluating risk. company

3. Set the minimum ratio of death benefit to policy value (account value) regarding the life insurance products

The establishment of "The Corridor Rule" for life insurance can effectively reduce the savings component and increase the ratio of death benefits to policy value (account value) of life insurance products. It can guide insurance companies to adjust product structures in support of the concept that protection is the nature of insurance, relieve the pressure to allocate massive insurance funds, and strengthen the asset-liability management ability, which facilitate the adoption of the international standards. In response to the trend of population aging in Taiwan and rising demand for health and medical protection, the company launched the protection-oriented products since 2018, and has continued to improve the promotion of protection-oriented products every year. This not only provide better protection for customers, but increase the company's overall mortality surplus.

- (V) Major impact on the company financial position caused by changes in technology and industry and remedial action:

In order to enhance the management of information security, Cathay Life has established an Information Security Department in April 2018 to promote information security. The committee will convene periodically to review the progress of critical information security projects and oversee the implementation of the Group's overall information security execution. Multiple information security assessments will be conducted annually to improve and strengthen the protection of information systems. For the purpose of risk mitigation pertaining to hacking and confidential customer information leakage, Cathay Life will hold periodic information security awareness training and security incident drills to raise the awareness of employees. In addition, an independent third party was appointed to assess the overall implementation of information security of each subsidiary in 2020 with the outcome as appropriate. Cathay Life has no material information security incidents in 2020.

- (VI) Major impact on the company brought by company image change and remedial actions:

The Group and its subsidiaries have long been taking root on humanistic care, actively investing in environmental and sustainable engineering to put together comprehensive and diversified events, including public interest, childcare, academic, sports, culture, art, and environmental protection. We believe in fulfilling our responsibilities as a "corporate citizen" and providing growing stamina and sharing prosperity for the society as an important mission in addition to that of core business growth. The Group has established the "Cathay Financial Holdings and Subsidiaries Media Information Disclosure Policy" that outlines the procedures to follow and practices to adhere to in the case of media interview, emergency press release, and when replying to media queries. In addition, it also takes the initiative to monitor media coverage, survey brand awareness, and track brand image in the market. The Group has response procedures in place to serve as guidance on how to handle and respond to the media in the case of an emergency/crisis, and actively investigates any event that has the potential to affect corporate image.

- (VII) Potential effects and risks associated with mergers and acquisitions and risk control measures: None.
- (VIII) Potential effects and risks associated with expansion in plant capacity and remedial action: None.
- (IX) Potential effects and risks associated with the concentration of purchases or sales: None.
- (X) Impact and risks brought by significant shareholdings transfer by the Directors, Supervisors, or shareholders with more than 10% ownership, and the remedial actions: None.
- (XI) Impacts, risks and response measures associated with a change to the management of the financial holding company: None.
- (XII) Litigations or non-contentious matters:
1. For the pursuit of its investment objective in the period of 2003 to 2007, Cathay Life subscribed to shares from Fairfield Sentry Limited, and redeemed the shares as agreed for USD 24,496,798.58. Bernard L. Madoff Investment Securities LLC (Madoff's asset management company), and investee of Fairfield Sentry Limited,

was allegedly involved in a Ponzi Scheme, and is in liquidation procedures at BVI (Madoff's asset management company is also in liquidation procedures). The liquidator of Fairfield Sentry Limited and the official receiver of Madoff's asset management company filed a lawsuit against Cathay Life at the United States Bankruptcy Court of New York State in March 2011 and December 2011, respectively. They claimed that Cathay Life must return the proceeds from the redemption of shares to the liquidation panel. The company has already retained lawyers to defend the charge. Regarding the lawsuit between Cathay Life and Fairfield Sentry Limited, the United States Bankruptcy Court has rejected the common law and contractual basis for claims, but part of the claim will proceed to trial. For the company's claim on Madoff's asset management company has been rejected by the Bankruptcy Court. The United States Court of Appeals for the Second Circuit submitted an appeal to the U.S. Supreme Court, but has been rejected back to the Bankruptcy Court. Both Cathay Life and the attorneys hold that this case will not cause significant impact on the financial position of Cathay Life.

2. In October of 2003, Global Life Insurance Co., Ltd (hereinafter, "Global Life") purchased from Taipei District Court by way of auction, the following real estates: (1) the second, third, fourth, fifth, and sixth floor of No.50, Sec.1, Zhongxiao West Road, Zhongzheng District, Taipei City, and (2) fifty parking spaces located on the fourth and fifth floor underground in the same building (collectively, the "Real Estate"). The bid was submitted in the name of Chou, Tsai-Fa (the "Defendant"), special assistant of Global Life's then chairman. Subsequent transfer and registration as owner of the Real Estate were all completed in the name of the Defendant. The Defendant subsequently embezzled the Real Estate, which led to Global Life's claiming for the return of the Real Estate and relating rents. On April 30, 2013, Taipei District Court has rendered its judgment in favor of Global Life, to the effect that Global Life is entitled to NTD 1,461,616,737, the proceeds from auctioning the Real Estate. The judgment is overruled by the Taiwan High Court on June 30, 2015. The Supreme Court has thereafter, on April 21, 2016, overruled the April 30, 2013 Taiwan High Court judgement, and remanded the case to the Taiwan High Court. In their first retrial on June 27, 2018, the Taiwan High Court decided that the company can not only obtain NT\$1,461,616,737 as real estate auction value, but also NT\$37,007,940 credit right. The Supreme Court thereafter, on June 21, 2019, overruled the Taiwan High Court judgment, and remanded the case to the Taiwan High Court. On July 1, 2015, the lawsuit of general assumption Global Life's assets and liabilities is now action pending, and Cathay Life has already retained lawyers to defend the charge. Both Cathay Life and the attorneys hold that this case will not cause significant impact on the financial position of Cathay Life.

(XIII) Other material risks and corresponding measures: None.

VII. Other Major Events

None.

Eight. Special Disclosure

I. Information on Affiliates

Cathay Life Insurance Co., Ltd.
Affiliate report
2020

Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: (02)2755-1399

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Declaration

The 2020 (from January 1 to December 31, 2020) Affiliation Report of the company has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and there is no material nonconformity between the information disclosed and relevant information disclosed in the notes of the financial statements for the aforementioned period.

Hereby certify

Company name: Cathay Life Insurance Co., Ltd.

Chairman: Tiao-Kuei Huang

March 10, 2021

Affiliation Report

To: Cathay Life Insurance Co., Ltd.

We have audited the 2020 financial statements of Cathay Life Insurance Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards, and issued our unqualified opinion on March 10, 2021. The purpose of this audit was to express opinions on the fairness of the financial statement preparation. The attached 2020 affiliation report of Cathay Life Insurance Co., Ltd. was prepared separately based on “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises,” for which we have obtained the customer’s statement, verified relevant financial information, and undertaken necessary procedures to complete our audit.

In our opinion, the 2020 affiliation report of Cathay Life Insurance Co., Ltd. has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises”; the financial information presented in this report was consistent with the financial statements, and no material amendment was required.

Deloitte & Touche

Certified Public Accountant Cheng-Hung Kuo

Certified Public Accountant Shu-Wan Lin

March 10, 2021

Summary of the relationship between the affiliated company and the controlling company

Unit: shares; %

Name of controlling company	Reasons for control	Share ownership and pledges of the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares pledged	Title	Name
Cathay Financial Holding Co., Ltd.	Holds 100% of the company's shareholding with voting rights	5,851,527,395	100%	0	Chairman Vice Chairman Director Director Director Director Director Director Independent Director Independent Director Resident Supervisor Supervisor Supervisor Supervisor President	Tiao-Kuei Huang Ming-Ho Hsiung Joseph Tsai Chung-Yan Tsai John Chu Shang-Chi Liu Chao-Ting Lin Yi-Tsung Wang Li-Ling Wang Tang-Chieh Wu Chih-Ying Tsai Chih-Ming Lin Yung-Chen Li Han-Chang Tsai Shang-Chi Liu

Note: When the controlling company of the subordinate company is the subordinate company of another company, the preparer of this information should also fill in the information of that company. The same rule applies when that company is again the subordinate company of another company. The same rule applies hereafter.

Purchase and sales

Unit: NT\$ thousand; %

Transactions with the controlling company				Terms of transactions with the controlling company		Arms length terms of transaction		Reason for the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (sales)	Amount	Percentage of total purchase (sales)	Gross profit from sales	Price (NT\$)	Duration of credit	Price (NT\$)	Duration of credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: If the company has advanced receipts (payments), the company should describe the reason, articles of the contract, the amounts, and the differences between these transactions and arms length transactions in the remarks section.

Note 2: If none of the stated titles are applicable, the preparers may adjust the titles by themselves. If preparers cannot find titles in the table due to the nature of the industry, preparers do not need to fill in the information.

Property transactions

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Name of property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment and receipt of consideration	Disposal gains (Note 1)	The reasons why transaction counterparties are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Holder	Relationship with the company	Transfer date	Amount				
None															

Note 1: The preparer does not need to fill in the information on the acquisition of property.

Note 2: (1) The preparer should provide the information on the original acquisition by the controlling company in the acquisition of property. The preparer should provide the information on the original disposal by the subordinate company in the disposal of property.

(2) Preparers should explain the relationship between the property owner and the subordinate company or controlling company in the “Relationship with the company” section.

(3) If the counterparty in the previous transfer transaction was a related party, the preparer should add the information on the previous transfer from that related party in the same space.

Note 3: The preparer should explain the decision making level of the transaction.

Financing

Unit: NT\$ thousand; %

Transaction type (Borrowing or lending)	Highest balance	Balance at the end of the period	Interest rate range	Total interest in this period	Duration of financing	Reason of financing	Acquiring (providing) collaterals		The methods for determining the transactions (Note 1)	Provision of the allowance for bad debt (Note 2)
							Name	Amount		
None										

Note 1: The preparer should explain the decision making level of the transaction.

Note 2: There is no need to provide the information on borrowing funds.

Lease of assets

Unit: NT\$ thousand

Transaction type (rent or lease)	Property		Lease duration	Nature of the lease (Note 1)	Basis of determining the rent	Method of collection (payment)	Comparison with regular rent levels	Total rent in this period	Payment and receipt in this period	Other stipulations (Note 2)
	Name	Location								
Rented (Cathay Financial Holding Co., Ltd.)	Office	16F., No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.), etc.	2020.1.1 ~ 2020.12.31	Operating lease	Negotiation	Monthly payment	Equivalent with regular rent levels	\$ 123,238	Regular	None

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and servitude of real property, the preparer should disclose such conditions.

Endorsements

Unit: NT\$ thousand; %

Highest balance	Balance at the end of the period		Reason for the endorsement	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral	The amount of contingent loss already recognized in financial statements	Violations of operation regulations codified by the company
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value			
None									

Cathay Life Insurance Co., Ltd.

Consolidated business reports
2020

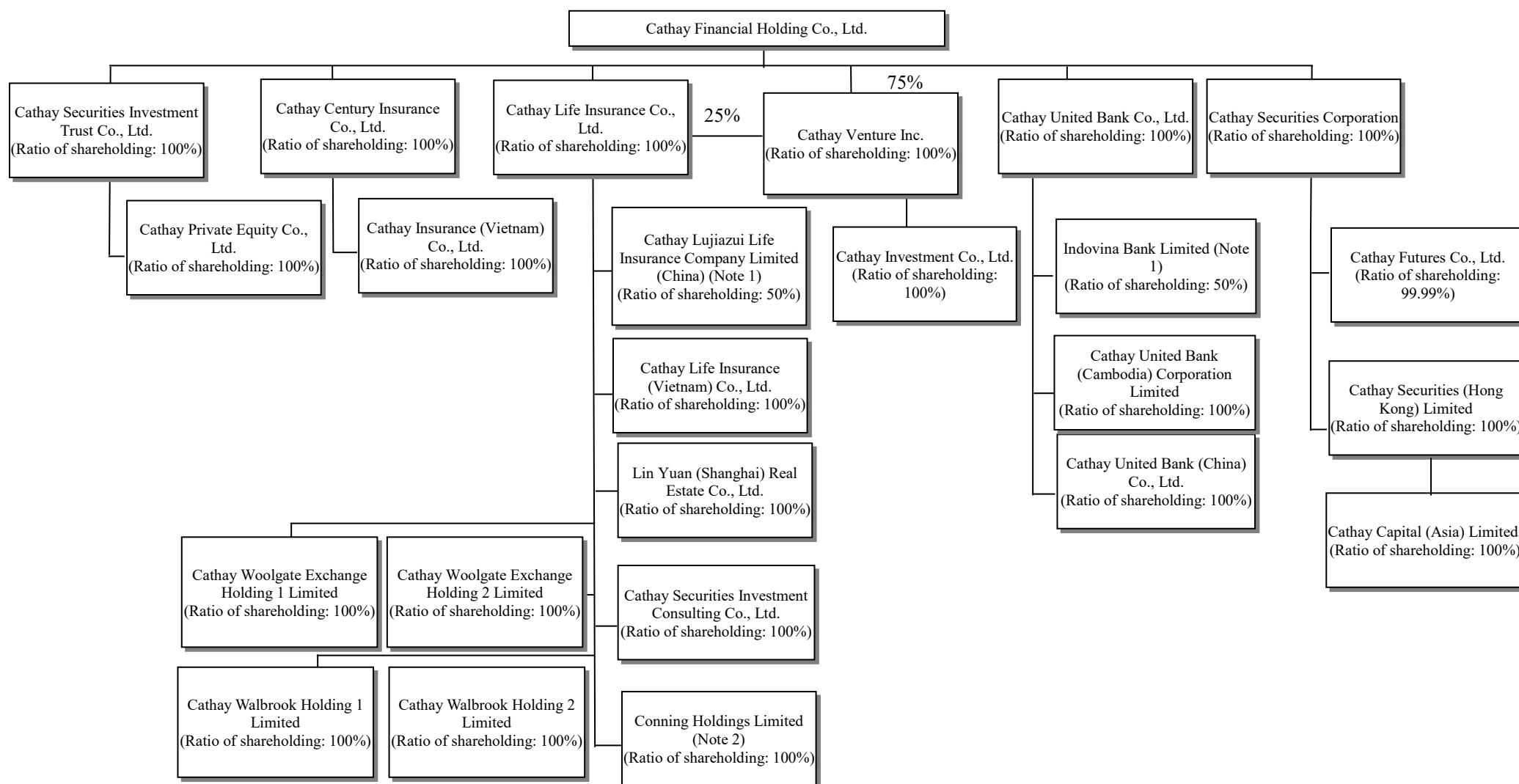
Address: No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei
City 106, Taiwan (R.O.C.)

Tel: (02)2755-1399

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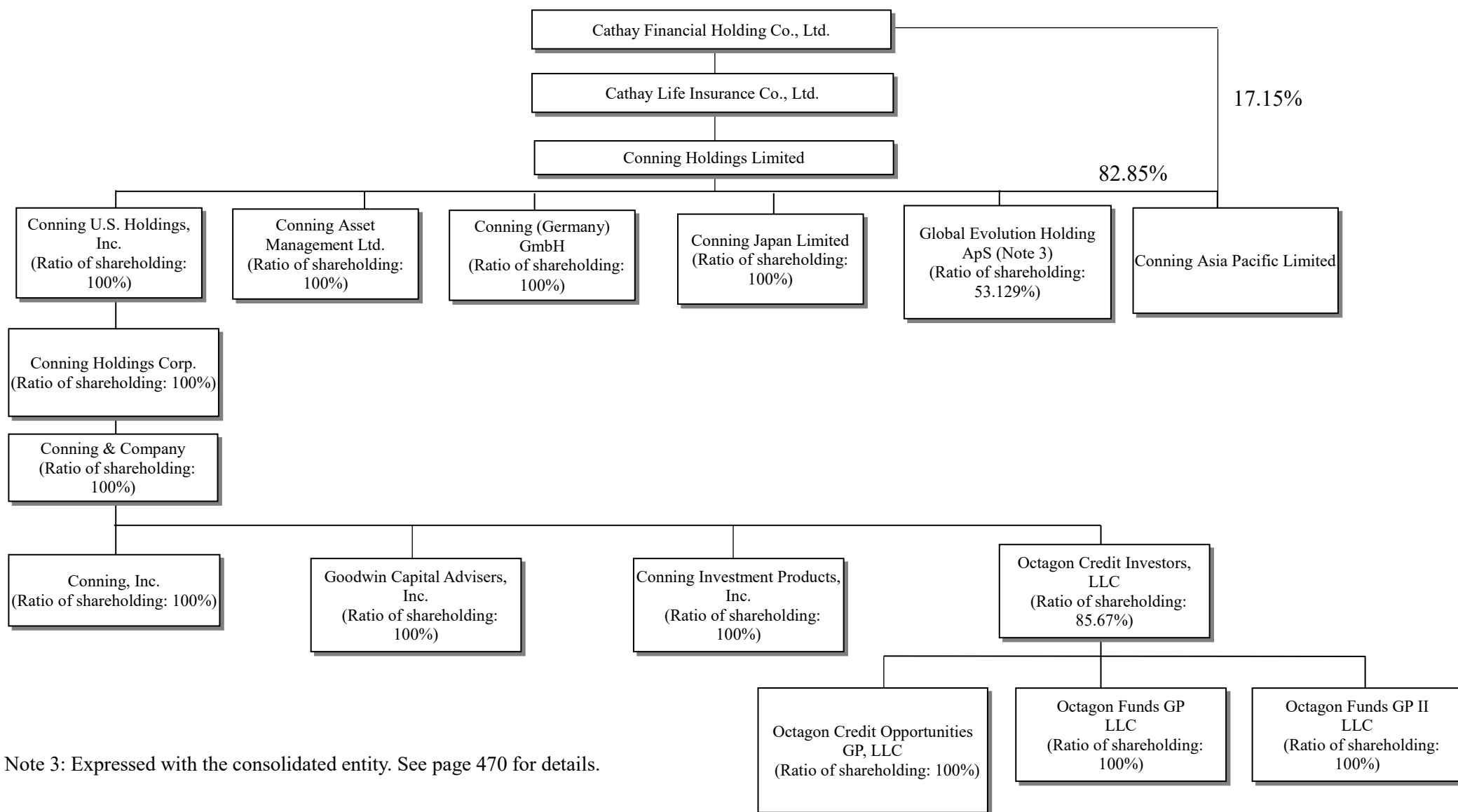
Organizational Structure of Affiliates



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding company Act.

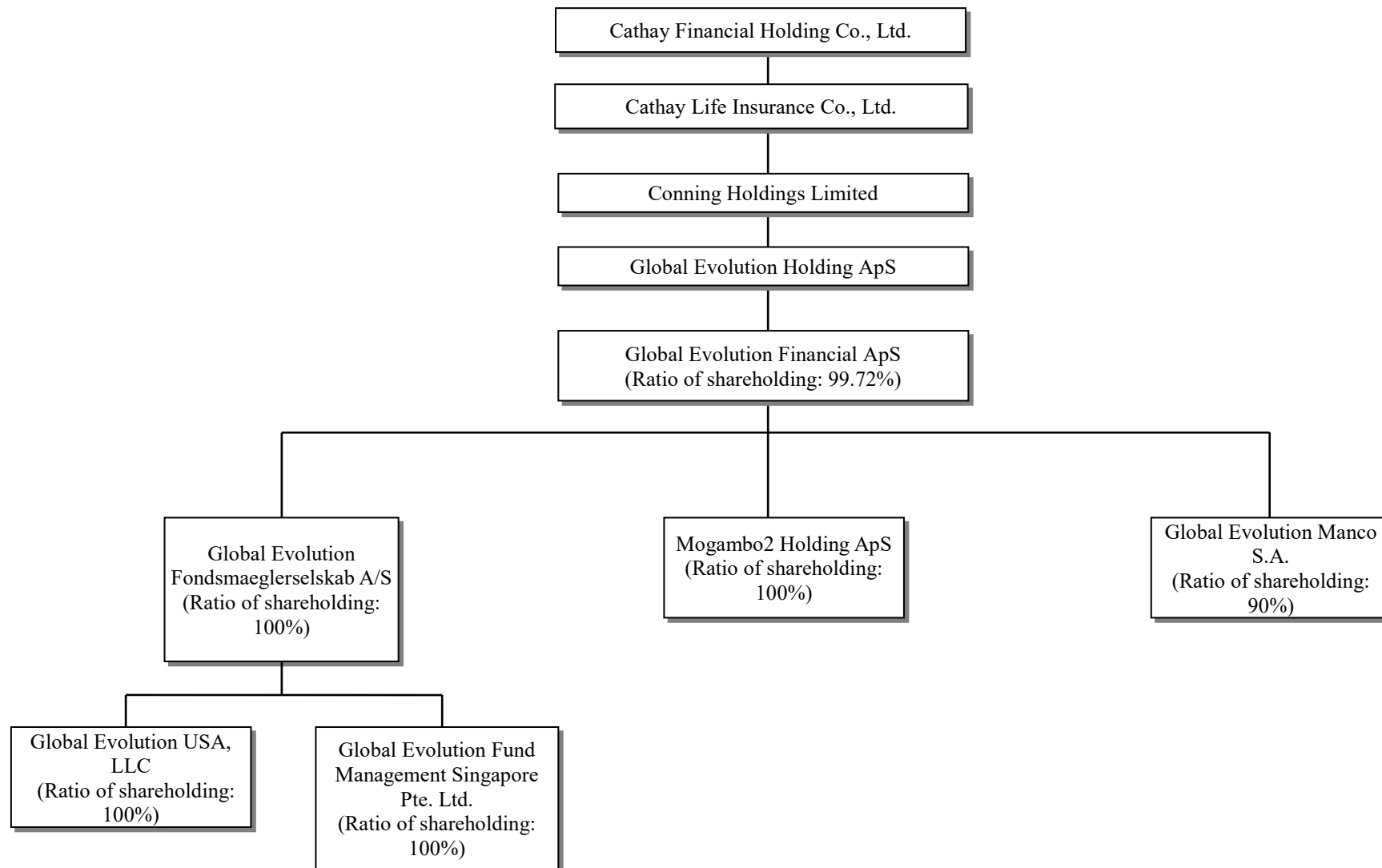
Note 2: Expressed with the consolidated entity. See page 469 for details.

Organizational Structure of Affiliates (Continued)



Note 3: Expressed with the consolidated entity. See page 470 for details.

Organizational Structure of Affiliates (Continued)



Information on Affiliates

Unit: NT\$ thousand

Affiliate name	Date of Establishment	Address	Total Paid-in Capital	Principal business activities or productions
Cathay Financial Holding Co., Ltd.	2001.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$ 147,025,102	Financial Holdings
Cathay Life Insurance Co., Ltd.	1962.10.23	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	58,515,274	Life insurance business
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	106,985,830	Banking business
Cathay Century Insurance Co., Ltd.	1993.7.19	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,057,052	Financial insurance Business
Cathay Securities Corporation	2004.5.12	19F. & 20F., No. 333 and 6F., 10F., 18F., 19F., 20F., 21F., & 22F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	7,300,000	Securities Business
Cathay Venture Inc.	2003.4.10	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	4,842,362	Venture capital business
Cathay Securities Investment Trust Co., Ltd.	2000.2.11	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust
Cathay Securities Investment Consulting Co., Ltd.	2002.11.25	6F., No. 108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	300,000	Securities investment consulting
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	19F., Segment B, Oriental Financial Plaza, No. 1168, Pudong New Area, Shanghai	13,497,155	Life insurance business
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Room 306, 3F-2 Dining Room, Huadu Building, No. 828-838, Zhangyang Road, Pilot Free Trade Zone, Shanghai	7,223,435	Leasing of Proprietary Office Space
Cathay Life Insurance (Vietnam) Co., Ltd.	2007.11.21	46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	9,090,730	Life insurance business
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	16,654,013	Real Estate Investment Management
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	IFC 5, St. Helier, Jersey, JE1 1ST	168,222	Real Estate Investment Management
Cathay Walbrook Holding 1 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	10,189,090	Real Estate Investment Management
Cathay Walbrook Holding 2 Limited	2015.3.31	IFC 5, St. Helier, Jersey, JE1 1ST	536,268	Real Estate Investment Management

Information on Affiliates (Continued)

Unit: NT\$ thousand

Affiliate name	Date of Establishment	Address	Total Paid-in Capital	Principal business activities or productions
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	\$ 15,723,539	Holding company
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holding company
Conning Asset Management Ltd.	1998.10.16	24 Monument Street, London, EC3R 8AJ, United Kingdom	191,303	Asset Management Business
Conning (Germany) GmbH	2012.1.10	Augustinerstr. 10, 50667, Cologne, Germany	938	Risk Management Software Business
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queens Road Central, Hong Kong	577,686	Asset Management Business
Conning Japan Limited	2015.9.3	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan	-	Asset Management Business
Global Evolution Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	333,739	Holding company
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holding company
Conning & company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holding company
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset Management Business
Goodwin Capital Advisers, Inc.	2002.3.14	One Financial Plaza, Hartford, CT, 06103, USA	172	Asset Management Business
Conning Investment Products, Inc.	2002.2.13	One Financial Plaza, Hartford, CT, 06103, USA	-	Securities Business
Octagon Credit Investors, LLC	1998.12.29	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management Business
Octagon Credit Opportunities GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business

Information on Affiliates (Continued)

Unit: NT\$ thousand

Affiliate name	Date of Establishment	Address	Total Paid-in Capital	Principal business activities or productions
Global Evolution Financial ApS	2019.1.1	Kokholm 3A, DK-6000 Kolding, Denmark	\$ -	Asset Management Business
Global Evolution Fondsmaglerselskab A/S	2007.6.4	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management Business
Mogambo2 Holding ApS	2007.5.1	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management Business
Global Evolution Manco S.A.	2007.8.17	15, Rue dEpernay, L -1490 Luxemboug, Luxemburg	-	Asset Management Business
Global Evolution USA, LLC	2012.1.27	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset Management Business
Global Evolution Fund Management Singapore Pte. Ltd.	2019.10.10	6 Battery Road, #30-00, Singapore 0499909	-	Asset Management Business
Cathay Insurance (Vietnam) Co., Ltd.	2010.11.2	6th floor, 46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	845,585	Financial insurance Business
Indovina Bank Limited	1992.10.29	97A Nguyen Van Troi Street Ward 12, Phu Nhuan Dist., HCMC, Vietnam	6,094,911	Banking
Cathay United Bank (Cambodia) Corporation Limited	1993.7.5	No.68, Samdech Pan Street (St.214), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
Cathay United Bank (China) Co., Ltd.	2018.9.3	8F , Foxconn Building, No. 1366 , Lujiazui Ring Road, Pudong New District, Shanghai	14,377,562	Banking
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333 and 10F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures business
Cathay Securities (Hong Kong) Limited	2007.3.22	Room 1001, 10/F., China Building, No. 29 Queen's Road Central, Hong Kong	1,108,244	Securities Business
Cathay Capital (Asia) Limited.	2020.2.24	Unit B, 17th floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong.	3,875	Investment Business
Cathay Investment Co., Ltd.	2019.11.5	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	35,000	Venture capital business
Cathay Private Equity Co., Ltd.	2017.11.15	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	100,000	Private equity service

Information on common shareholders assumed to be in a controlling and subordinate relationship

Unit: NT\$ thousand; Shares; %

Reason that affiliation is presumed	Title or name (Note 1)	Number of shares held (Note 2)		Date of Establishment	Address	Total Paid-in Capital	Main business
		Number of shares	Ratio of shareholding				
None							

Note 1: The juristic persons' names shall be filled in where the shareholders in common are juristic persons; the natural persons' names shall be filled in where the shareholders in common are natural persons. For natural persons, only the reason that affiliation is presumed, and the natural persons' names and shareholding status shall be filled in.

Note 2: The shareholders' shareholding information on the controlling company shall be filled in.

Information on directors, supervisors, and presidents of affiliated corporations

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	51,553,364	0.35%
	Vice Chairman	Tsu-Pei Chen (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Andrew Ming-Jian Kuo (Representative of Culture and Charity Foundation of the Cathay United Bank)	6,600,740	0.05%
	Director	Cheng-Ta Tsai (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	60,241,183	0.41%
	Director	Cheng-Chiu Tsai (Representative of Chen-Sheng Industrial Co., Ltd.)	33,875,134	0.23%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.24%
	Independent Director	Edward Yung-Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Li-Ling Wang	-	-
	Independent Director	Tang-Chieh Wu	-	-
	President	Chang-Ken Lee	151,729	0.001%

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	Chairman	Tiao-Kuei Huang	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Vice Chairman	Ming-Ho Hsiung	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Joseph Tsai	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chung-Yan Tsai	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	John Chu	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Shang-Chi Liu	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Chao-Ting Lin	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Director	Yi-Tsung Wang	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Li-Ling Wang	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Independent Director	Tang-Chieh Wu	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Resident Supervisor	Chih-Ying Tsai	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Chih-Ming Lin	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Yung-Chen Li	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	Supervisor	Han-Chang Tsai	(Representative of Cathay Financial Holdings)	5,851,527,395	100%
	President	Shang-Chi Liu		-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Vice Chairman	Joseph Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director /Independent Director	Tang-Chieh Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Wei-Cheng Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Managing Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Edward Yung-Do Way (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Resident Supervisor	Yiao-Chiun Lai (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	Supervisor	Liang-Lin Chien (Representative of Cathay Financial Holdings)	10,698,582,892	100%
	President	Wei-Cheng Lee	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Vice Chairman	Jung-Hsien Hsu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Fa-Te Chang	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsu-Yao Lu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Chih-Yi Yu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsung-Hsien Tsai	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Wan-Hsiang Chen	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Tang-Chieh Wu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Feng-Chiang Miao	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Resident Supervisor	Chin-Hsing Liu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	Supervisor	Tso-Hsing Hsu	(Representative of Cathay Financial Holdings)	305,705,194	100%
	President	Wan-Hsiang Chen		-	-
Cathay Securities Corporation	Chairman	Shun-Yu Chuang	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chang-Ken Lee	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Chin-Hsing Liu	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Director	Kuan-Cheng Chou	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Edward Yung-Do Way	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Independent Director	Wei-Kang Pan	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Wan-Chu Ma	(Representative of Cathay Financial Holdings)	730,000,000	100%
	Supervisor	Po-Shen Fuh	(Representative of Cathay Financial Holdings)	730,000,000	100%
	President	Kuan-Cheng Chou		-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	363,177,175	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	363,177,175	75%
	Supervisor	Shun-Yu Chuang	-	-
	President	Chuan-Yen Hu	-	-
Cathay Securities Investment Trust Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Chang-Ken Lee (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Linwood (Woody) E. Bradford (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Bo Rolf Anders Kratz (Representative of Cathay Financial Holdings)	150,000,000	100%
	Supervisor	Jui-Hung Hung (Representative of Cathay Financial Holdings)	150,000,000	100%
	President	Yung-Chuan Chang	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay Securities Investment Consulting Co., Ltd.	Chairman	Chih-Te Sun	(Representative of Cathay Life)	30,000,000	100%
	Director	Bo Rolf Anders Kratz	(Representative of Cathay Life)	30,000,000	100%
	Director	Linwood (Woody) E. Bradford	(Representative of Cathay Life Insurance)	30,000,000	100%
	Director	Su-Chu Li	(Representative of Cathay Life)	30,000,000	100%
	Director	Chun-Hung Wu	(Representative of Cathay Life)	30,000,000	100%
	Director	Ruo-Lan Huang	(Representative of Cathay Life Insurance)	30,000,000	100%
	Supervisor	Wei-Chi Li	(Representative of Cathay Life)	30,000,000	100%
	President	Ruo-Lan Huang		-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li	(Representative of Shanghai Lujiazui Finance & Trade Development Co., Ltd.)	-	50%
	Director	Yen Wang	(Representative of Shanghai Lujiazui Finance & Trade Development Co., Ltd.)	-	50%
	Director	Hsi Hu	(Representative of Shanghai Lujiazui Finance & Trade Development Co., Ltd.)	-	50%
	Director	Chin-Shu Lin	(Representative of Cathay Life)	-	50%
	Director	Chun-Hung Wu	(Representative of Cathay Life)	-	50%
	Director	Ming-Hung Liao	(Representative of Cathay Life)	-	50%
	Independent Director	Fang-Shu Chan	(Representative of Cathay Life Insurance) (Note)	-	50%
	Independent Director	Chiang-Feng Lin	(Representative of Cathay Life) (Note)	-	50%
	Independent Director	Chung-Chi Chang	(Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.) (Note)	-	50%
	Independent Director	Tao-Yung Lou	(Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.) (Note)	-	50%
	President	Ming-Hung Liao		-	-

Note: To go in effect once approved by the local authority.

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Chairman	Wen-Kai Kuo	(Representative of Cathay Life)	-	100%
	Director	Wei-Chi Li	(Representative of Cathay Life)	-	100%
	Director	Min-Hung Shih	(Representative of Cathay Life)	-	100%
	Supervisor	Hsu-Feng Cheng	(Representative of Cathay Life)	-	100%
	President	-		-	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Chairman	Chin-Shu Lin	(Representative of Cathay Life)	-	100%
	Director	Chun-Hung Wu	(Representative of Cathay Life)	-	100%
	Director	Hsun-Yu Li	(Representative of Cathay Life)	-	100%
	Supervisor	Fu-Min Wang	(Representative of Cathay Life)	-	100%
	President	Hsun-Yu Li		-	-
Cathay Woolgate Exchange Holding 1 Limited	Executive Director	Wen-Kai Kuo	(Representative of Cathay Life)	326,700,000	100%
	Director	Ting-Lun Li	(Representative of Cathay Life)	326,700,000	100%
	Director	Min-Hung Shih	(Representative of Cathay Life)	326,700,000	100%
	President	-		-	-
Cathay Woolgate Exchange Holding 2 Limited	Executive Director	Wen-Kai Kuo	(Representative of Cathay Life)	3,300,000	100%
	Director	Yi-Hui Chien	(Representative of Cathay Life)	3,300,000	100%
	Director	Min-Hung Shih	(Representative of Cathay Life)	3,300,000	100%
	President	-		-	-
Cathay Walbrook Holding 1 Limited	Executive Director	Wen-Kai Kuo	(Representative of Cathay Life)	213,750,000	100%
	Director	Hsu-Feng Cheng	(Representative of Cathay Life)	213,750,000	100%
	Director	Ting-Lun Li	(Representative of Cathay Life)	213,750,000	100%
	President	-		-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay Walbrook Holding 2 Limited	Executive Director	Wen-Kai Kuo	(Representative of Cathay Life)	11,250,000	100%
	Director	Hsu-Feng Cheng	(Representative of Cathay Life)	11,250,000	100%
	Director	Min-Hung Shih	(Representative of Cathay Life)	11,250,000	100%
	President	-		-	-
Conning Holdings Limited	Chairman	Linwood (Woody) E. Bradford	(Representative of Cathay Life Insurance)	2,029,287	100%
	Director	Chih-Te Sun	(Representative of Cathay Life)	2,029,287	100%
	Director	Joseph Tsai	(Representative of Cathay Life)	2,029,287	100%
	Independent Director	John Boneparth	(Representative of Cathay Life)	2,029,287	100%
	Independent Director	Meryl D. Hartzband	(Representative of Cathay Life)	2,029,287	100%
	Independent Director	Ronald P. Joelson	(Representative of Cathay Life)	2,029,287	100%
	Independent Director	David P. Marks	(Representative of Cathay Life)	2,029,287	100%
	Independent Director	Jason Rotman	(Representative of Cathay Life)	2,029,287	100%
	President	-		-	-
Conning U.S. Holdings, Inc.	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	218	100%
	President	-		-	-
Conning Asset Management Ltd.	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Russell Busst	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Simon Hawkins	(Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	Michael Carpenter	(Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	David P. Marks	(Representative of Conning Holdings Limited)	3,734,000	100%
	President	-		-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Conning (Germany) GmbH	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	25,100	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	25,100	100%
	President	-	-	-
Conning Asia Pacific Limited	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	226,150,417	82.85%
	Director	Siew Mee Yeo (Representative of Conning Holdings Limited)	226,150,417	82.85%
	President	-	-	-
Conning Japan Limited	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	1	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	1	100%
	President	-	-	-
Global Evolution Holding ApS	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	3,696,186	53.129%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	3,696,186	53.129%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	President	-	-	-
Conning & Company	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Corp.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning Holdings Corp.)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning Holdings Corp.)	1,000	100%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Conning, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	100	100%
	Director	Jung W. Lee (Representative of Conning & Company)	100	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	100	100%
	President	-	-	-
Goodwin Capital Advisers, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	628,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	628,000	100%
	Director	Richard Sega (Representative of Conning & Company)	628,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	628,000	100%
	President	-	-	-
Conning Investment Products, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	1,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	1,000	100%
	President	-	-	-
Octagon Credit Investors, LLC	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	-	85.67%
	Director	Jung W. Lee (Representative of Conning & Company)	-	85.67%
	Director	Richard Sega (Representative of Conning & Company)	-	85.67%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	85.67%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	85.67%
	President	-	-	-
Octagon Credit Opportunities GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Global Evolution Financial ApS	N/A	Global Evolution Holding ApS	-	99.72%
Global Evolution Fondsmæglerselskab A/S	N/A	Global Evolution Financial ApS	-	100%
Mogambo2 Holding ApS	N/A	Global Evolution Financial ApS	-	100%
Global Evolution Manco S.A.	N/A	Global Evolution Financial ApS	-	90%
Global Evolution USA, LLC	N/A	Global Evolution Fondsmæglerselskab A/S	-	100%
Global Evolution Fund Management Singapore Pte. Ltd.	N/A	Global Evolution Fondsmæglerselskab A/S	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Yi-Min Hu (Representative of Cathay Century Insurance)	-	100%
	Director	Yu-Tang Lin (Representative of Cathay Century Insurance)	-	100%
	Director	Ping-Yao Lin (Representative of Cathay Century Insurance)	-	100%
	President	Yu-Tang Lin	-	-
Indovina Bank Limited	Chairman	Le Duy Hai (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Chun-Hao Liu (Representative of Cathay United Bank)	-	50%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	-	50%
	Director	Tran Thi Hong Anh (Representative of Vietinbank)	-	50%
	Director	Pham Bao Khue (Representative of Vietinbank)	-	50%
	President	Chun-Hao Liu	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay United Bank (Cambodia) Corporation Limited	Chairman	Chung-Yi Teng	(Representative of Cathay United Bank)	100,000,000	100%
	Director	Chih-Te Sun	(Representative of Cathay United Bank)	100,000,000	100%
	Director	Yi-Fang Chan	(Representative of Cathay United Bank)	100,000,000	100%
	Director	Hua-Ben Miao	(Representative of Cathay United Bank)	100,000,000	100%
	Director	Hsiu-Chu Chuang	(Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Wu-Shui Cheng	(Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia	(Representative of Cathay United Bank)	100,000,000	100%
	President	Hsiu-Chu Chuang		-	-
Cathay United Bank (China) Co., Ltd.	Chairman	Andrew Ming-Jian Kuo	(Representative of Cathay United Bank)	-	100%
	Director	Wei-Cheng Lee	(Representative of Cathay United Bank)	-	100%
	Director	Chung-Yi Teng	(Representative of Cathay United Bank)	-	100%
	Director	Chi-Yuan Chien	(Representative of Cathay United Bank)	-	100%
	Director	Francis Peng	(Representative of Cathay United Bank)	-	100%
	Independent Director	Wu-Shui Cheng	(Representative of Cathay United Bank)	-	100%
	Independent Director	Ching-Cheng Hua	(Representative of Cathay United Bank)	-	100%
	Supervisor	Wei-Hua Chou	(Representative of Cathay United Bank)	-	100%
	President	Francis Peng		-	-
Cathay Futures Co., Ltd.	Chairman	Kuan-Cheng Chou	(Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu	(Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chuang-Hao Lo	(Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chao-Kuei Kuo	(Representative of Cathay Securities)	66,693,748	99.99%
	Supervisor	Yu-Mei Lee		-	-
	President	Chuang-Hao Lo		-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Unit: shares; %

Affiliate name	Title	Name and Representative		Number of shares held	
				Number of shares	Ratio of shareholding
Cathay Securities (Hong Kong) Limited	Director/President	Shun-Yu Yang	(Representative of Cathay Securities)	-	100%
	Director	Wan-Chin Chen	(Representative of Cathay Securities)	-	100%
	Director	Hsing-Chien Chao	(Representative of Cathay Securities)	-	100%
	President	-		-	-
Cathay Capital (Asia) Limited.	Director/President	Shun-Yu Yang	(Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chu-Wang Wu	(Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	Director	Chi-Wu Chen	(Representative of Cathay Securities (Hong Kong) Limited)	-	100%
	President	-		-	-
Cathay Investment Co., Ltd.	Chairman	Jen-Ho Chang	(Representative of Cathay Venture)	3,500,000	100%
	Director	Kuan-Cheng Chou	(Representative of Cathay Venture)	3,500,000	100%
	Director	Po-Shen Fuh	(Representative of Cathay Venture)	3,500,000	100%
	Director	Kuang-Tzu Wang	(Representative of Cathay Venture)	3,500,000	100%
	Director	Cheng-Huan Tuan	(Representative of Cathay Venture)	3,500,000	100%
	Supervisor	Chang-Hui Hung	(Representative of Cathay Venture)	3,500,000	100%
	President	Kuang-Tzu Wang		-	-
Cathay Private Equity Co., Ltd.	Chairman	Shyi Chang	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Andrew Ming-Jian Kuo	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Yung-Chuan Chang	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Chuan-Yen Hu	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Director	Hui-Chun Wu	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	Supervisor	Kou-Chung Huang	(Representative of Cathay Securities Investment Trust)	10,000,000	100%
	President	Shyi Chang		-	-

An overview of operations of the affiliates

Unit: NT\$ thousand

Affiliate name	Location	Paid-in Capital	Total assets	Total liabilities	Net value	Operating income	Operating benefit (loss)/ net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current after-tax (loss) profit	Earnings Per Share (NTD)
Cathay Financial Holding Co., Ltd.	Taiwan	\$ 147,025,102	\$1,003,303,225	\$ 110,242,009	\$ 893,061,216	Note 1	\$ 78,756,407	\$ 77,117,686	(\$ 2,538,226)	\$ 74,579,460	5.41
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,604,328,474	6,890,601,110	713,727,364	906,260,419	48,368,007	49,950,622	1,793,972	51,744,594	8.84
Cathay United Bank Co., Ltd.	Taiwan	106,985,830	3,124,394,955	2,882,098,083	242,296,872	Note 1	58,669,139	25,021,667	(3,168,000)	21,853,667	2.04
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	43,878,548	30,748,722	13,129,826	20,406,319	2,545,831	2,550,277	(376,333)	2,173,944	7.11
Cathay Securities Corporation	Taiwan	7,300,000	47,513,736	36,143,794	11,369,942	5,397,349	1,655,688	1,728,555	(261,176)	1,467,379	2.19
Cathay Venture Inc.	Taiwan	4,842,362	6,033,380	44,780	5,988,600	433,436	383,553	382,500	(5,425)	377,075	0.78
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	3,749,923	825,762	2,924,161	2,873,737	1,085,722	1,075,733	(218,431)	857,302	5.72
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	807,797	170,319	637,478	731,116	273,162	268,806	(53,761)	215,045	7.72
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	58,549,117	46,516,828	12,032,289	16,810,496	1,725,660	1,726,939	(237,354)	1,489,585	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,582,774	616,390	7,966,384	278,814	227,089	227,089	(65,676)	161,413	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	9,090,730	18,052,708	7,071,171	10,981,537	3,119,731	(1,140,849)	(1,135,031)	(815)	(1,135,846)	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey, C.I.	16,654,013	13,430,575	58,881	13,371,694	(277,275)	(283,015)	(283,015)	(62,205)	(345,220)	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey, C.I.	168,222	133,880	681	133,199	(2,823)	(4,154)	(4,154)	(450)	(4,604)	-
Cathay Walbrook Holding 1 Limited	Jersey, C.I.	10,189,090	21,791,237	12,923,194	8,868,043	407,658	(24,591)	(24,591)	(2,039)	(26,630)	-
Cathay Walbrook Holding 2 Limited	Jersey, C.I.	536,268	1,141,910	679,860	462,050	21,439	(2,872)	(2,872)	48	(2,824)	-
Conning Holdings Limited (Note 2)	U.K.	15,723,539	24,004,482	9,888,411	14,116,071	10,260,771	3,116,215	3,115,118	(264,459)	2,850,659	-
Conning U.S. Holdings, Inc.	USA	-	16,131,664	5,952,424	10,179,240	7,183,006	1,209,529	1,209,529	(224,890)	984,639	-
Conning Asset Management Ltd.	U.K.	191,303	403,111	160,562	242,549	264,920	33,811	33,811	(6,184)	27,627	-
Conning (Germany) GmbH	Germany	938	55,114	29,597	25,517	14,192	3,742	3,742	(1,218)	2,524	-
Conning Asia Pacific Limited	Hong Kong	577,686	435,491	116,955	318,536	477,482	96,465	96,465	-	96,465	-
Conning Japan Limited	Japan	-	12	-	12	-	-	-	-	-	-
Global Evolution Holding ApS	Denmark	333,739	1,170,522	682,935	487,587	708,830	228,580	228,580	(65,935)	162,645	-
Conning Holdings Corp.	USA	-	10,885,268	3,778,675	7,106,593	7,183,006	1,319,032	1,319,032	(264,183)	1,054,849	-
Conning & Company	USA	4,485	10,156,192	3,795,484	6,360,708	7,180,660	1,320,953	1,320,953	(250,125)	1,070,828	-
Conning, Inc.	USA	329	2,490,978	1,333,706	1,157,272	3,669,690	301,476	301,476	(73,490)	227,986	-

Affiliate name	Location	Paid-in Capital	Total assets	Total liabilities	Net value	Operating income	Operating benefit (loss)/ net income (loss)	Current pre-tax (loss) profit	Income tax (expense) benefit	Current after-tax (loss) profit	Earnings Per Share (NTD)
Goodwin Capital Advisers, Inc.	USA	172	110,707	9,612	101,095	79,844	36,818	36,818	(7,720)	29,098	-
Conning Investment Products, Inc.	USA	-	19,805	1,726	18,079	10,988	(6,767)	(6,767)	877	(5,890)	-
Octagon Credit Investors, LLC	USA	-	3,086,119	1,122,287	1,963,832	3,420,138	1,230,166	1,230,166	(30,153)	1,200,013	-
Octagon Credit Opportunities GP, LLC	USA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Financial ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Fondsmæglerselskab A/S	Denmark	-	-	-	-	-	-	-	-	-	-
Mogambo2 Holding ApS	Denmark	-	-	-	-	-	-	-	-	-	-
Global Evolution Manco S.A.	Luxembourg	-	-	-	-	-	-	-	-	-	-
Global Evolution USA, LLC	USA	-	-	-	-	-	-	-	-	-	-
Global Evolution Fund Management Singapore Pte. Ltd.	Singapore	-	-	-	-	-	-	-	-	-	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,030,335	419,834	610,501	338,418	33,281	34,221	(8,179)	26,042	-
Indovina Bank Limited	Vietnam	6,094,911	67,319,841	58,602,343	8,717,498	Note 1	2,289,821	1,159,877	(244,603)	915,274	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	11,024,162	8,091,246	2,932,916	Note 1	577,456	99,897	(11,419)	88,478	0.88
Cathay United Bank (China) Co., Ltd.	China	14,377,562	65,170,894	48,929,188	16,241,706	Note 1	1,084,636	265,239	(87,660)	177,579	-
Cathay Futures Co., Ltd.	Taiwan	667,000	16,915,042	15,351,737	1,563,305	369,175	(8,010)	77,722	(15,320)	62,402	0.94
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	4,689,595	4,095,733	593,862	115,971	(25,148)	(23,181)	-	(23,181)	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	3,436	182	3,254	(5)	(444)	(439)	-	(439)	-
Cathay Investment Co., Ltd.	Taiwan	35,000	35,314	782	34,532	97	(546)	(557)	131	(426)	(0.12)
Cathay Private Equity Co., Ltd.	Taiwan	100,000	81,700	4,294	77,406	10,061	(12,434)	(12,529)	2,379	(10,150)	(1.31)

Note 1: Due to revisions in Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks, the financial statements of such companies do not include items such as operating revenue and operating income. Therefore, the company only discloses net income.

Note 2: Conning Holdings Limited is presented in consolidated entity.

Operating overview of affiliated corporations

I. Businesses activities covered by affiliated companies:

- (1) Cathay Financial Holding Co., Ltd.: Financial Holdings
- (2) Cathay Life Insurance Co., Ltd.: Personal insurance representative.
- (3) Cathay United Bank Co., Ltd.: Banking business.
- (4) Cathay Century Insurance Co., Ltd.: Financial insurance Business.
- (5) Cathay Securities Corporation: Securities Business.
- (6) Cathay Venture Inc.: Venture capital business.
- (7) Cathay Securities Investment Trust Co., Ltd.: Securities investment trust business.
- (8) Cathay Securities Investment Consulting Co., Ltd.: Securities investment consultant business.
- (9) Cathay Lujiazui Life Insurance Company Limited: Personal insurance representative.
- (10) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space
- (11) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal insurance representative.
- (12) Cathay Woolgate Exchange Holding 1 Limited: Management of real estate investment.
- (13) Cathay Woolgate Exchange Holding 2 Limited: Management of real estate investment.
- (14) Cathay Walbrook Holding 1 Limited: Management of real estate investment.
- (15) Cathay Walbrook Holding 2 Limited: Management of real estate investment.
- (16) Conning Holdings Limited: Holdings company.
- (17) Conning U.S. Holdings, Inc.: Holdings company.
- (18) Conning Asset Management Ltd.: Asset management business.
- (19) Conning (Germany) GmbH: Risk Management Software Business.
- (20) Conning Asia Pacific Limited: Asset management business.
- (21) Conning Japan Limited: Asset management business.
- (22) Global Evolution Holding ApS: Holdings company

- (23) Conning Holdings Corp.: Holdings company.
- (24) Conning & Company: Holdings company.
- (25) Conning, Inc.: Asset management business.
- (26) Goodwin Capital Advisers, Inc.: Asset management business.
- (27) Conning Investment Products, Inc.: Securities business.
- (28) Octagon Credit Investors, LLC: Asset management business.
- (29) Octagon Credit Opportunities GP, LLC: Fund Management Business
- (30) Octagon Funds GP LLC: Fund management business.
- (31) Octagon Funds GP II LLC: Fund management business.
- (32) Global Evolution Financial ApS: Asset Management Business
- (33) Global Evolution Fondsmæglerselskab A/S: Asset Management Business
- (34) Mogambo2 Holding ApS: Asset Management Business
- (35) Global Evolution Manco S.A.: Asset Management Business
- (36) Global Evolution USA, LLC: Asset Management Business
- (37) Global Evolution Fund Management Singapore Pte. Ltd.: Asset Management Business
- (38) Cathay Insurance (Vietnam) Co., Ltd.: Property and casualty insurance.
- (39) Indovina Bank Limited: Banking.
- (40) Cathay United Bank (Cambodia) Corporation Limited: Banking.
- (41) Cathay United Bank (China) Co., Ltd.: Banking.
- (42) Cathay Futures Co., Ltd.: Futures.
- (43) Cathay Securities (Hong Kong) Limited: Securities Business.
- (44) Cathay Capital (Asia) Limited.: Investment Business
- (45) Cathay Investment Co., Ltd.: Venture capital business.
- (46) Cathay Private Equity Co., Ltd.: Private Equity Service

II. Cooperation among all affiliated companies:

(I) Joint business promotion

To improve competitiveness and operational synergy, the company consolidated diverse financial institutions, including the bank, the insurance company, and the securities firm, to create an operation platform with comprehensive product lines. With 635 business locations throughout Taiwan and nearly 30,000 well-trained sales staff, the company develops comprehensive financial management and provides one-stop shopping service for customers.

(II) Interoperability of information

To provide comprehensive financial products and services to customers, our company has stipulated “Regulations Governing Management of Joint Marketing Among Subsidiaries of Cathay Life Insurance Co., Ltd.,” “Joint Marketing Agreement Among Subsidiaries of Cathay Life Insurance Co., Ltd.,” “Business and Customer Information Confidentiality Agreement Among Subsidiaries of Cathay Life Insurance Co., Ltd.,” “Joint Statement of Confidentiality Measures Among Subsidiaries of Cathay Life Insurance Co., Ltd.,” “Regulations Governing Surveillance on Marketing of Subsidiaries by Marketing and Planning Department of Cathay Life Insurance Co., Ltd.,” and “Regulations Governing Data Storage Management of Cathay Life Insurance Co., Ltd.” pursuant to “Financial Holding company Act,” “Personal Information Protection Act,” “Regulations Governing Management of Joint Marketing Among Subsidiaries of a Financial Holding company,” “Rules on Self-regulation for Financial Holding Companies and Their Subsidiaries,” and other applicable letters and orders by FSC. Our company also provides exit mechanism for customers, striving to use customer information from one another and provide comprehensive financial products and services in an environment that is as lawful, secure, and confidential as possible.

(III) Shared business facilities or locations

The group continues to expand joint marketing within the scope approved by law in order to provide the ultimate one-stop financial service experience.

1. Cathay United Bank has 165 branches involved in the joint marketing of securities. Following deregulation a few years back, Cathay United Bank began providing insurance agency services on April 29, 2016, and has since been coordinating its 165 branches nationwide for the sale of life insurance and non-life insurance products.
2. Similarly, Cathay Life began joint marketing of banking and non-life insurance services through its 65 service centers.
3. Meanwhile, Cathay Securities has set up joint marketing offices at 32 branches of Cathay Life including Zhong Xiao Branch. By sharing business premise and equipment among subsidiaries, the group has made it convenient for customers to open up securities accounts.

(IV) Amortization and amount of revenue, cost, expense, and income

Revenues, costs, expenses and profits/losses relating to business activities jointly performed between the company and subsidiaries are allocated to the respective companies according to the nature of business activities using direct attribution or other reasonable method.

II. Any private placement of securities in the recent years up to the publication of this annual report
None.

III. The shares in the company held or disposed of by subsidiaries in the recent years up to the publication of this annual report
None.

IV. Other important supplementary information
None.

Nine. Events occurred in the previous year or up to the publication of this annual report, which significantly affect shareholders' equity or price of shares pursuant to Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act:
None.

The company's four business concepts

- I. Down-to-earth business operation and continuous improvement.
- II. Attach importance on business ethics and professional conscience.
- III. Attach importance to the rights and interests of the insured and implement corporate social responsibility.
- IV. Improve employee benefits and take into account of shareholders' interests.

Cathay Life Insurance Co., Ltd.

Chairman: Tiao-Kuei Huang