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Stock code: 5846



國泰人壽保險股份有限公司

Cathay Life Insurance Co., Ltd.

2021 Annual Report

Dated: April 29, 2022

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III. Name of Institution for stock transfer: Cathay Life Insurance Co., Ltd.

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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 previous year

(I) 2020 Business Plan and Implementation Results

The Company has made the most of the innovative spirit of the digital transformation initiative “What if We Could” and adopted the thinking of symbiosis for sustainable benefits for others and ourselves, to continue to improve profitability and reinforce the competitiveness of sustainable development. With all employees’ collective efforts, the Company’s 2021 first-year premium income reached NT\$202.39 billion, with first-year premiums equivalent to NT\$51 billion, total insurance premiums of NT\$646.06 billion (including reinsurance premium), and after-tax profits of NT\$112.23 billion. The Company has once again demonstrated outstanding performance.

(II) 2020 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	2022 (Estimate)	2021	2020
Amount	450,647	287,742	277,498
Growth rate (%)	56.6%	3.7%	11.6%

2. Results of research and development

- (1) Product innovation: The Company has been actively reacting to changes in social trends and market needs with innovative products and protections to meet the needs of different consumers. The Company’s “True Care for Cancer Prevention Life Insurance (In-kind Benefit Insurance)” introduced in 2021 has been the industry’s first attempt at providing protection for cancer concerned by the general public. The policy provides post-cancer genetic testing service, achieving higher precision and effectiveness for cancer treatment. In addition, the Company is also the first in the industry to include cancer screening, cancer vaccination and smoking cessation treatment as part of the preventive 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 nine consecutive years.
- (2) Customer Group Management: To cope with the market demand change and digital development trend, the Company adopts the three-stage marketing approach of “Understand Customer,” “Customer Cultivation” and “Customer Transfer.” Accordingly, through data model construction, precise name list recommendation, marketing resource interaction and development of suitable products, the Company is able to continue to increase the customer loyalty and transfer rate.
- (3) Digital Development: Despite the impact of COVID-19 pandemic, to protect customers and to continue our services to customers, the Company has launched the remote service experience and has established the CVX remote services platform (Cathay Vision

Experience), integrating the “Cathay FinTouch” electronic signature technology, achieving the first insurance business operator in the industry to provide remote insurance services of “Zero Contact, Zero Landing, Zero Paper.” Since the launch of the service, the Company has received positive feedback with customer satisfaction level achieving 95%, and has also received numerous domestic and foreign digital innovation related awards with great recognition.

3. Future research and development plans and progress

- (1) Product innovation: Under the trend of aging society, the life expectancy of the general public is prolonged, and the unhealthy life expectancy also increases. In 2022, the Company will focus on the development of senior-friendly products in order to compensate the guarantee for customers of senior group. In addition, we will also actively encourage self-motivated health management of the general public, continuously optimize the health promotion ecosystem by providing rich health promotion incentives and diverse health promotion spillover products, thereby increasing the incentive promoting the general public to improve health condition. In addition, the Company also provides diverse products and adaptive services to different customer groups, in order to comprehensively construct a complete protection web based on the model of “Service x Product.”
- (2) Customer Group Management: Strengthen data driven marketing applications, establish three main action plans of “Key Information,” “Marketing Model” and “Resource Allocation,” expand and integrate customer information, refine demassification management, integrate Group resources, establish diverse marketing scenarios, and develop adaptive products, thereby establishing the most suitable channels to continuously optimize customer experience and achieving the unique brand and service value of Cathay Group.
- (3) Digital Development: Link and connect Group resources and cross-industry scenarios in order to expand the three main core businesses of health ecosystem, tourism ecosystem and finance ecosystem, and also expand the opening and strengthen interactive management, thereby providing new products integrated into the living scenarios and achieving deep-rooted customer development. Furthermore, the Company will strengthen the pre-sale interactive guidance and after-sale customer management, in order to assist customers to understand their individual needs for customization. Accordingly, through intelligent recommendations, the most suitable products and service channels can be provided to customers. Moreover, through the virtual and physical environment integration model, seamless insurance services are provided to customers.

II. 2021 Business Plan

(I) 2021 business strategies

1. Digital technology

- (1) New interactive website: Strengthen the pre-sale interactive guidance and after-sale customer management; assist customers to understand their individual needs for customization through the website; recommend the most suitable products through the intelligence engine; guide them to the suitable channels to complete the purchase of insurance; provide them with seamless insurance services through the online-to-offline services and customer services by video.
- (2) An ecosystem of groups: Form alliances with other business groups and engage in collaboration with businesses in different industries, adopt the CAAS open API platform to build a layout of Cathay Life’s ecosystem; provide customers with more diverse product options and exposure in daily life scenarios; connect the campaigns to promote the Group’s Tree Points to maximize the Group’s benefits.
- (3) Remote services: Ensure customer protection and uninterrupted services during the

pandemic period; launched the industry's first CVX remote service video system to encrypt the entire process from phone calls to recordings with high-standard protection; adopt a "middle office" to quickly connect various services to complete remote services, featuring timeliness, experience, and security.

- (4) Identity authentication: Adopt Open ID technology to connect with Cathay United Bank's online banking account ID as the main basis for authentication; adopt and facial recognition technology to improve the security and convenience of authentication; continue to cooperate and pay attention to the issues related to the promotion of Fast IDentity Online (FIDO) by competent authorities and the Life Insurance Association of the Republic of China.

2. Customer service

- (1) Through insurance account management activities, in conjunction with health promotion elements, relevant service information is integrated, in order to increase customer loyalty.
- (2) With the use of innovative technologies, infringement or damage of customers' interests and rights can be detected and prevented in advance, along with the sales and marketing specialist service quality evaluation mechanism, the service quality of relevant personnel can be ensured, thereby maintaining the leading position of the Company in fair customer treatment.

3. Business development

(1) Organization Development Diversification:

- A. Continue the campus business operation, expand young customer group, and encourage regional department to self-organize activities in order to increase adhesion and interaction with customers.
- B. Continue to expand peripheral organization (CA project comprehensive promotion), in order to increase mobilization atmosphere, and to improve CA quality through role model learning.
- C. Improve supervisors' functions through education, team study and hands-on practice methods, in order to guide job rank promotion and to assist expansion of the organization.

(2) Virtual and Physical Environment Fusion for Comprehensive Development:

- A. Through comprehensive remote operation model, remote work on Tuesday continues to be implemented in order to allow all departments to become familiar with the remote operation and to continuously improve the remote service platform, thereby enhancing the operation experience of sales specialists.
- B. Through extensive course program, diverse learning channels are provided in order to establish the joint learning atmosphere for sales specialists.

4. Internal control

- (1) Enhance legal compliance, strengthen effective risk management, focus on information security and implement the internal audit/control system, continue to promote contract quality and strengthen abnormality control, and rigorously comply with regulations and maintain customers' rights and interests, thereby establishing foundation for corporate governance and sustainability.
- (2) Actions will be taken to fine-tune 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.

5. Logistic support

- (1) Corporate image:

- A. Adhering to the core spirit of “the big tree will always be there to protect you from the wind and rain, so it is always good weather in your life”, we have combined the core competencies of insurance and the environmental, social, and governance (ESG) trend to enhance our brand value and influence and become one of the international sustainable benchmarks.
- B. Implementing the concept of “combining insurance and technology to create Smart, Simple, Safe happiness”, we reinforce basic engineering in various aspects of data, IT, or business support and create a more all-round digitally innovative insurance technology.

(2) Organizational culture:

- A. Enhance organization communication capability, establish an open and faithful communication environment, in order to increase department cooperation efficiency, and to establish a trusting workplace with high physiological security for all employees.
- B. Uphold the “People-Oriented” training principle, integrate data-driven talent development training strategy, establish customized training development path according to career development needs. Emphasize “Equal Importance of Function and Skill” to cultivate cross-field professional talents and to overcome challenges in future working models.
- C. Improve supervisors’ quick management response and thinking, in conjunction with agile seed operation mechanism, in order to assist all departments to develop the culture of quick and agile response and to promote agile working model, in order to effectively cope with changes in the post-pandemic era.

(3) Digital development

- A. New Business Platform: The new business platform links and connects to digital tools of various business scenario applications, in order to establish complete end-to-end solutions. In addition, CRM2.0 insurance policy health examination and proposal revision are also enhanced in order to optimize the interface operation (UX/UI), to enhance the protection calculation performance, and to implement new technology in order to expand marketing/service customer application scenarios.
- B. Online Self-Service: Cathay Life APP is developed based on the customer-oriented design, and four main customer experience sections continue to be optimized, including marketing interaction, service interaction, self-query, and self-application, allowing customers to individually handle insurance related matters on their own. In addition, the trend of epidemic control also accelerates the promotion of the customer online digital self-service application.
- C. Innovation and Intelligence Implementation: For new business models, we also seek to implement business trial operation and supervision sandbox project. In addition, intelligent investment engine is also implemented for investment products, and new product and service models are released continuously, in order to effectively overcome problems faced by customers and to improve user experience.

(II) 2021 business targets

The 2022 total insurance premium of NT\$503.81 billion.

(III) Important production and sales policies

1. Product development

- (1) To pursue the absolute contractual service margin (CSM), we continue to facilitate the promotion of income protection insurance products and adopt the International Accounting Standards. In addition, we focus on promoting USD floating-rate insurance policies and investment-linked products to satisfy customers’ needs for retirement wealth management.
- (2) To respond to the development of the aging society, we will develop exclusive products for the elderly. In addition, we will strengthen the combination of the product spillover effect and

an ecosystem (such as CWP membership) in the first year in which a health promotion ecosystem is launched. Meanwhile, we adopt data applications to produce recommendation lists in diverse groups to reinforce the use of the lists and increase the contract signing rate.

2. Business promotion

- (1) Upgrade customer relations through the classification of policyholders and the differentiated development of the areas as per the lists of customers, while adopting artificial intelligent (AI) technology to help the head of each unit to allocate cases and increase the contract signing rate.
- (2) Identify the relations and suitability between salespersons and customers through data empowerment and visit them on Cathay Life's 60th anniversary event to narrow the distance from customers.
- (3) Integrate the demand scenarios of integrated marketing (property insurance, securities, or trust) into daily education and facilitate the upgrade of professional financial services.
- (4) Focus on the promotion of health and injury insurance products through various incentive measures and connect education at different levels with each unit to keep abreast of market trends in real-time to ensure effective employee training.

3. Sales control

- (1) Establish a rigorous code of conduct for brokerage, prevent improper brokerage, and plan control measures on the basis of the risk monitoring and service evaluation mechanisms, to prevent risks early and comply with laws and regulations to protect the customers' and the Company's rights and interests.
- (2) Reinforce each unit's observation and notification efficiency, establish a salesperson risk model, and enhance the formation of an AI protection network (prevention, interception, and leakage detection).
- (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) Leverage the core competency of "people-oriented value" to continue to protect the public

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) Weigh risks and benefits and enhance profitability

In terms of assets, achieve the short-term income target, meet the new accounting standards (IFRS17), ensure flexibility in asset allocation, maximize income, and weigh risks and benefits to stabilize the net worth fluctuations and create room for profit. In respect of operations, alleviate the impact of adopting effective contracts with high interest rates; continue to increase the mortality surplus; and stabilize the loading surplus.

(III) Seize overseas business opportunities and reinforce business synergy

Optimize post-investment management at different levels; adopt group resources; increase overseas business capital; continue to seize business opportunities in overseas markets; develop future growth momentum; strengthen the function of each insurance channel; improve overseas business performance.

(IV) Improve organizational resilience and stabilize internal development to take on future challenges

Continue to enhance innovation; focus on improving organizational resilience and internal stability;

accelerate inter-disciplinary talent training; build a foundation for trust culture; implement agile mindset management solutions; reshape future work models; embrace the drastic changes and challenges in the environment.

- (V) Support decision-making, facilitate channels, and increase operational momentum through data empowerment

Strengthen data-driven marketing and risk control; transform thinking and business decision-making through data empowerment; empower salespeople and develop new models through comprehensive data analysis; stabilize the existing customer base; continue to develop a new type of customer development model in response to changes in customer structure and behavior, thereby enhancing the next-generation business momentum.

- (VI) Reinforce risk control and continue to optimize internal control management

Improve the design, development, and implementation of information security protection projects in each stage to protect information security and data; enhance inspection and permission management; strengthen operational risk and compliance control; foster system monitoring and response; improve emergency response resource allocation; implement risk control in daily operations and conduct regular joint exercises to continue to optimize internal control management to respond to the Company's digital transformation.

- (VII) Transition to net zero emissions and low-carbon investment portfolios; strengthen organizational climate resilience

Build a green workplace with open and flexible space arrangement, increase the green power consumption in our own operating sites year by year, and satisfy tenants' needs for green power to respond to the Group's RE100 goal by 2030. Moreover, implement carbon footprint management through the investment portfolio; create low-carbon investment portfolios to respond to climate change risks and opportunities; actively engage with enterprises to urge them to transition to low-carbon operations to reinforce their organizational climate resilience.

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

(I) External competition

1. Rapid changes in FinTech leads to a significant increase in customer autonomy

During the FinTech era, customer autonomy has significant increased, and insurance companies will face more peer and interdisciplinary competition in terms of function, innovation, and cost-effectiveness.

2. More diverse goods and services for the elderly to embrace the advent of a super-aged society

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. With the policy support, the businesses in the financial industry are also actively developing financial products and services for the elderly to build a business layout to seize business opportunities from the elderly early.

(II) Legal environment

1. New policies have been launched one after another, accentuating a need for formulating short-, medium-, and long-term plans properly

With government policies launched, such as FSC's 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,

thereby strengthening financial resilience, promoting innovative finance, developing sustainable finance, and implementing inclusive finance. All are the insurance industry's development priorities.

2. The evaluation of fair treatment of consumers will contain more diverse aspects and the indicators will increase gradually

The 2022 evaluation of fair treatment of consumers will include the financial businesses' treatment of the elderly, people with disabilities, and other groups, and the "principle of selling complex and high-risk commodities" will be deleted in the 2023 evaluation, two new evaluation indicators, namely "friendly service principle" and "ethical management principle" will be added to the 2023 evaluation, to strengthen the protection of the elderly and people with disabilities.

(III) Overall business environment

The COVID-19 pandemic escalated again in 2021 and the virus even ravaged the world by the end of the year. In addition to the issue of inflation and interest rate hikes in the United States, the international community has predicted that economic growth may slow down in the following year. However, as the domestic pandemic was contained, private consumption may recover. Life insurance companies are optimistic about the interest rate hikes in the United States. The World Bank forecast that the global growth will be revised downward significantly to 4.1% in 2022 after rebounding to 5.5% in 2021. Looking ahead to 2022, the impact of the pandemic on Taiwan's economy may be alleviated gradually. The National Development Council pointed out that although the base period of 2021 was already high, the economic growth rate is still estimated to be higher than 4%.

Two. Company Profile

I. Date of Establishment

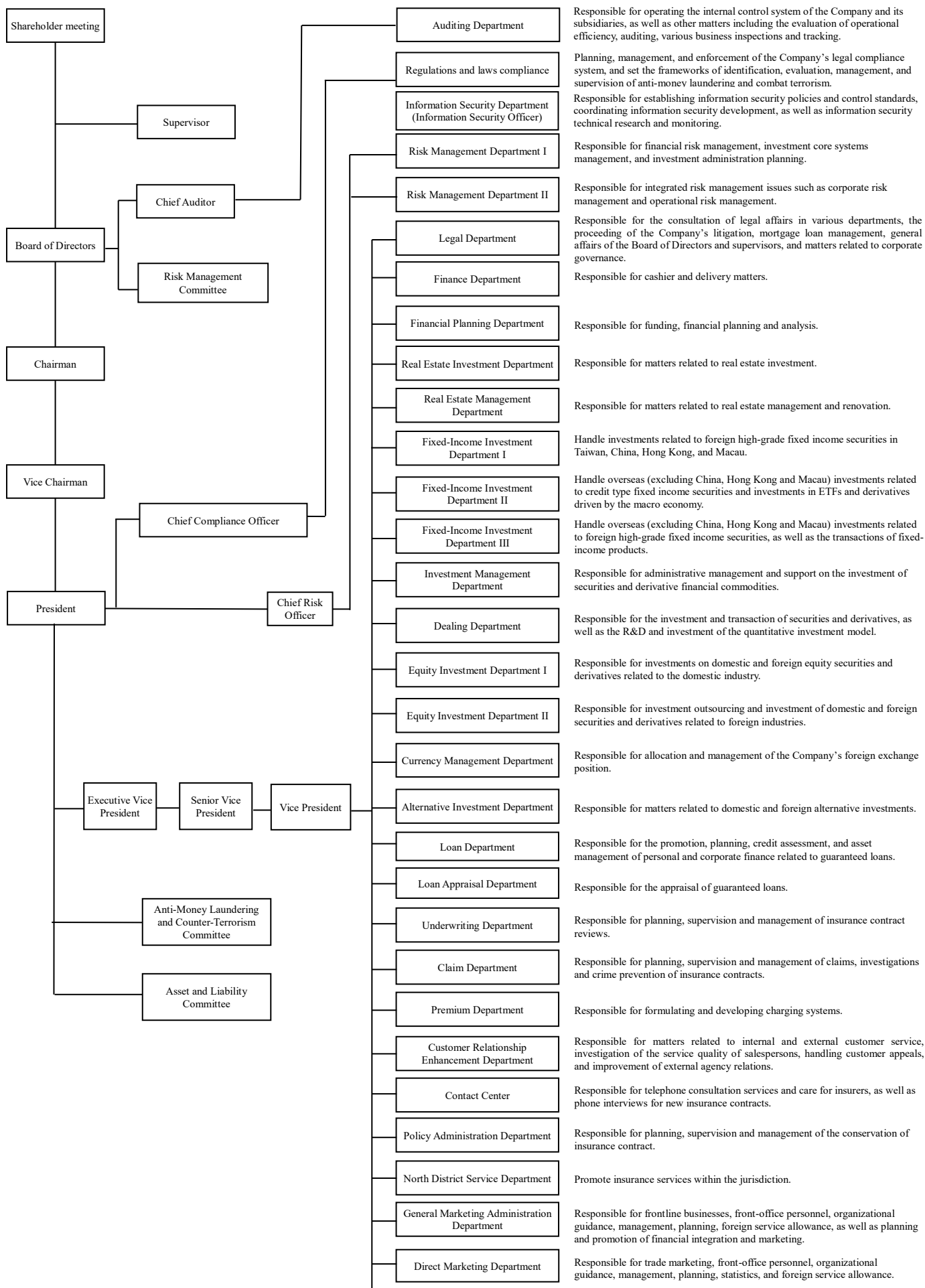
October 23, 1962

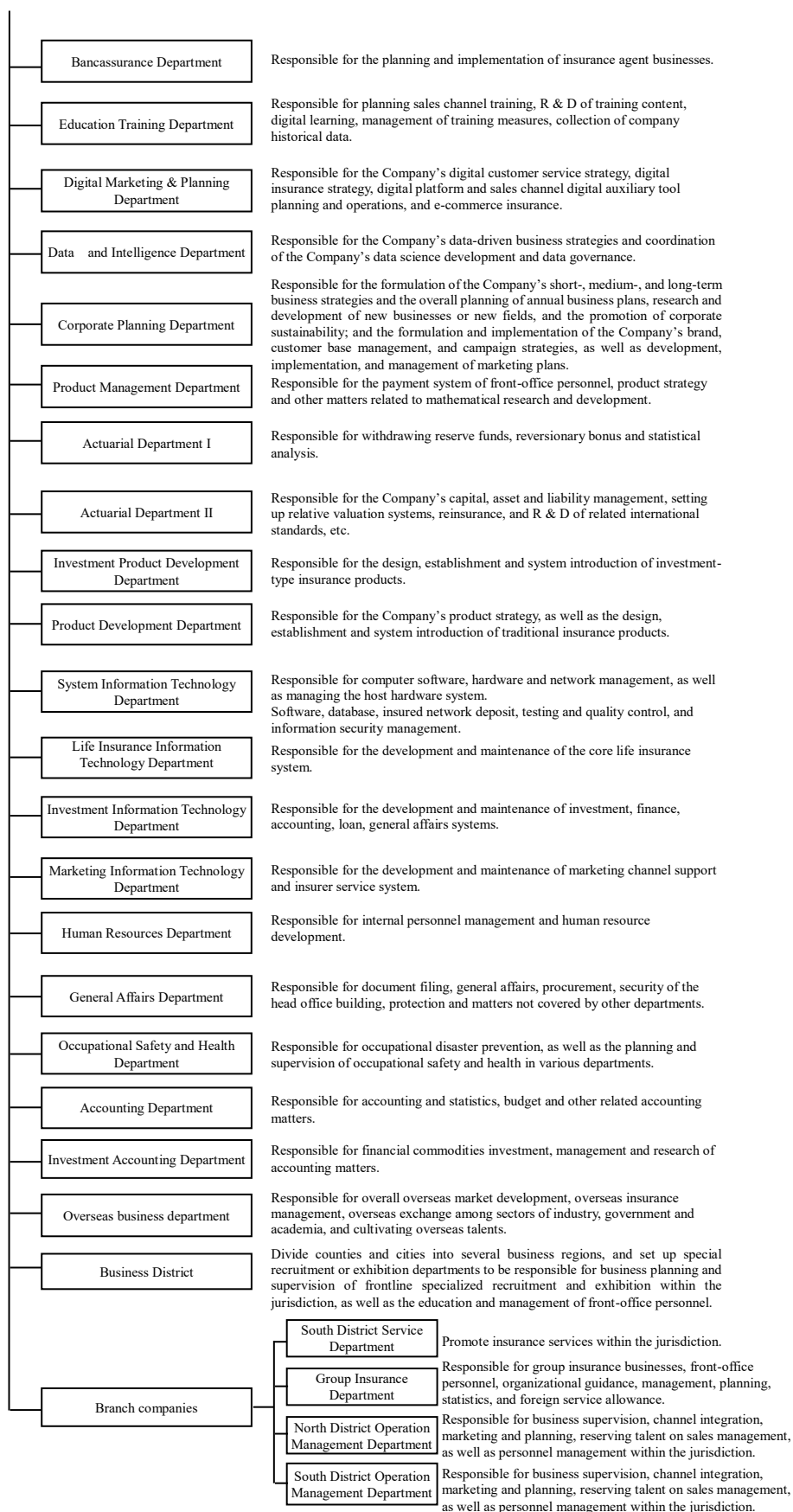
II. Company Profile

The Company was incorporated on October 23, 1962. 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. As of December 31, 2021, our paid-in capital was NT\$58,515,273,950, with all capital contributions received. 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.

Three. Corporate Governance Report

I. Corporate structure and the tasks of its principal divisions





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, 2022

Title (Note 1)	Nationality or Place of Registration	Name	Gender and Age	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 71–80 years old	2020.6.12	Three years	1998.8.24	Note 1	Note 1	Note 2	Note 2	-	-	-	-	Chairman of Cathay Life; Former Vice Chairman and President of Cathay Life (M.S., National Tsing Hua University)	Director of Cathay Financial Holdings; Chairman of Cathay Charity Foundation; President of the Life Insurance Association of R.O.C., etc.				
Vice Chairman	R.O.C.	Ming-Ho Hsiung	M 61–70 years old	2020.6.12	Three years	2002.5.18									Vice Chairman of Cathay Life; Former President of Cathay Life (M.S., University of Iowa, USA)	Director of Cathay Financial Holdings, Cathay Medical Care Corporate, 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.	Tzung-Han Tsai	M 41–50 years old	2020.6.12	Three 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.				
Director	R.O.C.	Chung-Yan Tsai	M 41–50 years old	2020.6.12	Three years	2006.8.11									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 Real Estate Foundation, Cymbal Medical Network Co., Ltd., Xingde Co., Ltd. and Hsing Lin Medicine Industry Co., Ltd.; Vice President of Liang-Ting Co., Ltd., etc.				

Title (Note 1)	Nationality or Place of Registration	Name	Gender and Age	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.	Shang-Chi Liu	M 51–60 years old	2020.6.12	Three years	2017.6.16	Note 1	Note 1	Note 2	Note 2	-	-	-	-	President of Cathay Life (M.B.A., National Taiwan University)	Supervisor of Cathay Medical Care Corporate				
Director	R.O.C.	Chao-Ting Lin	M 51–60 years old	2020.6.12	Three years	2013.6.27									Executive Vice President of Cathay Life (M.S., National Taiwan University)	Director of Cathay Charity Foundation				
Director	R.O.C.	Yi-Tsung Wang	M 41–50 years old	2020.6.12	Three years	2016.11.25									Senior Vice President of Cathay Life (M.B.A., Massachusetts Institute of Technology, USA)	Chairman of Cathay Securities Investment Consulting				
Director	Canada	John Chung-Chang Chu	M 61–70 years old	2020.6.12	Three years	2014.12.16									Chairman of May Foong Woolen & Worsted Textile Mill. Ltd. (M.B.A., York University, Canada)	Chairman of May Foong Development Co., Ltd.; Director of Cathay Real Estate Development Co., Ltd.				
Independent Director	R.O.C.	Li-Ling Wang	F 51–60 years old	2020.6.12	Three years	2019.6.26	Note 1	Note 1	Note 2	Note 2	-	-	-	-	President of Pension Fund Association, R.O.C.; Professor, Risk Management and Insurance Department, National Chengchi University; Former Vice President, National Chengchi University; Former Chief Committee of Financial Supervisory Commission Republic of China (Taiwan); Former Director of First Financial Holding; Former Independent Director of China Life Insurance Co., Ltd. (Ph.D. of Temple University (Dept. of Risk Management, Insurance, and Actuarial 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 and Age	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 61-70 years old	2020.6.12	Three years	2019.6.26									Secretary-General of Taiwan Financial Services Roundtable; Former Chairman of Hua Nan Financial Holdings Co., Ltd., Hua Nan Bank, Land Bank of Taiwan; Former Political Deputy Minister of Ministry of Finance; Former Vice Chief Committee of Financial Supervisory Commission Republic of China (Taiwan); Former Director-General of 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, Taiwan-Russia Association; Managing Supervisor of Alumni Association of National Taipei University; President of Alumni Association of Department of Public Finance, National Taipei University; Director of Foundation of Pacific Basin Financial Research and Development; Director of Mr. Guo-Fu Chen Foundation; Independent Director of Cathay Financial Holdings, Cathay United Bank and Cathay Century Insurance; Managing Director of Cathay United Bank; Member of Cathay Financial Holdings Remuneration Committee and Audit Committee; Chairperson of Cathay Century Risk Management Committee; Member of Cathay Life, Cathay Century and 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 51-60 years old	2020.6.12	Three years	2017.6.16									President of Ande Development Co., Ltd. (M.B.A., Pepperdine University, USA)	Director of Ande Development Co., Ltd.				
Supervisor	R.O.C.	Chih-Ming Lin	M 71-80 years old	2020.6.12	Three years	2000.1.24	Note 1	Note 1	Note 2	Note 2	-	-	-	-	Former Director of Cathay General Hospital (MD, National Taiwan University)	Director of Cathay Medical Care Corporate; Medical Consultant of Cathay General Hospital				

Title (Note 1)	Nationality or Place of Registration	Name	Gender and Age	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.	Yung- Chen Li	M 71–80 years old	2020.6.12	Three 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 61–70 years old	2020.6.12	Three 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 2022.

Major Shareholders of Institutional Shareholders:

April 19, 2022

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (15.86%), Lin Yuan Investment Co., Ltd. (14.02%), Labor Pension Fund (2.92%), Shin Kong Life Insurance Co., Ltd. (1.98%), Labor Insurance Fund (1.29%), TransGlobe Life Insurance Inc. (1.23%), Chang Gung Medical Foundation (1.07%), Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore (1.02%), Wan Da Investment Co., Ltd. (1.00%), Pai Hsing Investment Co., Ltd. (0.97%)

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 19, 2022

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 Da 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 Da 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%
Labor Insurance Fund	None
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. (100%)
Chang Gung Medical Foundation	Nan Ya Plastics Corporation (19.27%), Formosa Chemicals & Fibre Corporation (14.83%), Formosa Plastics Corporation (14.23%), Yung-Tsai Wang (12.04%), Wang Yung-Ching (7.87%) (donation ratio)
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	None
Wan Da Investment Co., Ltd.	Cheng-Ta Tsai (97.60%), Lin Yuan Investment Co., Ltd. (1.97%), Liang Ting Enterprise Co., Ltd. (0.43%)
Pai Hsing Investment Co., Ltd.	Hong-Tu Tsai (31.47%), Tung Chi Trust Property Account (68.52%), Tzung-Han Tsai (0.01%)

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):

(1) Disclosure of directors' and supervisors' qualifications and independent directors' independence:

March 31, 2022

Criteria Name (Note 1)	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director
Tiao-Kuei Huang	1. Has professional knowledge and capabilities in business, finance, actuarial science/mathematics, overseas investment, and risk management. 2. Has experience in insurance and medical industries. 3. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Ming-Ho Hsiung	1. Has professional knowledge and capabilities in business, accounting, finance, actuarial science/mathematics, overseas investment, and risk management. 2. Has experience in insurance and medical industries. 3. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Tzung-Han Tsai	1. Has professional knowledge and capabilities in business, law, finance, and overseas investment. 2. Has experience in banking, insurance, securities, and asset management industries. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Chung-Yan Tsai	1. Has professional knowledge and capabilities in business and finance. 2. Has experience in insurance, construction, and health management industries. Not been a person of any conditions defined in Article 30 of the Company Act.	—	

Criteria Name (Note 1)	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director
John Chung- Chang Chu	1. Has professional knowledge and capabilities in business accounting, finance, and overseas investment. 2. Has experience in insurance and construction industries. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Shang-Chi Liu	1. Has professional knowledge and capabilities in business, accounting, finance, and overseas investment. 2. Has experience in insurance, securities, and medical industries. 3. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Chao-Ting Lin	1. Has professional knowledge and capabilities in business, accounting, actuarial science/mathematics, and risk management. 2. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Yi-Tsung Wang	1. Has professional knowledge and capabilities in business and overseas investment. 2. Has experience in insurance and securities industries. 3. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	

Criteria Name (Note 1)	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director
Li-Ling Wang	<ol style="list-style-type: none"> 1. Serving as Professor of Risk Management and Insurance, National Chengchi University for over 13 years, Chairman of Pension Funds Association of R.O.C. in Taiwan for over 4 years; having served as Chief Committee and Vice Chief Committee without Portfolio of Financial Supervisory Commission, Vice President of National Chengchi University, and independent director of China Life Insurance for over 1.5 years, director of First-Aviva Life for over 2 years; serving as independent director of Cathay Financial Holdings and Cathay Life for over 2 years. 2. Has at least five years of working experience in insurance, and the professional qualifications in insurance. 3. Has work experience for over 5 years and professional knowledge and capabilities in business, accounting, finance, and risk management; as well as the experience in the area of banking, insurance, securities, asset management, or otherwise necessary for the business of the Company, and the professional qualifications for an independent director. <p>Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> 1. Compliance with the independence requirements under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.” 2. Apart from being an independent director of Cathay Financial Holdings and its wholly-owned subsidiary Cathay Life (i.e., the Company), does not serve as a director, supervisor, or employee at other affiliates. 3. The director’s spouse, relatives within the second degree of kinship, and lineal relatives within the third degree of kinship are not directors, supervisors, or managers of the Company or its affiliates. 4. The number and percentage of the Company’s shares held by the director (including spouse and minor children thereof or by nominee arrangement): 0 share/0%, not a shareholder holding at least 1% of the Company’s shares nor the top 10 natural-person shareholders. 5. The number and percentage of the Company’s shares held by the director’s spouse, relatives within the second degree of kinship, and lineal relatives within the third degree of kinship: 0 share/0%, not a shareholder holding at least 1% of the Company’s shares nor the top 10 natural-person shareholders. 6. Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per Subparagraph 5–8, Paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”). 7. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution. 8. Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. 	

Criteria Name (Note 1)	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director
Tang-Chieh Wu	<p>1. Serving as Secretary-General of Taiwan Financial Services Roundtable; having served as Chairman of Hua Nan Financial Holdings Co., Ltd. and Hua Nan Bank for over 2 years, Chairman of Land Bank of Taiwan for over 1 year, Vice Chief Committee without Portfolio of Financial Supervisory Commission for over 5 years, Director-General of Securities and Futures Bureau for over 4 years, and independent director of all Cathay Financial Holdings, Cathay United Bank, Cathay Life, and Cathay Century Insurance for over 2 years.</p> <p>2. Has more than 5 years of work experience in financial administration or management, has served in grade 8 or above or equivalent positions, with excellent performance; and has the professional qualifications in banking, insurance, and securities.</p> <p>3. Has work experience for over 5 years and professional knowledge and capabilities in business, accounting, finance, and overseas investment; as well as the experience in the area of banking, insurance, securities, asset management, or otherwise necessary for the business of the Company, and the professional qualifications for an independent director.</p> <p>Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>1. Compliance with the independence requirements under Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p> <p>2. Apart from being an independent director of Cathay Financial Holdings, its wholly-owned subsidiaries Cathay Life (i.e., the Company) Cathay United Bank, and Cathay Century Insurance, does not serve as a director, supervisor, or employee at other affiliates.</p> <p>3. The director’s spouse, relatives within the second degree of kinship, and lineal relatives within the third degree of kinship are not directors, supervisors, or managers of the Company or its affiliates.</p> <p>4. The number and percentage of the Company’s shares held by the director (including spouse and minor children thereof or by nominee arrangement): 0 share/0%, not a shareholder holding at least 1% of the Company’s shares nor the top 10 natural-person shareholders.</p> <p>5. The number and percentage of the Company’s shares held by the director’s spouse, relatives within the second degree of kinship, and lineal relatives within the third degree of kinship: 0 share/0%, not a shareholder holding at least 1% of the Company’s shares nor the top 10 natural-person shareholders.</p> <p>6. Not a director, supervisor or employee of any company engaged in specific relationship with the Company (per Subparagraph 5–8, Paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”).</p> <p>7. Not a shareholder of any specific company or institution engaged in business and financial transactions with the Company holding more than 5% of the shares of such company or institution.</p> <p>8. Neither he or his spouse is a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last two years, to the Company or its affiliate, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies.</p>	2

Criteria Name (Note 1)	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Name of other Taiwanese Companies currently Serves as an independent Director
Chih-Ying Tsai	1. Has professional knowledge and capabilities in business, accounting, and finance. 2. Has experience in insurance and construction industries. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Chih-Ming Lin	1. Has professional knowledge and capabilities in business and finance. 2. Has experience in insurance and medical industries. 3. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Yung-Chen Li	1. Has professional knowledge and capabilities in business, finance, and actuarial science/mathematics. 2. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	
Han-Chang Tsai	1. Has professional knowledge and capabilities in business, finance, and actuarial science/mathematics. 2. Has at least five years of working experience in insurance, and the professional qualifications in insurance. Not been a person of any conditions defined in Article 30 of the Company Act.	—	

Note 1: Professional qualifications and experience: Specify individual directors' and supervisors' professional qualifications and experience. If they are members of the Audit Committee with accounting or financial expertise, specify their accounting or financial background and work experience and whether they are under any of the circumstances under Article 30 of the Company Act.

Note 2: Specify independent directors' independence, including but not limited to whether they, their spouses, or relatives within the second degree of kinship are serving as directors, supervisors, or employees of the Company or its affiliates; the number and percentage of the Company shares held by them, their spouses, relatives within the second degree of kinship (or by nominee arrangement); whether they serve as directors, supervisors, or employees of a company with specific relations with the Company (refer to Subparagraph 5–8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration they received for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the last two years.

(2) Diversity and independence of Board of Directors:

① Diversity of Board of Directors

The members of the Board of Directors are from diverse backgrounds; they are of different ages and have different industry experiences and professional knowledge and capabilities. To strengthen corporate governance and facilitate the sound development of the composition and structure of the Board of Directors, Article 21 of the Company's "Corporate Governance Best Practice Principles" stipulates the composition of the Board of Directors and the knowledge and capabilities that directors should possess. Article 25 specifies the rules for independent directors to be aligned with the characteristics of industry development and the diverse skills they should possess. In addition, Article 2 of the "Procedures for Election of Directors and Supervisors" stipulates that the diversity principle shall be considered for the composition of the Board of Directors and an appropriate diversity policy shall be formulated as per its own operations, operating model, and development needs. For example, it includes the basic composition (such as gender, age, nationality, and race), professional experience (such as banking, insurance, securities, asset management, construction, medical care, and health management), professional knowledge and capabilities (such as business, finance, accounting, law, actuarial science, overseas investment, and risk management). The Company currently has 10 directors in the board of directors, including 5 non-executive directors, 2 independent directors (one of whom is female – Li-Ling Wang) and 3 executive directors (the President, an Executive Vice President, and a Senior Vice President). The board members collectively possess extensive experience and expertise in business, accounting, law, finance, actuarial science, overseas investment, and risk management. The board has 30% of directors concurrently serving as employees; independent directors accounted for 20% of all directors, and female directors (independent director Li-Ling Wang) accounted for 10% of all directors; and 2 independent directors have served for fewer than 3 years. The average age of the board of directors is 58 years old; 1 director is between 71–80 years old; 3 between 61–70 years old, 3 between 51–60 years old, and 3 between 41–50 years old. Availability and enforcement of the company's board diversity policy are explained in the following chart:

March 31, 2022

Core elements of diversity policy Directors name	Basic composition									Industrial experience							Professional knowledge/expertise							
	Nationality/place of registration	Gender	As the Company's employee concurrently	Age				Tenure of Independent Director			Bank	Insurance	Securities	Asset management	Construction	Medical care	Health management	Commerce	Financial affairs/accounting	Law	Finance	Actuary/mathematics	Foreign investments	Risk management
				41 to 50	51 to 60	61 to 70	71 to 80	Less than 3 years	3 to 9 years	Over 9 years														
Tiao-Kuei Huang	R.O.C.	M					✓					✓				✓		✓			✓	✓	✓	✓
Ming-Ho Hsiung	R.O.C.	M					✓					✓				✓		✓	✓		✓	✓	✓	✓
Tzung-Han Tsai	R.O.C.	M		✓							✓	✓	✓	✓			✓		✓			✓		
Chung-Yan Tsai	R.O.C.	M		✓								✓		✓		✓		✓						
Shang-Chi Liu	R.O.C.	M	✓		✓							✓	✓			✓		✓	✓			✓		
Chao-Ting Lin	R.O.C.	M	✓		✓							✓					✓	✓				✓		✓
Yi-Tsung Wang	R.O.C.	M	✓	✓								✓	✓				✓						✓	
John Chung-Chang Chu	Canada	M				✓						✓			✓		✓	✓					✓	
Li-Ling Wang	R.O.C.	F			✓			✓			✓	✓	✓	✓			✓	✓			✓			✓
Tang-Chieh Wu	R.O.C.	M				✓		✓			✓	✓	✓	✓			✓	✓				✓		

② Independence of Board of Directors

The 10 directors in office include 2 independent directors (one of them is Ms. Li-Ling Wang), and independent directors account for 20% of all directors. All the Company's independent directors are in compliance with the requirements for independence under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". The 10 directors are not spouses or relatives within the second degree of kinship of each other. Therefore, the Company complies with the rule that more than half of the directors shall not be spouses or relatives within the second degree of kinship of other directors under Paragraph 3, Article 26-3 of the "Securities and Exchange Act". All the Company's four supervisors are not spouses or relatives within the second degree of kinship of each other and all directors. Therefore, the Company complies with the rule that at least one supervisor shall not be a spouse or a relative within the second degree of kinship of another supervisor or director under Paragraph 4, Article 26-3 of the "Securities and Exchange Act". The independence of the board members is as follows:

Name \ Criteria	Independence											
	1	2	3	4	5	6	7	8	9	10	11	12
Tiao-Kuei Huang	✓		✓	✓					✓	✓	✓	
Ming-Ho Hsiung	✓		✓	✓					✓	✓	✓	
Tzung-Han Tsai	✓		✓		✓		✓		✓	✓	✓	
Chung-Yan Tsai			✓		✓	✓	✓		✓	✓	✓	
John Chung-Chang 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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Explanation: 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 an affiliate of the Company (this does not apply to independent directors of the Company or its Parent company or subsidiaries established in accordance with the Securities and Exchange

Act or local laws and regulations).

- (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 an institutional shareholder that directly holds 5% or more of the total outstanding shares of the Company or that holds shares ranked in the top-five holdings. (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, officer, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company.
- (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, 2021

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.; Supervisor of 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-Jung Kun	M	2022.02.04							M.B.A., China Europe International Business School	Director and President, Shanghai Lujiazui Group				
Senior Vice President	R.O.C.	Chih-Te Sun	M	2020.03.12							M.B.A. & M.S., Harvard University, USA	Director of Cathay Financial Holding Co., Ltd.; Director of Cathay United Bank (Cambodia) Corporation Limited, Conning Holdings Limited and Quantifeed Holdings Limited; Director and Chairman of Symphox Information Co., Ltd.				
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.; Chairman of 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	Supervisor of Cathay Securities Corporation				
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)				

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.	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				
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), Cathay Lujiazui Life Insurance Company Limited and Cathay Life Insurance (Vietnam) Co., Ltd.				
Vice President	R.O.C.	Yi-Fang Tsai	F	2014.06.07							M.B.A., University of Illinois, USA	Director of Cathay Securities Investment Trust Co., Ltd.				
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., 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					

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.	Wen-Kai Kuo	M	2015.02.07							Business Mathematics B., Soochow University	Director of PSS Co., Ltd., Nan-Gang International 1 Corp., Nan-Gang International 2 Corp. and Cathay Industry Research and Development Center Co., Ltd.; Chairman of Lin Yuan (Shanghai) Real Estate Co., Ltd.; 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.				
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					
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					

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.	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	
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.	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					

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.	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					
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.	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							M.B.A., National Taiwan University of Science and Technology					
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, 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				

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.	Hsu-Feng Cheng	M	2013.12.28							M.S. Accounting, National Taiwan University	Partner of Zhida Certified Public Accountants Co., Ltd.; Supervisor of Daiwa-Cathay Capital Markets Co., Ltd., Lin Yuan Property Management Co., Ltd., Cathay Industry Research and Development Center Co., Ltd. And Supervisor of Lin Yuan (Shanghai) Real Estate Co., Ltd.; Director of Cathay Walbrook Holding 1 Limited and Cathay Walbrook 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.	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	Vice President of Cathay Lujiazui Life Insurance Company Limited				
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.				

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.	Min-Hung Shih	M	2013.01.10							M.S. Architecture, National Cheng Kung University	Director of Lin Yuan Property Management Co., Ltd., Cathay Industry Research and Development Center 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.	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					
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.	Chao-Cheng Chiang	M	2018.04.26							M.B.A. Finance, National Central University					
Assistant Vice President	R.O.C.	Yen-Wei 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					

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.	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., Chinese Energy Holdings Limited, Sunrise PV One Co., Ltd., Longquan Water Resources Co., Ltd., Yunghan Co., Ltd., Cathy Sunrise Electric Power Two Co., Ltd., Cathay Power Inc., Hongsheng New Technology Co., Ltd., Xinritai Energy Co., Ltd. and Greenhealth Water Resources Co., Ltd.				
Assistant Vice President	R.O.C.	Tai-Hsu Chen	M	2019.01.31							Applied Mathematics, Fu Jen Catholic University	Vice President, Cathay Life Insurance (Vietnam) Co., Ltd.				
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.	Shao-Kai Cheng	M	2022.03.11							M.S. Statistics, National Taipei University					
Assistant Vice President	R.O.C.	Chang-Chao Liao	M	2022.11.10							LL.B., National Chengchi University					
Assistant Vice President	R.O.C.	Hsiao-Hsu Chang	M	2022.08.20							M.B.A., National Taiwan University					
Assistant Vice President	R.O.C.	Yu-Hui Chen	F	2022.01.16							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.	Hsiang-Sung Chang	M	2022.08.20							M.S. Statistics, Columbia University	Director of Cathay Securities Investment Consulting Co., Ltd.				
Assistant Vice President	R.O.C.	Chia-Fu Chang	M	2022.01.16							M.B.A., National Taiwan University					
Assistant Vice President (proxy)	R.O.C.	Chih-Yu Sun	M	2022.12.01							Bachelor of Computer Science Department, National Chiao Tung University					
Assistant Vice President of Business District	R.O.C.	Shu-Ping Tu	F	2015.08.20							Chungyu Institute of Technology					
Assistant Vice President of Business District	R.O.C.	Han-Sung Wang	M	2012.12.21							Cooperative Economics B., Feng Chia University					
Assistant Vice President of Business District	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 Business District	R.O.C.	Hsiao-Hua Chu	M	2011.01.28							Industrial Management B., Tamsui Oxford University College					
Assistant Vice President of Business District	R.O.C.	Mei-Ling Wu	F	2008.12.30							KaiNan Vocational High School					
Assistant Vice President of Business District	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 Business District	R.O.C.	Li-Mei Chuang	F	2008.12.30							I-Lan Commercial Vocational Senior High School					
Assistant Vice President of Business District	R.O.C.	Yuan-Wen Lin	M	2017.03.30							Industrial Engineering and Management B., National Taipei University of Technology					
Assistant Vice President of Business District	R.O.C.	Lang-Ju Wu	M	2015.08.20							Economics B., Fu Jen Catholic University					
Assistant Vice President of Business District	R.O.C.	Kuo-Hsing Wan	M	2012.06.01							Textile & Garment Engineering B., Feng Chia University					
Assistant Vice President of Business District	R.O.C.	Wen-Cheng Yen	M	2014.12.16							LL.B., Chinese Culture University					
Assistant Vice President of Business District	R.O.C.	Mou-Yung Huang	M	2016.11.15							M.B.A., National Central University					
Assistant Vice President of Business District	R.O.C.	Kuo-Shou Lin	M	2006.06.07							History B., Tamkang University					
Assistant Vice President of Business District	R.O.C.	Wen-Yao Tsai	M	2008.06.03							Accounting B., Feng Chia University					
Assistant Vice President of Business District	R.O.C.	Kun-Cheng Lai	M	2013.10.16							Business Management B., Chung Chou 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 of Business District	R.O.C.	Chia-Hsiang Lin	M	2017.01.26							M.S. Financial Insurance, Shu-Te University					
Assistant Vice President of Business District	R.O.C.	Yi-An Lu	M	2020.03.12							Business Management B., National Chung Hsing University					
Assistant Vice President of Business District	R.O.C.	Chun-Min Fang	M	2020.12.03							Master of Business Management, Tatung University Master					
Assistant Vice President of Business District	R.O.C.	Chao-Ning Liao	M	2020.12.03							Business Management B., National Chung Hsing University					
Assistant Vice President of Business District (proxy)	R.O.C.	Chia-Ming Liang	M	2022.12.02							Master of Biochemical Sciences, National Taiwan University					
Branch head	R.O.C.	Shu-Chuan Cheng	F	2022.01.01							Business Management B., Takming University of Science and Technology					
Branch head	R.O.C.	Yi-Chen Ho	F	2022.10.20							Daojiang High School of Commerce					
Branch head	R.O.C.	Chia-Hsin Wu	F	2022.10.20							Sociology B., Fu Jen Catholic University					
Branch head	R.O.C.	Ta-Ping Lin	F	2022.10.20							Japanese B., Wenzao Ursuline University of Languages					
Branch head	R.O.C.	Chin-Yi Wu	M	2022.10.20							Tamkang Senior High School					
Branch head	R.O.C.	Chih-Chung Wang	M	2022.10.20							International Trade B., Soochow 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 head	R.O.C.	Yu-Ching Lin	F	2022.10.20							Industrial Engineering and Management B., Cheng Shiu University					
Branch head	R.O.C.	Peng-Yun Wang	M	2022.10.20							Banking and Insurance B., Feng Chia University					
Branch head	R.O.C.	Hsiu-Yin Li	F	2022.10.20							Accounting B., Hsing Wu University					
Branch head	R.O.C.	Kuo-Hsiang Hsieh	M	2022.10.20							LL.B., Soochow University					
Branch head	R.O.C.	Hsiang-Lan Chen	F	2022.10.20							Information Management, Junior College Of Continuing Education, Wufeng University					
Branch head	R.O.C.	Lien-Chu Chen	F	2022.10.20							National Magong High School					
Branch head	R.O.C.	Chung-Hsin Lin	M	2022.10.20							LL.B., Fu Jen Catholic University					
Branch head	R.O.C.	Hsiu-Yun Lin	F	2022.10.20							Department of Accounting and Statistics, The Culinary Institute of Taiwan					
Branch head	R.O.C.	Jui-Ling Chiu	F	2022.10.20							Applied Business, Open College of Continuing Education Affiliated to National Taipei University of Business					
Branch head	R.O.C.	Yi-Hsuan Chen	F	2022.11.15							Accounting Information B., Aletheia 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 disclose the reasons, rationality and necessity of such an arrangement and any response measures taken, such as introduction of independent directors. Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

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 and percentage of Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C ,D, E, F and G and 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	60,791	60,791	-	-	-	-	1,392	1,392	62,183 0.06%	62,183 0.05%	98,021	98,021	-	-	18	-	18	-	160,222 0.14%	160,222 0.14%	5,150
Vice Chairman	Cathay Financial Holding Co., Ltd. Ming-Ho Hsiung																					
Director	Cathay Financial Holding Co., Ltd. Tzung-Han 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 Chung-Chang Chu																					
Independent Director	Cathay Financial Holding Co., Ltd. Li-Ling Wang	-	-	-	-	-	-	348	348	348 -%	348 -%	-	-	-	-	-	-	-	348 -%	348 -%	9,350	
Independent Director	Cathay Financial Holding Co., Ltd. Tang-Chieh Wu																					
<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 (e.g. consultancy service without the title of an employee in the parent company/all companies included in the financial statements/investees) to consolidated subsidiaries in the most recent year: 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	Parent company and all invested businesses	The Company	Parent company and all invested businesses
Under NT\$1,000,000	Note 2	Note 2	Note 3	Chung-Yan Tsai, John Chung-Chang Chu
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	—	—	—	Tzung-Han 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)	Ming-Ho Hsiung	Ming-Ho Hsiung	Ming-Ho Hsiung, Chao-Ting Lin	Chao-Ting Lin
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Tiao-Kuei Huang	Tiao-Kuei Huang	Tiao-Kuei Huang, Shang-Chi Liu, Yi-Tsung Wang	Note 4
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 Tzung-Han Tsai, Chung-Yan Tsai, Shang-Chi Liu, Chao-Ting Lin, Yi-Tsung Wang, John Chung-Chang Chu, Li-Ling Wang and Tang-Chieh Wu

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

Note 4: Tiao-Kuei Huang, Ming-Ho Hsiung, Shang-Chi Liu, Yi-Tsung Wang.

(II) Remuneration Paid to Supervisors

Unit: NT\$ thousand

Title	Name (Note 1)	Remuneration Paid to Supervisors						Sum of A, B and C and 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	5,377	5,377	-	-	715	715	6,092 -%	6,092 -%	1,500
Supervisor	Chih-Ming Lin									
Supervisor	Yung-Chen Li									
Supervisor	Han-Chang Tsai									

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	Chih-Ming Lin, Yung-Chen Li, Han-Chang Tsai	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)	-	-
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Chih-Ying Tsai	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	4	4

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

(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 and percentage of 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	97,942	104,133	-	-	178,061	182,644	194	-	194	-	276,197 0.25%	286,971 0.25%	34,826
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													
Senior Vice President	Chih-Jung Kun (Note 2)													
Vice President	Chin-Shu Lin													
Chief Compliance Officer	Mao-Chi Chung													
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													
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													

Range of remuneration paid to President and Vice President	President & Vice President Name	
	The Company	Parent company and all invested businesses
Under NT\$1,000,000	Chih-Jung Kun, Chih-Te Sun	-
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Ming-Hung Liao	-
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Mao-Chi Chung, Shu-Ying Wu	Mao-Chi Chung
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Note 3	Note 5
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Note 4	Note 6
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Shih-Chiao Lin, Yi-Fang Tsai	Shih-Chiao Lin, Yi-Fang Tsai, Shu-Ying Wu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Chao-Ting Lin	Chao-Ting Lin, Chih-Te Sun
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Shang-Chi Liu, Yi-Tsung Wang	Shang-Chi Liu, Yi-Tsung Wang
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	33	33

Note 1: Name of position as of 2021.

Note 2: Vice President Chih-Jung Kun have took offices on February 4, 2021.

Note 3: Includes Tsung-Nan Tsa, Chu-Jui Hung, Pei-Ching Lin, Chien-Hui Fan, Tsung-Wei Wu.

Note 4: Includes Chun-Hung Wu, Li-Chiu Wang, Ming-Huan Chen, Ta-Kun Liu, Wen-Kai Kuo, Hsun-Yu Li, Chin-Shu Lin, Fu-Min Wang, Jung-Hsin Hu, Cheng-Fu Huang, Ching-Lu Huang, Chao-Ming Chang, Ta-Ching Hung, Wen-Jui Li, Yin-Shou Chang, Tu-Chih Kung, Wen-Chi Chen, Shu-Chuan Chen.

Note 5: Includes Tsung-Nan Tsa, Pei-Ching Lin, Chien-Hui Fan, Tsung-Wei Wu.

Note 6: Includes Chun-Hung Wu, Li-Chiu Wang, Ming-Huan Chen, Ta-Kun Liu, Chih-Jung Kun, Wen-Kai Kuo, Hsun-Yu Li, Chin-Shu Lin, Fu-Min Wang, Jung-Hsin Hu, Ming-Hung Liao, Chu-Jui Hung, Cheng-Fu Huang, Ching-Lu Huang, Chao-Ming Chang, Ta-Ching Hung, Wen-Jui Li, Yin-Shou Chang, Tu-Chih Kung, Wen-Chi Chen, Shu-Chuan Chen.

(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\$623 thousand, giving a total of NT\$623 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\$355,595 thousand in 2021 and NT\$328,588 thousand in 2020, representing 0.31% of 0.62% 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:

A total of 10 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	10	0	100%	
Director	Ming-Ho Hsiung	10	0	100%	
Director	Tzung-Han Tsai	10	0	100%	
Director	Chung-Yan Tsai	10	0	100%	
Director	John Chung-Chang Chu	10	0	100%	
Director	Shang-Chi Liu	10	0	100%	
Director	Chao-Ting Lin	10	0	100%	
Director	Yi-Tsung Wang	10	0	100%	
Independent Director	Li-Ling Wang	10	0	100%	
Independent Director	Tang-Chieh Wu	10	0	100%	
Resident Supervisor	Chih-Ying Tsai	9	0	90%	
Supervisor	Chih-Ming Lin	10	0	100%	
Supervisor	Yung-Chen Li	10	0	100%	
Supervisor	Han-Chang Tsai	10	0	100%	

(II) Execution of Board performance evaluation

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
Once a year	January 1 to December 31, 2021	Board of Directors and individual directors	Board of Directors internal self-assessment, director self-assessment and peer assessment	Scope of Board of Directors performance assessment Scope of performance assessment of individual directors

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
2021.04.06 8 th meeting of the 20 th Board of Directors	Passed the real estate transaction	None.
2021.04.28 9 th meeting of the 20 th board of directors	Passed the real estate transaction	None.
	Passed the appointment of directors to subsidiary Cathay Securities Investment Consulting	None.
	Participation in the launch of the electronic policy certification and verification by the Life Insurance Association of the Republic of China	None.
	Passed the 2020 Business Report and financial statements	None.
	Passed the earnings distribution for 2020	None.
2021.05.13 10 th meeting of the 20 th Board of Directors	Passed the 2021 Q1 financial statements	None.
	The 2020 investment policy review report	None.
	Passed the real estate transaction	None.
	Investment of private fund	None.
	Formulation and partial amendments to the Company's Articles of Incorporation	None.
	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation	None.
	Transactions with Symphox Information Co., Ltd.	None.
	Transactions with Octagon Credit Investors, LLC	None.
	Transactions with Think Zone Technologies Co., Ltd.	None.
	Transactions with San-Ching Engineering Co., Ltd.	None.
	Transactions with Cathay Healthcare Management Co. Ltd. and Cathay Real Estate Development Co., Ltd.	None.
	Transactions with Ally Logistic Property Co., Ltd.	None.
	Transactions with TPIsoftware Corporation.	None.
2021.06.30 11 th meeting of the 20 th Board of Directors	Appointment of a foreign discretionary investment manager	None.
	The Company's 2021 risk and solvency self-assessment internal report and supervision report	None.
	Amendments to the Company's 2021 Audit Plan	None.
	Transaction with Cathay United Bank Co., Ltd.	None.
	Transactions with Ally Logistic Property Co., Ltd.	None.
	Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.	None.
	Review the monthly fees of the company's Chairman, Vice Chairman, and Resident Supervisor.	None.
2021.08.19	Passed the 2021 first-half financial statements	None.

Meeting date and term	Motion	Opinions of independent directors and the Company's resolution of said opinions
12 th meeting of the 20 th Board of Directors	Appointment of a foreign discretionary investment manager	None.
	Investment of private fund	None.
	The evaluation of the impact of future new contract plans on debt valuation in 2021 Q1 and Q2, implementation, follow-up, and review	None.
	Partial amendments to the Company's Articles of Incorporation	None.
	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation	None.
	Promotion of managers	None.
	Dissolution, establishment, and relocation of branches	None.
	Assignment of personnel for the 4 th term of directors and supervisors of Lin Yuan (Shanghai) Real Estate Co., Ltd.	None.
	Investment in the primary market of domestic ordinary corporate bonds with Cathay Securities Corporation as the underwriter	None.
	Transactions with Cathay Century Insurance Co., Ltd.	None.
2021.08.19 12 th meeting of the 20 th Board of Directors	Transactions with Symphox Information Co., Ltd.	None.
	Transactions with Symphox Information Co., Ltd.	None.
	Transactions with Ally Logistic Property Co., Ltd. and Xu Yuan Construction Co., Ltd.	None.
	Transactions with Think Zone Technologies Co., Ltd.	None.
	Endowments to Cathay General Hospital	None.
	Transactions with Cathay General Hospital	None.
	Acquisition of shares issued by stakeholders	None.
	Transactions with Lin Yuan Property Management Co., Ltd., Cathay Healthcare Management Co. Ltd. And Cathay Hospitality Management Consulting Co., Ltd.	None.
	Transactions with Xingde Co., Ltd.	None.
	Transactions with Yua-Yung Marketing (Taiwan) Co., Ltd. and CITY PARKING	None.
2021.11.02 13 th meeting of the 20 th Board of Directors	Passed the real estate transaction	None.
	Passed the real estate transaction	None.
2021.11.09 14 th meeting of the 20 th Board of Directors	Passed the 2021 Q1-Q3 financial statements	None.
	Passed the real estate transaction	None.
	Participation in investment in Cathay Private Equity Smart Technology Limited Partnership.	None.
	New York Times Square leasehold mortgage collateral auction and acceptance	None.
	Appointment of financial statement auditors and review of audit remuneration for 2022	None.
	Formulation of the 2022 compliance and AML/CTF plan	None.
	Formulation of the Company's 2022 Audit Plan	None.

Meeting date and term	Motion	Opinions of independent directors and the Company's resolution of said opinions
	Signing of the 2021 Qualified Foreign Institutional Investor (QFII) investment account audit agreement with Deloitte & Touche	None.
	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation	None.
	Appointment of managers	None.
	Appointment of Chairman, Director and Supervisor to Cathay Life Insurance (Vietnam) Co., Ltd.	None.
	Appointment of Director to Cathay Securities Investment Consulting Co., Ltd.	None.
	Appointment and authorization of an outside actuary to verify the Company's 2021 actuarial and certification report	None.
	A total of nine companies and Cathay Financial Holdings, intend to amend and sign the Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement	None.
	A total of eight entities including the Company and Cathay Financial Holdings, intend to share the cloud resources and sign the Cathay Financial Holdings and Subsidiaries Cloud Services Sharing Framework Agreement	None.
	A total of nine entities including the Company and Cathay Financial Holdings, intend to share the job fit information system and sign the Cathay Financial Holdings Job Fit Information System Sharing Agreement	None.
	Transaction with Cathay United Bank Co., Ltd. and its Singapore Branch	None.
	Transaction with Cathay United Bank Co., Ltd.	None.
	Signing of an investment management for Conning, Inc.'s global fixed income funds and ETF strategies	None.
	Transactions with Symphox Information Co., Ltd.	None.
	Transactions with Rainforest Retail Co., Ltd.	None.
2021.11.09 14 th meeting of the 20 th Board of Directors	Transactions with TPIsoftware Corporation.	None.
	Transactions with Cathay General Hospital	None.
	Participation in Cathay Power Inc.'s capital increase and acquired part of Cathay Power Inc.'s equity from San-Ching Engineering Co., Ltd.	None.
	Acquisition of shares issued by stakeholders	None.
	Transactions with Lin Yuan Property Management Co. Ltd.	None.
	Transactions with Cathay Futures Co., Ltd.	None.
2022.01.26 15 th meeting of the 20 th Board of Directors	The "evaluation of the impact of future new contract plans on debt valuation" in 2021 Q3, implementation, follow-up, and review	None.
	A response plan and long-term capital management objectives in alignment with IFRS 17 and ICS	None.
	Appointment of CIO	None.
	Appointment of Vice President	None.

Meeting date and term	Motion	Opinions of independent directors and the Company's resolution of said opinions
	Promotion of managers	None.
	Assignment of branch heads	None.
	Assignment of OIU managers	None.
	Removal of restrictions imposed against the Company's Manager for involving in competing businesses.	None.
	Partial amendments to the Company's Articles of Incorporation	None.
	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation	None.
	Suspension of Cathay Century's second-phase capital increase	None.
	Transactions with San-Ching Engineering Co., Ltd.	None.
	Transactions with San-Ching Engineering Co., Ltd.	None.
	Transactions with Symphox Information Co., Ltd.	None.
	The chief auditor's performance evaluation	None.
	Approval of year-end bonus, special bonus, and long-term incentives of the company's Chairman, Vice Chairman, and Resident Supervisor in 2021.	None.
2022.03.11 16 th meeting of the 20 th Board of Directors	Passed the 2021 Business Report	None.
	Passed the 2021 distribution of compensation for employees.	None.
	Passed the 2021 distribution of compensation for directors and supervisors	None.
	Passed the 2021 financial statements	None.
	Passed the 2021 earnings distribution	None.
	Passed the 2022 business targets	None.
	Passed the 2022 financial targets	None.
	2021 life insurance policy dividend distribution report	None.
	The "evaluation of the impact of future new contract plans on debt valuation" in 2021 Q4, implementation, follow-up, and review	None.
	A reserve increase plan for the measurement of the fair value of liabilities in 2021	None.
	Passed the 2021 Declaration of Internal Control System	None.
	Passed the 2021 Declaration of AML/CTF Internal Control system	None.
2022.03.11 16 th meeting of the 20 th Board of Directors	Passed the 2021 Risk Management Committee Performance Assessment Result	None.
	Passed the 2021 Board Performance Assessment Result	None.
	The 2021 domestic real estate investment income and use efficiency improvement plan	None.
	A use efficiency improvement plan for land not to be used immediately	None.
	The 2022 investment improvement plan for subsidiaries on the basis of project funds	None.

Meeting date and term	Motion	Opinions of independent directors and the Company's resolution of said opinions
	Reclassification of various overdue receivables other than non-performing loans to bad debts	None.
	The Company's 2022 risk appetite and risk limits determination	None.
	The Company's self-assessment report on the principle of fair treatment of consumers	None.
	Partial amendments to the Company's Articles of Incorporation	None.
	The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation	None.
	Promotion of managers	None.
	Investment in the primary market of domestic ordinary corporate bonds with Cathay Securities Corporation as the underwriter	None.
	Securities lending transaction with Cathay Securities	None.
	Participation in cash capital increase of Nan-Gang International 1 Corp. and Nan-Gang International 2 Corp.	None.
	Acquisition of shares issued by stakeholders	None.
	Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.	None.
	Transactions with TPIsoftware Corporation.	None.
	Transactions with Symphox Information Co., Ltd.	None.
	Transactions with Symphox Information Co., Ltd.	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
2021.04.28 9 th meeting of the 20 th board of directors	Yi-Tsung Wang	Passed the appointment of directors to subsidiary Cathay Securities Investment Consulting	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tiao-Kuei Huang	Participation in the launch of the electronic policy certification and verification by the Life Insurance Association of the Republic of China	Matters involving directors' personal interests	Disassociated from discussion and voting
	Chao-Ting Lin	Participation in the launch of the electronic policy certification and verification by the Life Insurance Association of the Republic of China	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2021.05.13 10 th meeting of the 20 th Board of Directors	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Octagon Credit Investors, LLC	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Think Zone Technologies Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai Chung-Yan Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Chung-Yan Tsai	Transactions with Cathay Healthcare Management Co. Ltd. and Cathay Real Estate Development Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	John Chung-Chang Chu	Transactions with Cathay Healthcare Management Co. Ltd. and Cathay Real Estate Development Co., Ltd.	Director recused himself/herself due to a conflict of interest Matters involving directors' personal interests	Disassociated from discussion and voting
2021.06.30 11 th meeting of the 20 th Board of Directors	Shang-Chi Liu Chao-Ting Lin Yi-Tsung Wang	Amendments to the Company's 2021 Audit Plan	Financial inspection requesting on the independence of auditors	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	Transaction with Cathay United Bank Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Ally Logistic Property 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
	Chung-Yan Tsai John Chung-Chang 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
	Tiao-Kuei Huang Ming-Ho Hsiung	Review the monthly fees of the company's Chairman, Vice Chairman, and Resident Supervisor.	Matters involving directors' personal interests	Disassociated from discussion and voting
2021.08.19 12 th meeting of the 20 th Board of Directors	Tzung-Han Tsai Tang-Chieh Wu	Transactions with Cathay Century Insurance Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	Transactions with Symphox Information Co., Ltd. (The Group's joint procurement)	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Ally Logistic Property Co., Ltd. and Xu Yuan Construction Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Think Zone Technologies Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tiao-Kuei Huang Shang-Chi Liu Tzung-Han Tsai Chung-Yan Tsai	Endowments to Cathay General Hospital	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tiao-Kuei Huang Shang-Chi Liu Tzung-Han Tsai Chung-Yan Tsai	Transactions with Cathay General Hospital	Matters involving directors' personal interests	Disassociated from discussion and voting
	Chung-Yan Tsai John Chung-Chang Chu	Acquisition of shares issued by stakeholders	Matters involving directors' personal interests	Disassociated from discussion and voting
2021.08.19 12 th meeting of the 20 th Board of Directors	Chung-Yan Tsai John Chung-Chang Chu	Transactions with Lin Yuan Property Management Co., Ltd., Cathay Healthcare Management Co. Ltd. And Cathay Hospitality Management Consulting Co., Ltd.	Matters involving directors' personal interests Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Chung-Yan Tsai	Transactions with Xingde Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
2021.11.09 14 th meeting of the 20 th Board of	Shang-Chi Liu Chao-Ting Lin Yi-Tsung Wang	Formulation of the Company's 2022 Audit Plan	Financial inspection requesting on the independence of auditors	Disassociated from discussion and voting

Meeting date and term	Directors name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Directors	Tzung-Han Tsai Tang-Chieh Wu	A total of nine companies and Cathay Financial Holdings, intend to amend and sign the Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	A total of eight entities including the Company and Cathay Financial Holdings, intend to share the cloud resources and sign the Cathay Financial Holdings and Subsidiaries Cloud Services Sharing Framework Agreement	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	A total of nine entities including the Company and Cathay Financial Holdings, intend to share the job fit information system and sign the Cathay Financial Holdings Job Fit Information System Sharing Agreement	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	Transaction with Cathay United Bank Co., Ltd. and its Singapore Branch	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Tang-Chieh Wu	Transaction with Cathay United Bank Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Signing of an investment management for Conning, Inc.'s global fixed income funds and ETF strategies	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Rainforest Retail Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with TPIsoftware Corporation.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Ming-Ho Hsiung Shang-Chi Liu Tzung-Han Tsai Chung-Yan Tsai	Transactions with Cathay General Hospital	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Chung-Yan Tsai	Participation in Cathay Power Inc.'s capital increase and acquired part of Cathay Power Inc.'s equity from San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Chung-Yan Tsai John Chung-Chang Chu	Acquisition of shares issued by stakeholders	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
	Chung-Yan Tsai John Chung-Chang Chu	Transactions with Lin Yuan Property Management Co. Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
2022.01.26 15 th meeting of the 20 th Board of Directors	Tzung-Han Tsai Tang-Chieh Wu	Suspension of Cathay Century's second-phase capital increase	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai Chung-Yan Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai Chung-Yan Tsai	Transactions with San-Ching Engineering Co., Ltd.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	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 2021.	Matters involving directors' personal interests	Disassociated from discussion and voting
2022.03.11 16 th meeting of the 20 th Board of Directors	Chung-Yan Tsai John Chung-Chang Chu	Acquisition of shares issued by stakeholders	Matters involving directors' personal interests	Disassociated from discussion and voting
	Chung-Yan Tsai John Chung-Chang 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
2022.03.11 16 th meeting of the 20 th Board of Directors	Tzung-Han Tsai	Transactions with TPIsoftware Corporation.	Director recused himself/herself due to a conflict of interest	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	Matters involving directors' personal interests	Disassociated from discussion and voting
	Tzung-Han Tsai	Transactions with Symphox Information Co., Ltd.	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 2021, 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	2021.01.01~2021.12.31	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.
Once a year	2021.01.01~2021.12.31	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.
Once a year	2021.01.01~2021.12.31	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.

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2021.01.01~2021.12.31	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 2021, 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	2021.01.01~2021.12.31	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	2021.02.22	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.07.06	Insurance Institute of the Republic of China	The Priorities of Information Security Governance from the Perspective of Information Security Insurance	3
		2021.09.01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (TAICGOF) (morning session)	3
		2021.10.21	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.10.21	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.29	Deloitte & Touche	Education Training of IFRS 17	3
Vice Chairman	Ming-Ho Hsiung	2021.02.26	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.07	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6
		2021.12.20	Deloitte & Touche	Education Training of IFRS 17	3
Director	Tzung-Han Tsai	2021.02.26	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.03.11	Deloitte & Touche	Awareness-Raising Event on Social Engineering Protection in the First Half of 2021	1
		2021.04.26	Cathay United Bank	2021 First Half Bank-wide AML Education and Training	1
		2021.09.28	Cathay United Bank	Information Security Basic Course in the First Half of 2021	1
		2021.09.29	Taiwan Academy of Banking and Finance	2021 Principle of Fair Treatment to Customers	3
		2021.10.01	Cathay United Bank	Anti-Money Laundering and Counter Terrorism Financing Education and Training Course for Board of Directors and Senior Manager	1
		2021.10.05	Deloitte & Touche	Awareness-Raising Event on Social Engineering Protection in the Second Half of 2021	1

Title	Name	Course date	Exam Administrator	Course name	Course hours
		2021.10.25	Cathay United Bank	2021 Second Half Bank-wide AML Education and Training	1
		2021.11.08	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.08	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.25	Deloitte & Touche	Education Training of IFRS 17	3
Director	Chung-Yan Tsai	2021.03.02	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.09.01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (TAICGOF) (morning session)	3
		2021.09.01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (TAICGOF) (afternoon session)	3
		2021.11.30	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.30	Deloitte & Touche	Education Training of IFRS 17	3
		2021.11.30	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
Director	Shang-Chi Liu	2021.02.24	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.08.31	Insurance Institute of the Republic of China	Information Security Management Framework - Information Security Key Points Connected with Stories	3
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.07	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6
		2021.12.21	Deloitte & Touche	Education Training of IFRS 17	3
Director	Chao-Ting Lin	2021.02.22	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.08.10	Taiwan Corporate Governance Association	Information Security Incident Response Practices in the New Normal After the Pandemic	3
		2021.08.17	Taiwan Corporate Governance Association	On AML and CTF from Illegal Cases	3
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.23	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.24	Deloitte & Touche	Education Training of IFRS 17	3

Title	Name	Course date	Exam Administrator	Course name	Course hours
		2021.12.07	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6
Director	Yi-Tsung Wang	2021.02.25	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.10.26	Insurance Institute of the Republic of China	IFRS 17 Competition Blueprint and Corporate Governance 3.0	3
		2021.11.29	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.29	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.21	Securities and Futures Institute	Climate Change Risks and Opportunities and Energy Policy Trends for Business Operations	3
Director	John Chung-Chang Chu	2021.02.17	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.08.03	Taiwan Corporate Governance Association	Information Security Issues that Directors and Supervisors Should Take Seriously Amid Frequent Cyber Attacks	3
		2021.11.25	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.25	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.07	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6
		2021.12.22	Deloitte & Touche	Education Training of IFRS 17	3
Resident Supervisor	Chih-Ying Tsai	2021.02.24	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.03.12	Taiwan Corporate Governance Association	Complete Guideline to Information Security for Directors and Supervisors	3
		2021.09.14	Taiwan Corporate Governance Association	Changes in the 5G Era: Industry Upgrades, Future Business Applications, and the New Normal in the Post-Pandemic Era	3
		2021.11.16	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.16	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.10	Deloitte & Touche	Education Training of IFRS 17	3
Supervisor	Chih-Ming Lin	2021.02.23	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.11.25	Deloitte & Touche	Education Training of IFRS 17	3

Title	Name	Course date	Exam Administrator	Course name	Course hours
		2021.11.25	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.25	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.26	Securities and Futures Institute	The ESG/CSR Trend and Sustainable Governance in 2021	3
		2021.11.30	Securities and Futures Institute	The Values of Information Security in The Post-Pandemic Era and Amid the China-US Trade War	3
Supervisor	Yung-Chen Li	2021.02.19	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.03.12	Taiwan Corporate Governance Association	Complete Guideline to Information Security for Directors and Supervisors	3
		2021.11.26	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.11.26	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.12.06	Insurance Institute of the Republic of China	Analysis of Principle of Fair Treatment to Customers	3
		2021.12.26	Deloitte & Touche	Education Training of IFRS 17	3
Supervisor	Han-Chang Tsai	2021.02.19	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.11.12	Taiwan Corporate Governance Association	Business Operation and Public Opinion and News Crisis Management Strategy	3
		2021.11.18	Taiwan Corporate Governance Association	Case Study of Hostile Takeover and Management Rights Competition and Countermeasures	3
		2021.11.29	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.29	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.12.24	Deloitte & Touche	Education Training of IFRS 17	3
Independent Director	Li-Ling Wang	2021.02.25	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.07.29	Center for Corporate Sustainability	The 25 th CEO Lecture and Keynote Speech	2
		2021.09.01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (TAICGOF) (morning session)	3
		2021.09.01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum (TAICGOF) (afternoon session)	3
		2021.11.18	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5

Title	Name	Course date	Exam Administrator	Course name	Course hours
		2021.11.18	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.12.07	TWSE	2021 Cathay Sustainable Finance and Climate Change Summit	6
		2021.12.23	Deloitte & Touche	Education Training of IFRS 17	3

Title	Name	Course date	Exam Administrator	Course name	Course hours
Independent Director	Tang-Chieh Wu	2021.02.19	Cathay Life Insurance Co., Ltd.	Online Education and Training Courses for Directors and Supervisors - Trends and Challenges of Information Security Governance	0.5
		2021.04.15	Taiwan Academy of Banking and Finance	Information Security Governance Lecture - FinTech and Information Security Risk Development Trends	3
		2021.07.29	Center for Corporate Sustainability	The 25 th CEO Lecture and Keynote Speech	2
		2021.08.12	Insurance Institute of the Republic of China	Information Security Governance - The Performance of the Implementation of the Company's Internal Information Security System from the Perspective of Corporate Governance	3
		2021.09.03	Insurance Institute of the Republic of China	Opportunities for Transformation from the Alignment with IFRS 17	3
		2021.11.16	Cathay Life Insurance Co., Ltd.	Education Training of Principle of Fair Treatment to Customers	0.5
		2021.11.16	Cathay Life Insurance Co., Ltd.	Education Training of AML and CTF	1
		2021.12.03	Insurance Institute of the Republic of China	Sustainable Development Blueprint and Implementation Role Model	3

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

A total of 10 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	9	0	90%	
Supervisor	Chih-Ming Lin	10	0	100%	
Supervisor	Yung-Chen Li	10	0	100%	
Supervisor	Han-Chang Tsai	10	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 and supervisors 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
2021.06.17	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Senior Vice Presidents, relevant managers, and employees of Investment Department Chief Auditor and Managerial Officers of the Audit Office	1. Report on 2020 general business inspection and investment BMI financial inspection opinion 2. Amendments to the 2021 audit plan	Handled based on the proposals
2021.07.01	Audit Symposium	Chih-Ying Tsai (Resident Supervisor) Chief Auditor and Managerial Officers of the Audit Office	Report on the implementation results of the suggestions in the resident supervisor's internal audit report prepared in April 2021	Handled based on the proposals
2021.07.16	Audit Symposium	Li-Ling Wang (Independent Director) Chief Auditor and Managerial Officers of the Audit Office Inspection of department heads' and employees' work	Report on improvement to the defects in the 2020 general business inspection	Handled based on the proposals
2021.07.28	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Senior Vice Presidents, relevant managers, and employees of Investment Department Chief Auditor and Managerial Officers of the Audit Office Chief Auditor, Managerial Officers and Employees of the Audit Department of Cathay Financial Holdings	1. Response to the request from the Bureau of Labor Insurance, FSC, to clarify and investigate relevant public complaints. 2. Report on the audit situation and results to the two independent directors.	Handled based on the proposals

Time	Communication channels	Participating staff members	Communication matters	Communication results
2021.08.18	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Chief Auditor and Managerial Officers of the Audit Office Chief Auditor, Managerial Officers and Employees of the Audit Department of Cathay Financial Holdings Chief auditors of major subsidiaries of Cathay Financial Holdings	Seminar on review of defects in internal control of Cathay Financial Holdings and its subsidiaries in the first half of 2021.	Handled based on the proposals
2021.10.13	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Chief Auditor and Assistant Vice President of the Audit Office Inspection of department heads' work	Report on the improvements to the 2021 senior financial consumer protection project as per the inspection opinion	Handled based on the proposals
2021.11.16	Audit Symposium	Tang-Chieh Wu (Independent Director) Li-Ling Wang (Independent Director) Chief Auditor and Assistant Vice President of the Audit Office Inspection of department heads' work	Report on improvement to the defects in the 2020 general business inspection	Handled based on the proposals
2021.11.23	Audit Symposium	Tang-Chieh Wu (Independent Director) Chief Auditor Managerial officer	1. Report on a business audit report 2. Improvement to the defects in the 2020 general business inspection 3. Report on an enhanced ad-hoc audit of compliance by relevant personnel involved in domestic equity investment	Handled based on the proposals
2021.11.24	Audit Symposium	Li-Ling Wang (Independent Director) Chief Auditor Managerial officer	1. Report on a business audit report 2. Improvement to the defects in the 2020 general business inspection 3. Report on an enhanced ad-hoc audit of compliance by relevant personnel involved in domestic equity investment	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/website/PFWeb/servlet/HttpDispatcher/PFW0_0500/supervisoremail

(III) Functionality of the Risk Management Committee

A total of 5 meetings (A) were held in the last year (data range: 2021/01/01-2021/12/31). The attendance records are summarized as below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Li-Ling Wang	5	0	100%	Re-elected on June 15, 2020
President	Shang-Chi Liu	4	0	80%	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	Wen-Chi Chen	5	0	100%	Newly appointed on June 15, 2020

- 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
1 st meeting in 2021	2021.03.05	The Company's risk appetite and risk limits in 2021, as well as the amendment to the "Overall Risk Measurement Procedure".	Motion was passed as proposed by all members.
		Partial amendments to the Company's "Market Risk Management Guidelines" and other three regulations.	Motion was passed as proposed by all members.
		Formulation of the Company's "ESG and Climate Risk Management Guidelines" and partial amendments to the "Risk Management Policy" and the "Emerging Risk Management Guidelines".	Motion was passed as proposed by all members.
		Partial amendments to the Company's "Operational Risk Management Guidelines."	Motion was passed as proposed by all members.
		Partial amendment to the Company's "Self-Discipline on Transactions Other Than Loans to Counterparties."	Motion was passed as proposed by all members.
		Partial amendment to the Company's "The Organization Rules for Risk Management Committee."	Motion was passed as proposed by all members.
		Risk Management Committee Performance Assessment Result for 2020.	Motion was passed as proposed by all members.
2 nd meeting in 2021	2021.05.10	Partial amendments to "Rules for Securities Investment Risk Limits."	Motion was passed as proposed by all members.
3 rd meeting in 2021	2021.05.26	The Company's 2021 risk and solvency self-assessment internal report and supervision report.	Motion was passed as proposed by all members.
4 th meeting in 2021	2021.08.11	Partial amendments to the "Derivatives Transaction Policy and Processing Procedures".	Motion was passed as proposed by all members.
		Amendments to the Company's "Overall Risk Measurement Procedure".	Motion was passed as proposed by all members.
5 th meeting in 2021	2021.11.02	Partial amendments to the "Derivatives Transaction Policy and Processing Procedures".	Motion was passed as proposed by all members.

Meeting	Date	Motion	The board's resolution
		Partial amendments to "Rules for Securities Investment Risk Limits."	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			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary	
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 May 13, 2021) 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 to execute shareholders’ meeting functions related to the company’s regulations on corporate governance.
(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?			(III) The company has already established and implemented the risk control and firewall related mechanisms between the Company and its affiliates: 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.	
(III)	Whether the company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?				

Scope of assessment		Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary	
(IV)	Whether the company has established internal regulations to prohibit securities trading by use of the company's internal undisclosed information?			(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.	
III.	Composition and responsibilities of Board of Directors	Yes		(I) The members of the Board of Directors are from diverse backgrounds; they are of different ages and have different industry experiences and professional knowledge and capabilities. To strengthen corporate governance and facilitate the sound development of the composition and structure of the Board of Directors, Article 21 of the Company's "Corporate Governance Best Practice Principles" stipulates the composition of the Board of Directors and the knowledge and capabilities that directors should possess. Article 25 specifies the rules for independent directors to be aligned with the characteristics of industry development and the diverse skills they should possess. In addition, Article 2 of the "Procedures for Election of Directors and Supervisors" stipulates that the diversity principle shall be considered for the composition of the Board of Directors and an appropriate diversity policy shall be formulated as per its own operations, operating model, and development needs. For example, it includes the basic composition (such as gender, age, nationality, and race), professional experience (such as banking, insurance, securities, asset management, construction, medical care, and	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."
(I)	Does the board of directors formulate and implement diversity policies and specific management on membership?				

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(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>health management), professional knowledge and capabilities (such as business, finance, accounting, law, actuarial science, overseas investment, and risk management). The Company currently has 10 directors in the board of directors, including 5 non-executive directors, 2 independent directors (one of whom is female – Li-Ling Wang) and 3 executive directors (the President, an Executive Vice President, and a Senior Vice President). The board members collectively possess extensive experience and expertise in business, accounting, law, finance, actuarial science, overseas investment, and risk management. The board has 30% of directors concurrently serving as employees; independent directors accounted for 20% of all directors, and female directors (independent director Li-Ling Wang) accounted for 10% of all directors; and 2 independent directors have served for fewer than 3 years. The average age of the board of directors is 58 years old; 1 director is between 71–80 years old; 3 between 61–70 years old, 3 between 51–60 years old, and 3 between 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 2021, the performance assessment questionnaire was filled out by 7 committee members and submitted to the board of directors. The self-assessment</p>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(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?			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 18 indicators, and the final result was assessed as “beyond standard.”	
(IV) Does the company conduct regular assessments regarding the independence of its financial statement auditors?			<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 2021, 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>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
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 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)?	Yes		The Company has allocated corporate governance staff and appointed a corporate governance officer in accordance with “Corporate Governance Code of Conduct.” The Company’s Corporate Governance Team of the Legal Affairs Office is the board meeting unit responsible for handling meetings and affairs of 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.	In compliance with “Corporate Governance Best-Practice Principles for Insurance Enterprises.”
V. Does the company have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers, and suppliers etc), and set up an area for stakeholders on the official website for adequate response to major CSR issues concerned by stakeholders?	Yes		The company provides a 24-hour insurance service hotline 0800- 036599 which is responsible for communicating with policyholders. The company 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 consulting, insurance policy servicing and complaints handling, as well as a unit to handle complaints and appeals, in order to protect policyholders’ rights. 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.”
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.”

Scope of assessment		Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary	
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) 1. Cathay Life released the “2020 Corporate Sustainability Report of Cathay Life Insurance”, with the sustainability strategy CARE as the main framework in compliance with the GRI Standards, to fully discloses the Company’s efforts in corporate sustainability and compliance with the Principles for Sustainable Insurance (PSI). Act. Such information is also available in the “Corporate Sustainability section” on Cathay Life’s official website (https://patron.cathaylife.com.tw/ODAB/ODAB8000). 2. In order to disclose CSR information to the public, the Company has published the “Cathay Charity Group Annual Report” every year which records the charity business of the Cathay Charity Group. This report is also disclosed on the “Public Disclosure section” on the official website of the Cathay Charity Foundation (https://patron.cathaylife.com.tw/ODAY/F0/ODAYF042).	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			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary	
(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, supplier relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, and purchase of liability insurance by the company for directors and supervisors)?	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 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</p>	In compliance with "Corporate Governance Best-Practice Principles for Insurance Enterprises."

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>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 Employee Benefits Group Insurance and Accident Insurance.</p> <p>(2) Financial benefits 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 Employee travel subsidies, mountain hiking on family day, singing competitions, fun competitions, health product subsidies, year-end festival subsidies, community activities and health promotion activities.</p> <p>(4) Training and development benefits Internal and external training courses (full payment), foreign language course subsidies, professional examination subsidies, lectures at Lin Yuan Life Plaza.</p> <p>(5) Service benefits Senior staff bonuses, uniform subsidies.</p> <p>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</p>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>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: another 5 days of paid maternity leave in addition to the original 5 days and another 2 days of paid paternity leave in addition to the original 2 days, 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 positive energy for the society.</p> <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 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.</p>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<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 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 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>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<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.</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 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</p>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>protect employees.</p> <p>2. Employee Health</p> <p>(1) 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 doctors to provide on-site medical consultation, disaster 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.</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 business staff, the dedicated interview team also ensure that the customer has fully understood the insurance product so that customers can correctly select insurance products based on their requirements. The team actively assists customers to understand the insurance policy, while making sure that the process of</p>	

Scope of assessment	Implementation Status			The deviation and causes of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>solicitation is in compliance with requirements in order to prevent disputes. The interview also verifies the customers' contact information to ensure that customers can receive the Company's notification documents in the future.</p> <p>(VII) Directors' and supervisors' ongoing education: Disclosures have been made on the Company's website: (https://www.cathaylife.com.tw/cathaylife/laws-policies/public-info/info-governance) and the "Market Observation Post System."</p> <p>(VIII) The Company has established a "Cathay Life Insurance Risk Management Policy." The Company's overall risk acceptance are approved by the board of directors, and various risk limits are set up and monitored on a regular basis according to risk characteristics, and the overall risk management report is submitted to the board of directors.</p> <p>(IX) Cathay Financial Holdings' renewal of liability insurance for the Company's directors and supervisors has already been reported to the board of directors in June 2021.</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) Status of ESG practices, and deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the Board of Directors? Does the Board of Directors supervises the implementation?	Yes		<p>(I) The Company has set up a corporate sustainability (CS) team (including six task forces in charge of sustainable governance, responsible investment, responsible commodities, green operations, employee happiness, and social co-prosperity, respectively, as well as a secretarial unit), with the President serving as a member and Senior Vice Presidents serving as the executive officers. It holds team meetings regularly every quarter to review the efforts in corporate sustainability.</p> <p>(II) To enable the Board of Directors to supervise the implementation of corporate sustainability, the Company reports on the annual important development strategies and implementation progress of the corporate sustainability to the Board of Directors every six months as per the Group's "Sustainable Development Best Practice Principles", allowing directors to participate in and review the Company's efforts in corporate sustainability.</p>	No significant difference.
II. 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 2)	Yes		<p>(I) The Company has adopted the United Nations PSI since 2016 as the first life insurance company in Asia to adopt the PSI voluntarily. We regularly publish reports every year to disclose the results of the implementation of corporate sustainability.</p> <p>(II) The Company regularly surveys internal and external stakeholders (employees, policyholders, suppliers, NPOs, government agencies, the media and experts, and the general public) regarding material issues and discloses relevant results in the Corporate Sustainability Report.</p>	No significant difference.

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>(III) Based on the external sustainability trend and core competencies, the Company has developed the main framework of sustainability strategy “C.A.R.E.”, set short-, medium-, and long-term targets, and manages and adjusts the direction of each project on a rolling basis every year.</p> <p>(IV) The Company has formulated the “Risk Management Policy” with ESG and climate change risks incorporated into the enterprise risk management mechanism and updated the “Cathay Life Insurance ESG and Climate Risk Management Guidelines” to duly implement ESG and climate governance and management.</p> <p>(V) To reduce the environmental, social, and governance (ESG) risks and impacts in operations and work with suppliers to realize corporate sustainability, the Company has established the “Supplier Corporate Social Responsibility Code of Conduct” for suppliers to follow.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company established environmental policies suitable for the Company’s industrial characteristics?</p>	Yes		<p>(I) 1. To reduce the impact of daily operations on the environment, the Company has formulated relevant policies and management systems to duly implement environmental and energy resource management:</p> <p>(1) We have adopted the energy and environmental management system (ISO 14001 and ISO 50001) in key buildings in terms of electricity consumption since 2013 in accordance with the Environmental and Energy Policy of Cathay Financial Holdings Group.</p>	No significant difference.

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>(2) We have formulated the Real Estate Responsible Investment and Management Policy and adopted green building and energy efficiency designs for all new buildings (e.g., increasing the areas of greenery and reducing water consumption and carbon emissions). As of 2021, a total of 20 green buildings have been built, and 22 green building certifications have been obtained.</p> <p>(3) 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” and the “Excellence Award for Low-carbon Products” awarded by the Environmental Protection Agency, Executive Yuan, and all insurance contracts are approved as green products by the competent authority.</p> <p>(4) We adopted the ISO 20400 sustainable procurement as guidance to give priority to green products with low environmental impact when purchasing various commodities.</p>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(II) Does the Company endeavor to upgrade the efficient use of energy, and the use of environmental-friendly materials?			<p>2. 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 (more than 30,000 employees in the Company) via diversified events, including weekly environmental education briefings, monthly internal CSN environmental protection videos, and electric vehicle rental discounts.</p> <p>3. We continue to organize activities, such as coastal adoption, parent-child environmental education, and beach cleanup to promote corporate sustainability. The Company has won the “National Corporate Environmental Protection Awards” organized by Environmental Protection Administration of the Executive Yuan in 2020 regarding its continuous, diversified and in-depth environmental protection measures.</p> <p>(II) 1. 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 improvement. Since 2017, it further implemented systems integration with affiliates so that the environment and energy management system cover the entire group.</p>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(III) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response?			<p>2. We maintain and replace equipment on a rolling basis every year according to the equipment service life and energy consumption, thereby improving the power use efficiency.</p> <p>3. The Company purchased renewable energy certificates, installed solar panels, and signed the first domestic charity-based renewable energy power purchase agreement (PPA) in 2021 in response to the government's green energy development policy. As per the employees' weight loss achievements, we donated NT\$2 million to Sino Greenenergy Group to build a solar roof at Dingshan Elementary School in Tainan, which was completed in December 2021. The green electricity generated is repurchased by the Company for our own use, and the income therefrom is used as a local elderly activity fund to reduce carbon emissions and use renewable energy, thereby forming a positive cycle.</p> <p>(III) 1. The Company took the initiative to advocate the "Task Force on Climate-Related Financial Disclosures (TCFD)" released by the Financial Stability Board (FSB) in June 2018, and we duly implement climate governance under the framework:</p> <p>(1) The Risk Management Committee under the Board of Directors is the Company's highest entity monitoring climate risks.</p> <p>(2) Identified potential climate change risks and opportunities, performed scenario analyses on material risks, and formulated mitigation measures or countermeasures.</p>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(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 greenhouse gas, water, and waste?			<p>(3) Formulated the “ESG and Climate Risk Management Guidelines” to incorporate climate change risks into the corporate risk management mechanism.</p> <p>(4) Incorporated climate risk factors into the ESG risk review process and sensitive industry investment management principles, to closely monitor high climate change risks and examine the carbon footprint of investment portfolios.</p> <p>(5) Set targets for annual carbon reduction and low-carbon investment amount.</p> <p>2. We actively participate in important international climate advocacy organizations and negotiate with investees to urge them to improve their ESG performance, such as climate change and carbon disclosure.</p> <p>3. We disclose the Company’s climate-related information in the CS report (since 2019) as per the FSB’s TCFD recommendations.</p> <p>(IV) 1. 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).</p> <p>2. We disclose greenhouse gas emissions and overall energy, electricity, and water consumption in the last three years in the Corporate Sustainability Report every year.</p>	

Implementation items		Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
		Yes	No	Summary	
				3. We formulate short-, medium-, and long-term carbon reduction policies and action plans in alignment with the Group's policies. We are committed to be aligned with the global "RE100" initiative in 2021 by setting targets to fully adopt green power at the headquarters by 2025 and at all domestic sites by 2030 and to ensure that the Group's investees and parties it finances all meet the net zero emissions goal by 2050.	
IV.	Social issues				
(I)	Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions?	Yes		(I) 1. The Company attaches great importance to human rights and complies with labor laws and international frameworks, such as the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the regulations of the United Nations International Labor Organization. 2. 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", while clearly setting out important guiding principles to regulate employees' conduct and protect their important rights.	No significant difference.

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(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>3. To establish a work environment in which human rights and diversity are respected, the Company continues to employ indigenous peoples and people with disabilities, pay attention to employees' nationality and diverse backgrounds, promote gender equality, and implement equal pay for equal work, while having established a system to prevent sexual harassment in the workplace, thereby protecting employees from threats of sexual harassment.</p> <p>4. The content of regulations provided by labor laws is included into the inspection items in the Company's 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 protection, financial, recreation, training and 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>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
(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, the Company 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 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.</p> <p>3. The Company has appointed 16 nurses responsible for labor health care service in accordance with relevant laws to provide workplace 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. In addition, a health management system was introduced in August 2019 to improve the health management effectiveness of medical staff.</p> <p>4. In December 2019, the Company became the first life insurance company in Taiwan to obtain the “Workplace Health Promotion</p>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>Certification” for all its 199 operating sites.</p> <p>5. The Company’s 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 doctors to provide on-site medical consultation, disaster 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. 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> <p>6. The Company has 32,062 employees (as of December 2021), with a total of 8,043,108 working day in the entire year (January-December) and a total of 64,344,864 working hours. The occupational accidents throughout 2021 involved 5 people for 158 days, and the disabling injury frequency rate (FR) was 0.08, and the disabling injury severity rate (SR) was 2.45. Among the 5 people involved in the occupational accidents, 3 encountered traffic accidents; the other 2 were involved in falls and slips. Relevant education and training have been included in the annual on-the-job training plan to reduce the frequency of accidents.</p>	

Implementation items		Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
		Yes	No	Summary	
(IV)	Has the Company established some effective career development training plan 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. 2. In accordance with the "Insurance Act", "Fair Trade Act", "Consumer Protection Act", "Financial Consumer Protection Act", "Self-Regulatory Rules Governing Marketing Advertisements of Insurance Industry", and	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>“Principle for Financial Service Industries to Treat Clients Fairly”, 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. In addition, our product protection content design or sales documents are reviewed by our product review team to ensure the correctness and appropriateness of the product content, and improve the business units’ service quality through a complete management mechanism, and we actively remind customers through a variety of channels to ensure that their rights are protected.</p> <p>3. 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. Adhering to the Group’s service concept of “Start from the heart, treat customers with integrity, impress our customers, and create value,” we stipulate a policy of treating customers fairly with principles in accordance with the “Principles of Treating Customers Fairly” promulgated by FSC, and established the Fair Practices Committee, which holds meetings semi-annually to follow up on the implementation, to develop the core corporate culture of “Full Service; Fair Hospitality”.</p>	

Implementation items		Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
		Yes	No	Summary	
(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) 1. Cathay Financial Holdings and its subsidiaries have adopted the ISO 20400:2017 Sustainable Procurement as guidance since 2018 as the first company in the global financial industry to have passed the audit. We have developed Cathay FHC Sustainable Procurement Policy based on the 7 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, and the sustainability training for 100% suppliers, the Company 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>2. To implement supplier management, Cathay Financial Holdings has included the corporate social responsibility (CSR) clauses in the "Supplier Contract", stipulating that both prospective and existing suppliers should comply with principles below. If a supplier is confirmed violating or failing to meet the norms, the Company may terminate the partnership or 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>(1) Environmental protection regulations (2) Regulations governing occupational safety and health management</p>	

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
			(3) Labor rights regulations (4) Ethical norms regulations 3. 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.	
V. Does the company prepare sustainability 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		(I) We have prepared the “2020 Corporate Sustainability Report of Cathay Life Insurance” in accordance with the GRI Standards and the Integrated Reporting (IR) framework. (II) We entrust PwC to conduct limited assurance for the Corporate Sustainability Reports published by the Company 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. In addition, we adopt the new version of the ISO 14064-1: 2018 standard for the greenhouse gas inventory data and commission SGS to verify the data.	No significant difference.
VI. If the Company has established sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company’s implementation the “Sustainable Development Best Practice Principles” is aligned with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. The Company has not fully combined the employee performance evaluation system with the corporate sustainability policy, but has incorporated the comprehensive planning department on the implementation of corporate sustainability.				
VII. Other information material to the understanding of the ESG practices: (I) The Company has long been promoting corporate sustainability. To respond to domestic and international sustainability trends and leverage the influence				

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>of core competencies of the financial and insurance industry, the Company provides solutions to ESG issues with outstanding performance in 2021, which is listed below:</p> <ol style="list-style-type: none"> 1. The Company was named a role model in the “Education and Promotion category” and the “Environmental Friendliness category” at the 17th “Global Views Monthly CSR Awards”. 2. Cathay Life won the “Platinum Award of the Corporate Sustainability Report Awards” and the “Climate Leadership Awards” at the 14th “Taiwan Corporate Sustainability Awards (TSCA)” launched by the Taiwan Institute for Sustainable Energy. 3. The Company won the Best Corporate Social Responsibility Award of the Year at the Insurance Asia Awards (IAA) organized by Charlton Media Group in Singapore. 4. We were awarded the “Silver Award of the Asia’s Best Sustainability Reporting Awards” at the “Asia Sustainability Reporting Awards (ASRA)” organized by CSR Works International, a sustainability consultancy in Singapore. 5. Cathay Life was awarded “the Best Life Insurance Company” and “the Best Sustainability Award” at “the 25th Asia Insurance Industry Awards (AIIA)” organized by Asia Insurance Review (AIR) as the only company that has won two awards this year and the only insurance company in Taiwan to be shortlisted and awarded. 6. Cathay Life won the “Education and Promotion Influence Award” at “the 5th PwC Sustainability Influence Awards” organized by PwC and Cannes Lions, for the 4th consecutive time. 7. Cathay Life has won “Sports Sponsorship Award” organized by Sports Administration, for 13 consecutive years as a “Sponsor” and “Promoter,” and has been certified for “Long-term Sponsorship” for 9 years. 8. Cathay Life won “the first place in the insurance company group”, “the Business Performance Award”, “the Relief Performance Award”, and “the Friendly to Seniors Award”. in the “Micro Insurance Competition” held by the FSC. <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. The main public welfare projects in 110 are briefly described as follows:</p> <ol style="list-style-type: none"> 1. Social welfare activities <ol style="list-style-type: none"> (1) Empowerment of new immigrant second generation students: Since 2010, the Company and Eden Social Welfare Foundation have jointly organized the “New Immigrant Second Generation Diverse Intelligence Cultivation Course” and the purpose of the course is to assist the new immigrant second generation to expand their vision, cultivate diverse culture and language skills through long-term companionship. It has accompanied 16,840 students to continue to grow over the past 12 years. (2) Cathay Children’s Dream Come True Program: The Company organized the 8th term of Student Dream Come True Program, and total of 19 schools were selected for the program. The dream come true themes were diverse, including sports, music, science, drama and environmental protection, and the total dream come true fund reached NT\$3.7 million. The Company also continued to organize the Dream Come True Record Award, in order to encourage the dream come true project team to video the process of realizing one’s dream. A total of five elementary schools were selected, and the total prize reached NT\$150 thousand. 				

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
<p>(3) Winter Warmth Delivery Event: We went to 110 elementary schools at remote areas, including Wanli in New Taipei City, Jianshi in Hsinchu, Laiyi in Pingtung, Baisha in Penghu, and Taimali in Taitung, reaching 15 counties and cities and 39 townships and districts, with more than 9,000 children benefiting from the event.</p> <p>(4) Low-income Household and Medical Subsidy: Cathay volunteers visited 208 disadvantaged cases and after internal review and meeting, the Company provided a subsidy of approximately NT\$2.151 million to assist case households to overcome living difficulties. In addition, the Company also collaborated with the village offices and local volunteer groups in order to continue to promote micro-insurance for medium- and low-income households and the disabled, or provide subsidies for emergency medical care for disadvantaged children.</p> <p>(5) Tutoring Class: To care for children of remote areas, Cathay respectively established the Share Love and Care Tutoring Class in Kuohu Township of Yunlin County (45 students) and Xiulin Township of Hualien County (30 students), Sanxia Grass Book House (30 students) in order to assist the after-school care class for disadvantaged students, and to provide care to the learning and living of children of remote areas, allowing children to learn and grow in a great environment, such that disadvantaged children are able to learn in a secure learning environment, to increase the learning confidence of children, to develop positive personality and active philosophy as well as having hopes and dreams.</p> <p>(6) Welfare for Disabled: The Company sponsored the disabled performance group “Mixed Disabled Arts Group” and a total of six sessions of public welfare performance were organized at school campuses and prisons. In addition to providing a performance stage for disabled to perform talent shows, the group also aims to convey the event philosophy of treasure life and value to teenagers of senior high schools and vocational schools as well as prison inmates through storytelling of group member’s personal stories. The event has inspired more than 2,700 people.</p> <p>(7) 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.</p> <p>2. Social welfare activities</p> <p>(1) Cathay Excellence Incentive Program: The purpose of the program is to provide rewards to Type 2 outstanding students, Type 1 “Characteristic Incentive Team” and to encourage individuals or teams in terms of the aspects of “Education and Community Development,” “Environment Sustainable Action” and “New Emerging Topics,” in order to propose “Characteristic Research” or “Public Welfare Proposal” with innovative vision and to be beneficial to positive change of the society. A total of 26 teams received the award. For the Type 2 “Outstanding Student Team,” to encourage senior high school and vocational students from disadvantaged families with outstanding performances, a total of 65 teams received the award.</p> <p>(2) “Food Raising and Care Delivery” charity event: Through the method of employee donation and insurance customers’ subscription via Cathay discount APP, a total of 1,460 charity meal sets were raised and provided to Andrew Charity Association for management and use. In addition, a total of 700 food boxes each at a value of N\$1,000 were purchased with the employee donation and were donated to the Social Affairs Bureau of Hualien County, Taitung County and New Taipei City, in order to support disadvantaged families severely affected by the pandemic.</p> <p>(3) Summer blood donation event: The Company collaborated with the Taiwan Blood Services Foundation to organize blood donation events in order to mitigate the summer blood inventory shortage. A total of 582 blood donation events were organized throughout Taiwan in 2021. There were a total of 41,522 people participating in the event, and a total of 62,721 units of blood were collected. Over the past 22 years, a total of 489 thousand bags of blood has been collected.</p> <p>(4) Tree Planting Event: Cathay volunteers collaborated with local community and non-profit seeking organization in tree planting event. However,</p>				

Implementation items	Implementation Status (Note 1)			Deviation(s) from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Summary	
due to the impact of pandemic, only one session of tree planting event was organized in Yilan, and a total of 150 people participated in the event. During the event, approximately 390kg of mile-a-minute weeds were removed. The event aimed to establish sustainable living style for corporates and society, such that environment protection is implemented with contribution to society at the same time.				
(5) “Teach For Taiwan (TFT)” 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.				
(6) Elderly care activities: With social inclusion as the main development focus, through local effort along with corporate volunteers, a proper interactive relationship is established with the community residents to participate in the non-toxic organic production works. In addition, the corporate core function is also implemented at the same time, such that financial fraud prevention is promoted through board games, in order to assist seniors in their asset protection and management. In addition, the Company also collaborated with Taichung Municipal Taichung Girls’ Senior High School in the organization of “Teacher Once More – Life-giving spring breeze and rain, green cultivation” to encourage seniors to continue to pursue their dreams. The event aimed to promote physical and mental health of the elderly as well as excellent interpersonal relationship, allowing seniors to age locally and to have great local care. A total of 74 care events were organized and the number of people benefiting from the event reached nearly 2,400 people.				
(7) 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 5 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 “Yes” is checked for the implementation status, please specify the important policies, strategies, and measures adopted and the implementation status; if “No” is checked for the implementation status, please specify the situation and reasons for the discrepancies and describe a plan to adopt relevant policies, strategies, or measures in the future in the column of “deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof”.

Note 2: 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			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		(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.”	No Difference.
(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”?			(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. 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:	

Scope of assessment	Implementation Status			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?			<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> <p>(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.</p>	
II. Implementation of ethical management (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?	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	No Difference.

Scope of assessment	Implementation Status			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(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)?			<p>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.</p> <p>(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 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>	

Scope of assessment	Implementation Status			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?			<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> <p>(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.</p>	
(IV) Has the Company implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal audit unit 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, or has an accountant been entrusted to perform the audit?			<p>(IV) The Company has established an effective accounting system and internal control system. The internal 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.”</p>	

Scope of assessment		Implementation Status			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
		Yes	No	Summary	
(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 instructions, but also encourages managers to abide by the Business Integrity Code of Conduct in order to maximize enterprise value. 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.	
III. (I)	Status of the Company's complaint system 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?	Yes		(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	No Difference.

Scope of assessment	Implementation Status			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(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>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 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>	

Scope of assessment	Implementation Status			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?			(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.	
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 Cathay Financial Holding Co., Ltd.' 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.				

(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 Article 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, 2021 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 and 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 Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the board of directors on March 11, 2022.

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)
CIO	:	Pei-Ching Lin	(signature)

March 11, 2022

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

(Baseline date: December 31, 2021)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
As per the credit investigation and review of the international syndicated loan cases in May 2018, there were defects of “not confirming the reasonableness of the valuation assumptions and parameters and keep traces”, and “not specifying the patterns of anomalies, causing the review and early warning to fail to function”.	<ol style="list-style-type: none"> 1. We have amended the “Corporate Banking Credit Investigation Guidelines” in September 2021 and added the regulations on the outsourcing of valuation for syndicated loan cases. In addition, the reasonableness assessment should be included in the loan approval letter, the review committee report, or other relevant documents, with the procedure traces kept. 2. We amended the “Review Operating Procedures” in December 2020, with 6 patterns of anomalies added for review. 	Already completed
The evaluation process for aircraft collateral between September 2017 and June 2018 was not rigorous.	<ol style="list-style-type: none"> 1. We have amended the “Corporate Banking Credit Investigation Guidelines” and added a special review mechanism for ships and aircraft for loans that exceed the set loan ratios. Each borrower should have no bad credit record, and we should compare the domestic major syndicated loan cases with similar specifications and types of collateral. After being reviewed by the loan review committee, the loan limit under the same standard for the syndicated loan cases may be adopted; the procedure traces shall be kept for the evaluation report. 2. In addition, the “Lender’s Compliance Checklist” was revised, with the above regulations included in the checklist to strengthen the control. 	Already completed
The Company relied on the sales personnel to actively report on the contact with COVID-19 confirmed cases, who not yet received the home quarantine notice in May 2021. Implement the various epidemic prevention regulations established within the company. We adopted a post-event management method without relevant control measures in advance, making it difficult to supervise the personnel’s compliance with various internal anti-pandemic regulations.	<ol style="list-style-type: none"> 1. We raised employees’ awareness of anti-pandemic SOP and reminded them not to visit customers if they came into contact with confirmed cases at the meeting of assistant vice presidents of regional offices on May 28, 2021, through announcements at branches and on CSN on June 10, 2021, and weekly compliance education and training. 2. In accordance with the relevant interim principles approved by the competent authority on May 27, 2021, we took measures, such as remote insurance purchase and remote security services. In addition, we suspended the assessment of salespersons and supervisors between June and August and implemented a salary guarantee policy to reduce salespersons’ motivations and risks of face-to-face contact with customers during 	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	the pandemic period.	
The Company has sent the (overdue) insurance premium payment notice for renewal to the proposer's latest address contained in all the insurance policies of the Company since October 2005.	We have adjusted the (overdue) insurance premium payment notice for renewal and the (overdue) insurance policy loan payment notice to be sent the latest address contained in the policy since December 1, 2021.	Already completed
The Company established a mechanism for checking whether customers have applied for insurance policy loans or canceled policies three months before purchasing an insurance policy in 2020. However, we failed to further check the cases identified where the contents filled in the salespersons' solicitation report were inconsistent with the facts.	<ol style="list-style-type: none"> 1. Since January 4, 2021, we have adopted a system inspection mechanism to reinforce the review (including the insurance brokerage and agency cases). 2. We notified relevant units on March 24, 2020 and further notified relevant units on September 1, 2020 and December 31, 2020 to strengthen salespersons' education in order to raise their awareness in this regard. 	Already completed
<p>There were the defects below in insurance solicitation and underwriting operation for persons with disabilities:</p> <ol style="list-style-type: none"> 1. During telemarketing in 2020, sales personnel informed customers of the fact that the disabilities with a disability certificate (severe or above) would not be covered by our insurance products, and the sales pitch was inappropriate. 2. When processing applications filed by persons with disabilities, our personnel failed to accurately assess the policyholders' health status and denied if their applications between November to December 2018. 	<ol style="list-style-type: none"> 1. Our enhanced measures for telemarketing for persons with disabilities are as follows: <ol style="list-style-type: none"> (1) We adjusted the text for the health status inquiry process in July 2020. (2) We taught the telemarketers the appropriate wording and included such wording in the template on September 28, 2020. 2. For policy applications filed by persons with disabilities rejected, the enhanced review measures for policy approval are as follows: <ol style="list-style-type: none"> (1) We strengthened education and training on underwriting on August 4, 2020. (2) We enhanced the internal control in December 2020. 	Already completed
Personnel failed to confirm whether it was a case requiring a phone interview when canceling a policy in 2020 and only conducted a phone interview after paying surrender value.	The Company has expanded the scope of products for which phone interviews should be conducted to cover all products. Within one year after a salesperson resigned, if any policyholder terminates the contract handled by the salesperson during their employment, a phone interview should be conducted regardless of the type of product. The control conditions were adopted on May 19, 2021.	Already completed
As a product endorsement design only applied to policyholders who purchased the product during a specific period (before March 31, 2019), the value-added bonuses for policyholders who purchased the same product with the same insured amount and paid the same premium would be calculated in two different methods, namely monthly announcement that applies monthly and monthly announcement that applies annually. Our personnel directly changed the calculation method of the value-added bonuses through endorsement without notifying policyholders and obtaining their	In product review group meetings held by the Company after July 1, 2021, when we reviewed product development ESG issues, we added a review mechanism to confirm that product design complies with the "Principle for Financial Service Industries to Treat Clients Fairly" and reinforced the relevant education and training to product designers to duly include the principle of fairness and integrity in contracts.	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
consent.		
When our personnel terminated a rider and the insurance policy in 2020, they failed to return the premium undue to the proposer as agreed in the rider.	<ol style="list-style-type: none"> 1. We established a system, which went live in December 2020. 2. We examined a total of 4,909 policies with premiums undue which should be returned as agreed in the riders systematically, and such premiums were in a total amount of NT\$7,165,780, which was refunded by remittance or check between November 2021 and January 2022. 	Already completed
We failed to establish a regular inspection mechanism to inspect whether the mobile insurance application data was stored in mobile devices in the form of screenshots.	<ol style="list-style-type: none"> 1. We have established “a message reminder mechanism for screenshots”, “a dynamic data masking mechanism for multiple pieces of personal data”, and “a watermark warning mechanism” to protect personal data on mobile devices. We have tested the information security of relevant apps as per the “Basic Information Security Testing Standards for Mobile Apps” released by the Industrial Development Bureau, Ministry of Economic Affairs. Our implementation has met the requirements of the “Self-Discipline Regulations on Information Security Protection by the Insurance Industry”. 2. We have established a screenshot trace retention mechanism for a total of 17 apps in respect of loan, life insurance, and marketing and included it in the system development reports, and notices and analysis reports will be sent to the responsible units automatically for follow-up and processing. Such an establishment was completed on November 19, 2021. 3. We continue to raise employees’ awareness through newsletters and regional offices to reinforce each unit’s awareness of protection of personal data on mobile devices. 	Already completed
Personnel failed to produce an anomaly inspection report on the same IP address for different insurance policies brokered by the same insurance salesperson, and some salespersons shared the same mobile phone number, which was inappropriate.	<ol style="list-style-type: none"> 1. We produced reports regularly on multiple policyholders logging in with the same IP address. If there are multiple policyholders or multiple policies sharing the same IP address to apply for insurance or a transaction, we will conduct phone interviews with the policyholders to ensure that they are aware of the transaction contents. If an anomaly is discovered in the phone interview and we confirm that there is indeed a violation, it will be handed over to the human resources management unit for follow-up and investigation. 2. The Company adopted an additional inspection and control mechanism on August 27, 2020 (that is, the mobile phone numbers of the sales personnel controlled by the 	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	system cannot be the same as those of other sales personnel, and the system will send a warning when there are the same number). The mechanism went live on October 12, 2020 and we completed a comprehensive inspection on October 26, 2020. The review results showed that there were no duplicate mobile phone numbers for full-time and part-time sales personnel.	
In 2019, when a new policy was approved, and the policyholder was not informed that they might choose to renew the old policy, which was not conducive to their consumer rights.	<ol style="list-style-type: none"> 1. We have added the “Confirmation of Customer’s Willingness to Suspend of the Validity of Insurance, Apply for Extension Periodically, and Reduce Payment” on March 15, 2021 for our salespersons to explain the main points of the rights and interests related to the change of the validity of the policy, such as the suspension of validity. 2. We added some functions of the system on March 31, 2021. 	Already completed
We failed to conduct timely reviews and develop specific improvement measures for the deteriorating quality of overseas loans in 2020, which was inappropriate.	<ol style="list-style-type: none"> 1. The Company has continued to strengthen the follow-up on abnormal corporate loan cases at monthly asset quality meetings and take necessary countermeasures. 2. There were two such foreign currency loan cases, both of which have been reported regularly, and we have taken legal actions to collect overdue loan payments. 	Already completed
Our personnel failed to evaluate the feasibility of the construction plans provided by the borrowers, directly drew up the borrowers’ construction plans by themselves, and did not confirm whether the same collateral was sold to multiple buyers during the credit investigation process from 2017 to 2020, which was inappropriate.	<ol style="list-style-type: none"> 1. We amended the “Corporate Banking Credit Investigation Guidelines” on December 1, 2020 to stipulate in Paragraph 1 and 2, Article 28 that personnel shall pay attention to the feasibility and the content of each construction plan. 2. We amended the “Loan Department’s Corporate Loan Compliance Checklist” on January 28, 2021 to carry out the credit review procedure. 	Already completed
We invested in a venture capital company in 2018. The venture capital bought individual stocks unrelated to its investment purpose and took out loans to buy preferred stocks, which were inconsistent with its investment plan.	In the post-investment management of venture capital used for the Company’s investment projects, we have added a rule that “the Company shall regularly participate in post-investment management meetings and shareholders’ meetings to understand the venture capital’s operating activities and performance; the Company shall write a quarterly fund report to understand whether the investment in the venture capital is in alignment with the investment plan and specify the reasons for any difference in the case of any inconformity”. We have included such a mechanism to the Alternative Investment Department’s “Internal Control Operations” on June 28, 2021 to ensure compliance.	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
We handled the stop-loss operation of foreign stocks from 2018 to 2019, and personnel have issued loss control reports many times for such individual stocks but failed to follow up after the stop-loss operation in accordance with the suggestions.	We completed the optimization of the system in mid-April 2021. The system can automatically check the implementation of the stop-loss operation and send a warning, and the system will automatically send a letter to notify the department heads, internal control supervisor, and their substitutes if the required stop-loss operation has not been implemented twice in a row.	Already completed
In 2020, we discovered that a trustee institution for discretionary investment bought targets that failed to meet the requirements of the domestic laws and regulations, without applicable relevant regulations and control mechanisms in place, and they were not reported to the Board of Directors, which was inappropriate.	<ol style="list-style-type: none"> 1. We have stipulated in the contract that the trustee institution shall comply with the regulations and accounting standards of Taiwan, and shall design relevant control mechanisms. If the Company is punished by the competent authority due to the negligence of the other party, the trustee institution shall assume the corresponding responsibilities. 2. We disclosed the fact that the securities bought by the trustee institution violated domestic laws and regulations in the discretionary investment performance review report in the second half of 2020. 3. The above improvement measures have been amended in the Company's "Discretionary Investment Processing Procedures". 	Already completed
During the AML/CFT operations, the suspected transaction monitoring system failed to include all the reasons for contract termination under control, and the parameter settings were inappropriate.	All cases that have met the relevant warning criteria from December 9, 2020 should be reviewed by the Compliance Department regardless of the reason for termination to enhance the control over AML.	Already completed
During the transactions with stakeholders other than loans in 2018, the indirect transactions with stakeholders through third parties failed to be included in the control mechanism, which is inappropriate.	The Company revised the "Internal Control Operations" on June 28, 2021 and added an inspection mechanism for the contract signing process to strengthen the control and prevent the recurrence of similar defects.	Already completed
There was a case where a user did not enter the reason for the use of VPN in detail after the use, and the supervisor did not review the use in 2020.	The Company has added a control measure. After the VPN is used, an email will be sent to remind the user to enter the reason for the use. If the user fails to enter the reason prior to a deadline, the VPN will be disabled, which will only be enabled after the user enters the reason and the supervisor reviews it.	Already completed
The USB access to the local computers was not properly controlled.	<p>The improvement measures for the improper control of the USB access to the local computers are as follows:</p> <ol style="list-style-type: none"> 1. The Company prohibits the use of USB for computers in the supplier area. 2. We have uninstalled the VES software in the computers in the supplier to ensure that SmartIT can control USB access as expected. 3. We set out items for daily inspection to ensure that VES software is not installed in 	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	the computers in the supplier area.	
We failed to complete the patching of system vulnerabilities and have them go live in the formal environment prior to an internal deadline.	The Company has completed the amendments to Article 4, 5, and 6 of the “Penetration Testing Management Guidelines” on October 26, 2021 to incorporate relevant acceptance conditions into the standard operating procedures, including the use of the Information Technology Department’s special application form for follow-up on and control over vulnerability patching and the management unit’s acceptance in the formal environment to ensure that all vulnerabilities are patched and go live in the formal environment.	Already completed

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

The CPAs' review opinions of the internal control system

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

Attached is the statement on March 11, 2022 that the design and implementation of Cathay Life Insurance Co., Ltd.'s internal control system (including the correctness of the financial statements filed to the competent authority in accordance with the internal control system for financial reporting) with respect to safeguarding asset security (to prevent the assets from being acquired, used, and disposed of without authorization) and compliance as of December 31, 2021 are effective, which has been audited by us. The Company's managers are responsible for maintaining an appropriate internal control system and assessing its effectiveness, while CPAs are designated to express opinions on the effectiveness of the internal control system and the Company's declaration of internal control system according to audit results.

We performed audits in accordance with Article 26 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, the Regulations Governing Foreign Investments by Insurance Companies, Letter Jin-Guan-Bao-Cai-Zi No. 10602506430 dated January 15, 2018, Letter Jin-Guan-Bao-Cai-Zi No. 10804501381 dated June 25, 2019, Letter Jin-Guan-Bao-Cai-Zi No. 10904350082 dated January 22, 2021, an Example of CPA's Audit of the Internal Control System in the Insurance Industry, and generally accepted auditing standards, to provide reasonable assurance as to whether the effectiveness of the Company's above internal control system is maintained in all material aspects. The audit works 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 our opinion, Cathay Life Insurance Co., Ltd.'s declaration on the effective design and implementation of the internal control system as of December 31, 2021 with respect to external 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), safeguarding of asset security (preventing unauthorized acquisition, use, and disposition of assets), and compliance is based on the assessment items of the internal control system, 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 11, 2022, Cathay Life's declaration on effective design and implementation of internal control system with respect to external financial reporting (including the correctness of the financial

statements filed to the competent authority in accordance with the internal control system for financial reporting), safeguarding of asset security (preventing unauthorized acquisition, use, and disposition of assets), and compliance is determined to be fair presentation in all material respects.

Deloitte & Touche
Certified Public Accountant
Cheng-Hung Kuo

Certified Public Accountant
Shu-Wan Lin

March 22, 2022

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

(Baseline date: December 31, 2021)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
As per the credit investigation and review of the international syndicated loan cases in May 2018, there were defects of “not confirming the reasonableness of the valuation assumptions and parameters and keep traces”, and “not specifying the patterns of anomalies, causing the review and early warning to fail to function”.	<ol style="list-style-type: none"> 1. We have amended the “Corporate Banking Credit Investigation Guidelines” in September 2021 and added the regulations on the outsourcing of valuation for syndicated loan cases. In addition, the reasonableness assessment should be included in the loan approval letter, the review committee report, or other relevant documents, with the procedure traces kept. 2. We amended the “Review Operating Procedures” in December 2020, with 6 patterns of anomalies added for review. 	Already completed
The evaluation process for aircraft collateral between September 2017 and June 2018 was not rigorous.	<ol style="list-style-type: none"> 1. We have amended the “Corporate Banking Credit Investigation Guidelines” and added a special review mechanism for ships and aircraft for loans that exceed the set loan ratios. Each borrower should have no bad credit record, and we should compare the domestic major syndicated loan cases with similar specifications and types of collateral. After being reviewed by the loan review committee, the loan limit under the same standard for the syndicated loan cases may be adopted; the procedure traces shall be kept for the evaluation report. 2. In addition, the “Lender’s Compliance Checklist” was revised, with the above regulations included in the checklist to strengthen the control. 	Already completed
The Company relied on the sales personnel to actively report on the contact with COVID-19 confirmed cases, who not yet received the home quarantine notice in May 2021. Implement the various epidemic prevention regulations established within the company. We adopted a post-event management method without relevant control measures in advance, making it difficult to supervise the personnel’s compliance with various internal anti-pandemic regulations.	<ol style="list-style-type: none"> 1. We raised employees’ awareness of anti-pandemic SOP and reminded them not to visit customers if they came into contact with confirmed cases at the meeting of assistant vice presidents of regional offices on May 28, 2021, through announcements at branches and on CSN on June 10, 2021, and weekly compliance education and training. 2. In accordance with the relevant interim principles approved by the competent authority on May 27, 2021, we took measures, such as remote insurance purchase and remote security services. In addition, we suspended the assessment of salespersons and supervisors between June and August and implemented a salary guarantee policy to reduce salespersons’ 	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	motivations and risks of face-to-face contact with customers during the pandemic period.	
The Company has sent the (overdue) insurance premium payment notice for renewal to the proposer's latest address contained in all the insurance policies of the Company since October 2005.	We have adjusted the (overdue) insurance premium payment notice for renewal and the (overdue) insurance policy loan payment notice to be sent the latest address contained in the policy since December 1, 2021.	Already completed
The Company established a mechanism for checking whether customers have applied for insurance policy loans or canceled policies three months before purchasing an insurance policy in 2020. However, we failed to further check the cases identified where the contents filled in the salespersons' solicitation report were inconsistent with the facts.	<ol style="list-style-type: none"> 1. Since January 4, 2021, we have adopted a system inspection mechanism to reinforce the review (including the insurance brokerage and agency cases). 2. We notified relevant units on March 24, 2020 and further notified relevant units on September 1, 2020 and December 31, 2020 to strengthen salespersons' education in order to raise their awareness in this regard. 	Already completed
<p>There were the defects below in insurance solicitation and underwriting operations for persons with disabilities:</p> <ol style="list-style-type: none"> 1. During telemarketing in 2020, sales personnel informed customers of the fact that the disabilities with a disability certificate (severe or above) would not be covered by our insurance products, and the sales pitch was inappropriate. 2. When processing applications filed by persons with disabilities, our personnel failed to accurately assess the policyholders' health status and denied if their applications between November to December 2018. 	<ol style="list-style-type: none"> 1. Our enhanced measures for telemarketing for persons with disabilities are as follows: <ol style="list-style-type: none"> (1) We adjusted the text for the health status inquiry process in July 2020. (2) We taught the telemarketers the appropriate wording and included such wording in the template on September 28, 2020. 2. For policy applications filed by persons with disabilities rejected, the enhanced review measures for policy approval are as follows: <ol style="list-style-type: none"> (1) We strengthened education and training on underwriting on August 4, 2020. (2) We enhanced the internal control in December 2020. 	Already completed
Personnel failed to confirm whether it was a case requiring a phone interview when canceling a policy in 2020 and only conducted a phone interview after paying surrender value.	The Company has expanded the scope of products for which phone interviews should be conducted to cover all products. Within one year after a salesperson resigned, if any policyholder terminates the contract handled by the salesperson during their employment, a phone interview should be conducted regardless of the type of product. The control conditions were adopted on May 19, 2021.	Already completed
As a product endorsement design only applied to policyholders who purchased the product during a specific period (before March 31, 2019), the value-added bonuses for policyholders who purchased the same product with the same insured amount and paid the same premium would be calculated in two different methods, namely monthly announcement that applies monthly and monthly announcement that applies annually. Our personnel directly changed the	In product review group meetings held by the Company after July 1, 2021, when we reviewed product development ESG issues, we added a review mechanism to confirm that product design complies with the "Principle for Financial Service Industries to Treat Clients Fairly" and reinforced the relevant education and training to product designers to duly include the principle of fairness and integrity in contracts.	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
calculation method of the value-added bonuses through endorsement without notifying policyholders and obtaining their consent.		
When our personnel terminated a rider and the insurance policy in 2020, they failed to return the premium undue to the proposer as agreed in the rider.	<ol style="list-style-type: none"> 1. We established a system, which went live in December 2020. 2. We examined a total of 4,909 policies with premiums undue which should be returned as agreed in the riders systematically, and such premiums were in a total amount of NT\$7,165,780, which was refunded by remittance or check between November 2021 and January 2022. 	Already completed
We failed to establish a regular inspection mechanism to inspect whether the mobile insurance application data was stored in mobile devices in the form of screenshots.	<ol style="list-style-type: none"> 1. We have established “a message reminder mechanism for screenshots”, “a dynamic data masking mechanism for multiple pieces of personal data”, and “a watermark warning mechanism” to protect personal data on mobile devices. We have tested the information security of relevant apps as per the “Basic Information Security Testing Standards for Mobile Apps” released by the Industrial Development Bureau, Ministry of Economic Affairs. Our implementation has met the requirements of the “Self-Discipline Regulations on Information Security Protection by the Insurance Industry”. 2. We have established a screenshot trace retention mechanism for a total of 17 apps in respect of loan, life insurance, and marketing and included it in the system development reports, and notices and analysis reports will be sent to the responsible units automatically for follow-up and processing. Such an establishment was completed on November 19, 2021. 3. We continue to raise employees’ awareness through newsletters and regional offices to reinforce each unit’s awareness of protection of personal data on mobile devices. 	Already completed
Personnel failed to produce an anomaly inspection report on the same IP address for different insurance policies brokered by the same insurance salesperson, and some salespersons shared the same mobile phone number, which was inappropriate.	<ol style="list-style-type: none"> 1. We produced reports regularly on multiple policyholders logging in with the same IP address. If there are multiple policyholders or multiple policies sharing the same IP address to apply for insurance or a transaction, we will conduct phone interviews with the policyholders to ensure that they are aware of the transaction contents. If an anomaly is discovered in the phone interview and we confirm that there is indeed a violation, it will be handed over to the human resources management unit for 	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	<p>follow-up and investigation.</p> <p>2. The Company adopted an additional inspection and control mechanism on August 27, 2020 (that is, the mobile phone numbers of the sales personnel controlled by the system cannot be the same as those of other sales personnel, and the system will send a warning when there are the same number). The mechanism went live on October 12, 2020 and we completed a comprehensive inspection on October 26, 2020. The review results showed that there were no duplicate mobile phone numbers for full-time and part-time sales personnel.</p>	
In 2019, when a new policy was approved, and the policyholder was not informed that they might choose to renew the old policy, which was not conducive to their consumer rights.	<p>1. We have added the “Confirmation of Customer’s Willingness to Suspend of the Validity of Insurance, Apply for Extension Periodically, and Reduce Payment” on March 15, 2021 for our salespersons to explain the main points of the rights and interests related to the change of the validity of the policy, such as the suspension of validity.</p> <p>2. We added some functions of the system on March 31, 2021.</p>	Already completed
We failed to conduct timely reviews and develop specific improvement measures for the deteriorating quality of overseas loans in 2020, which was inappropriate.	<p>1. The Company has continued to strengthen the follow-up on abnormal corporate loan cases at monthly asset quality meetings and take necessary countermeasures.</p> <p>2. There were two such foreign currency loan cases, both of which have been reported regularly, and we have taken legal actions to collect overdue loan payments.</p>	Already completed
Our personnel failed to evaluate the feasibility of the construction plans provided by the borrowers, directly drew up the borrowers’ construction plans by themselves, and did not confirm whether the same collateral was sold to multiple buyers during the credit investigation process from 2017 to 2020, which was inappropriate.	<p>1. We amended the “Corporate Banking Credit Investigation Guidelines” on December 1, 2020 to stipulate in Paragraph 1 and 2, Article 28 that personnel shall pay attention to the feasibility and the content of each construction plan.</p> <p>2. We amended the “Loan Department’s Corporate Loan Compliance Checklist” on January 28, 2021 to carry out the credit review procedure.</p>	Already completed
We invested in a venture capital company in 2018. The venture capital bought individual stocks unrelated to its investment purpose and took out loans to buy preferred stocks, which were inconsistent with its investment plan.	In the post-investment management of venture capital used for the Company’s investment projects, we have added a rule that “the Company shall regularly participate in post-investment management meetings and shareholders’ meetings to understand the venture capital’s operating activities and performance; the Company shall write a quarterly fund report to understand whether the investment in the	Already completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
	venture capital is in alignment with the investment plan and specify the reasons for any difference in the case of any inconformity”. We have included such a mechanism to the Alternative Investment Department’s “Internal Control Operations” on June 28, 2021 to ensure compliance.	
We handled the stop-loss operation of foreign stocks from 2018 to 2019, and personnel have issued loss control reports many times for such individual stocks but failed to follow up after the stop-loss operation in accordance with the suggestions.	We completed the optimization of the system in mid-April 2021. The system can automatically check the implementation of the stop-loss operation and send a warning, and the system will automatically send a letter to notify the department heads, internal control supervisor, and their substitutes if the required stop-loss operation has not been implemented twice in a row.	Already completed
In 2020, we discovered that a trustee institution for discretionary investment bought targets that failed to meet the requirements of the domestic laws and regulations, without applicable relevant regulations and control mechanisms in place, and they were not reported to the Board of Directors, which was inappropriate.	<ol style="list-style-type: none"> 1. We have stipulated in the contract that the trustee institution shall comply with the regulations and accounting standards of Taiwan, and shall design relevant control mechanisms. If the Company is punished by the competent authority due to the negligence of the other party, the trustee institution shall assume the corresponding responsibilities. 2. We disclosed the fact that the securities bought by the trustee institution violated domestic laws and regulations in the discretionary investment performance review report in the second half of 2020. 3. The above improvement measures have been amended in the Company’s “Discretionary Investment Processing Procedures”. 	Already completed
During the AML/CFT operations, the suspected transaction monitoring system failed to include all the reasons for contract termination under control, and the parameter settings were inappropriate.	All cases that have met the relevant warning criteria from December 9, 2020 should be reviewed by the Compliance Department regardless of the reason for termination to enhance the control over AML.	Already completed
During the transactions with stakeholders other than loans in 2018, the indirect transactions with stakeholders through third parties failed to be included in the control mechanism, which is inappropriate.	The Company revised the “Internal Control Operations” on June 28, 2021 and added an inspection mechanism for the contract signing process to strengthen the control and prevent the recurrence of similar defects.	Already completed
There was a case where a user did not enter the reason for the use of VPN in detail after the use, and the supervisor did not review the use in 2020.	The Company has added a control measure. After the VPN is used, an email will be sent to remind the user to enter the reason for the use. If the user fails to enter the reason prior to a deadline, the VPN will be disabled, which will only be enabled after the user enters the reason and the supervisor reviews it.	Already completed
The USB access to the local computers was	The improvement measures for the improper	Already

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
not properly controlled.	<p>control of the USB access to the local computers are as follows:</p> <ol style="list-style-type: none"> 1. The Company prohibits the use of USB for computers in the supplier area. 2. We have uninstalled the VES software in the computers in the supplier to ensure that SmartIT can control USB access as expected. 3. We set out items for daily inspection to ensure that VES software is not installed in the computers in the supplier area. 	completed
We failed to complete the patching of system vulnerabilities and have them go live in the formal environment prior to an internal deadline.	The Company has completed the amendments to Article 4, 5, and 6 of the “Penetration Testing Management Guidelines” on October 26, 2021 to incorporate relevant acceptance conditions into the standard operating procedures, including the use of the Information Technology Department’s special application form for follow-up on and control over vulnerability patching and the management unit’s acceptance in the formal environment to ensure that all vulnerabilities are patched and go live in the formal environment.	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 2020 general inspection:

- (1) As per the credit investigation and review of the international syndicated loan cases in May 2018, there were defects of "not confirming the reasonableness of the valuation assumptions and parameters and keep traces", and "not specifying the patterns of anomalies, causing the review and early warning to fail to function".
- (2) The evaluation process for aircraft collateral between September 2017 and June 2018 was not rigorous.
- (3) The Company established a mechanism for checking whether customers have applied for insurance policy loans or canceled policies three months before purchasing an insurance policy in 2020. However, we failed to further check the cases identified where the contents filled in the salespersons' solicitation report were inconsistent with the facts.
- (4) There were the defects below in insurance solicitation and underwriting operations approval for persons with disabilities:
 - ① During telemarketing in 2020, sales personnel informed customers of the fact that the disabilities with a disability certificate (severe or above) would not be covered by our insurance products, and the sales pitch was inappropriate.
 - ② When processing applications filed by persons with disabilities, our personnel failed to accurately assess the policyholders' health status and denied if their applications between November to December 2018.
- (5) Personnel failed to confirm whether it was a case requiring a phone interview when canceling a policy in 2020 and only conducted a phone interview after paying surrender value.
- (6) As a product endorsement design only applied to policyholders who purchased the product during a specific period (before March 31, 2019), the value-added bonuses for policyholders who purchased the same product with the same insured amount and paid the same premium would be calculated in two different methods, namely monthly announcement that applies monthly and monthly announcement that applies annually. Our personnel directly changed the calculation method of the value-added bonuses through endorsement without notifying policyholders and obtaining their consent.
- (7) When our personnel terminated a rider and the insurance policy in 2020, they failed to return the premium undue to the proposer as agreed in the rider.
- (8) We failed to establish a regular inspection mechanism to inspect whether the mobile insurance application data was stored in mobile devices in the form of screenshots.
- (9) Personnel failed to produce an anomaly inspection report on the same IP address for different insurance policies brokered by the same insurance salesperson, and some salespersons shared the same mobile phone number, which was inappropriate.
- (10) In 2019, when a new policy was approved, and the policyholder was not informed that they might choose to renew the old policy, which was not conducive to their consumer rights.
- (11) We failed to conduct timely reviews and develop specific improvement measures for the deteriorating quality of overseas loans in 2020, which was inappropriate.

- (12) Our personnel failed to evaluate the feasibility of the construction plans provided by the borrowers, directly drew up the borrowers' construction plans by themselves, and did not confirm whether the same collateral was sold to multiple buyers during the credit investigation process from 2017 to 2020, which was inappropriate.
- (13) We invested in a venture capital company in 2018. The venture capital bought individual stocks unrelated to its investment purpose and took out loans to buy preferred stocks, which were inconsistent with its investment plan.
- (14) We handled the stop-loss operation of foreign stocks from 2018 to 2019, and personnel have issued loss control reports many times for such individual stocks but failed to follow up after the stop-loss operation in accordance with the suggestions.
- (15) In 2020, we discovered that a trustee institution for discretionary investment bought targets that failed to meet the requirements of the domestic laws and regulations, without applicable relevant regulations and control mechanisms in place, and they were not reported to the Board of Directors, which was inappropriate.
- (16) During the AML/CFT operations, the suspected transaction monitoring system failed to include all the reasons for contract termination under control, and the parameter settings were inappropriate.
- (17) During the transactions with stakeholders other than loans in 2018, the indirect transactions with stakeholders through third parties failed to be included in the control mechanism, which is inappropriate.
- (18) There was a case where a user did not enter the reason for the use of VPN in detail after the use, and the supervisor did not review the use in 2020.
- (19) The USB access to the local computers was not properly controlled.
- (20) We failed to complete the patching of system vulnerabilities and have them go live in the formal environment prior to an internal deadline.

The Financial Supervisory Commission imposed NT\$1.8 million in fines and issued 9 orders of rectification on May 19 and December 8, 2021.

Improvement: The Company has rectified the defect.

2. The FSC has discovered the violations in the Company's internal personnel management and other relevant internal control operations below:

The Company relied on the sales personnel to actively report on the contact with COVID-19 confirmed cases, who not yet received the home quarantine notice in May 2021. Implement the various epidemic prevention regulations established within the company. We adopted a post-event management method without relevant control measures in advance, making it difficult to supervise the personnel's compliance with various internal anti-pandemic regulations.

The Financial Supervisory Commission imposed NT\$600,000 in fines on June 22, 2021.

Improvement: The Company has rectified the defect.

3. The FSC found that the Company's sending of the (overdue) insurance premium payment notice for renewal to the proposer's latest address contained in all the insurance policies of the Company from October 2005 was in violation of insurance laws.

The Financial Supervisory Commission imposed NT\$600,000 in fines on October 6, 2021.

Improvement: The Company has rectified the defect.

4. The following defects were found during the FSC's inspection of the Company's insurance business:

- (1) We punished a salesperson for suspending the brokerage for three months in November 2020, but we did not check whether there was the same online banking account ID and password for the policyholders of the policies brokered by the salesperson.
- (2) Applicant Liu applied to change the beneficiary of the insurance policy in September 2020, who was not an immediate family member or a spouse, without specifying relationship between the beneficiary and the insured and the reasons for the change in detail, which was not in compliance with the internal regulations.
- (3) When the policy of policyholder Chen was processed, there were the following defects:
 - ① Policyholder Chen purchased a foreign currency policy with himself as the insured. The content of the policy was explained by a salesperson who did not have the license for brokering foreign currency policies, who also failed to inform the policyholder of the important contents of the policy.
 - ② The salesperson failed to perform the duty of care as a good manager to identify the source of premium funds, confirm the suitability of the proposer and the insured for the policy; the salesperson also failed to explain the important content to the proposer and the insured, so the policyholder could not fully understand the content of the policy, thereby damaging the rights and interests of the proposer, the insured, or the beneficiary.
- (4) For policy underwriting operations, there are the following violations:
 - ① Policyholder Huang has successively purchased multiple insurance policies, specifying that the sources of the premium were mostly salary income and the beneficiaries of the policies were mostly the same institution, while the Company failed to investigate the actual sources of funds and the purpose and needs of the policies.
 - ② When policyholder Chen applied for insurance, the insured's personal annual income recorded in the salesperson's solicitation report and that in the policyholder background investigation records were obviously different from the premium for each (annual) period. The Company failed to investigate the policyholder's ability to pay.

The Financial Supervisory Commission imposed NT\$1.2 million in fines and issued 2 orders of correction on January 22, 2022.

Improvement: The Company has rectified the defect.

5. The following defects were found during the FSC's 2021 inspection of the Company's elderly financial consumer protection work:

- (1) During the investment-linked insurance policy approval operations, for policyholders who have been charged with a risk premium, the Company failed to provide a trial balance sheet of the policy account value after the risk premium has been charged. The policyholders' rights and interests were not protected.
- (2) When the policyholders' sources of funds were loans or insurance policy loans and they purchased insurance products with policy value reserve, our personnel failed to clearly inform them of content of the maximum possible loss based on the characteristics of the products during the phone interviews, failing to duly conduct phone interviews.

The Financial Supervisory Commission issued 2 orders of rectification on March 30, 2022.

Improvement: The Company has made improvements to Items (2) above; improvement measures for Item (1) have been submitted to the authority in writing and are currently being reviewed.

(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
2021.04.28	Passed the 2020 Business Report and financial statements	Announced to the public after resolution.
2021.04.28	Passed the 2020 earnings distribution	Announced to the public after resolution.
2021.05.13	Partial amendments to "Rules for Securities Investment Risk Limits"	Amendments announced to the public after resolution.
2021.08.19	The meeting minutes of the review meeting on the defects of the Company's internal control system submitted for discussion to strengthen corporate governance	Presented to the board of directors on record.
2021.08.19	Partial amendments to the "Procedures for Capital Utilization", the "Procedures for Asset Acquisition and Disposal", and the "Derivatives Transaction Policy and Processing Procedures"	Announced to the public after resolution.
2021.11.09	Partial amendments to the "Derivatives Transaction Policy and Processing Procedures" and the "Rules for Securities Investment Risk Limits"	Amendments announced to the public after resolution.
2022.01.26	Partial amendment to the "Procedures for Election of Directors and Supervisors"	Amendments announced to the public after resolution.
2022.03.11	Partial amendments to the "Procedures for the Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises"	Amendments announced to the public after resolution.

2. Major resolutions approved by the Board of directors

- (1) 2021.04.06 8th meeting of the 20th Board of Directors
Passed the real estate transaction
- (2) 2021.04.28 9th meeting of the 20th board of directors
Passed the real estate transaction
Passed the appointment of directors to subsidiary Cathay Securities Investment Consulting
Participation in the launch of the electronic policy certification and verification by the Life Insurance Association of the Republic of China

- (3) 2021.05.13 10th meeting of the 20th Board of Directors
Passed the 2021 Q1 financial statements
The 2020 investment policy review report
Passed the real estate transaction
Investment of private fund
Formulation and partial amendments to the Company's Articles of Incorporation
The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation
Transactions with Symphox Information Co., Ltd.
Transactions with Octagon Credit Investors, LLC
Transactions with Think Zone Technologies Co., Ltd.
Transactions with San-Ching Engineering Co., Ltd.
Transactions with Cathay Healthcare Management Co. Ltd. and Cathay Real Estate Development Co., Ltd.
Transactions with Ally Logistic Property Co., Ltd.
Transactions with TPIsoftware Corporation.
- (4) 2021.06.30 11th meeting of the 20th Board of Directors
Appointment of a foreign discretionary investment manager
The Company's 2021 risk and solvency self-assessment internal report and supervision report
Amendments to the Company's 2021 Audit Plan
Transaction with Cathay United Bank Co., Ltd.
Transactions with Ally Logistic Property Co., Ltd.
Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.
Review the monthly fees of the company's Chairman, Vice Chairman, and Resident Supervisor.
- (5) 2021.08.19 12th meeting of the 20th Board of Directors
Passed the 2021 first-half financial statements
Appointment of a foreign discretionary investment manager
Investment of private fund
The evaluation of the impact of future new contract plans on debt valuation in 2021 Q1 and Q2, implementation, follow-up, and review
Partial amendments to the Company's Articles of Incorporation
The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation
Promotion of managers
Dissolution, establishment, and relocation of branches
Assignment of personnel for the 4th term of directors and supervisors of Lin Yuan (Shanghai) Real Estate Co., Ltd.
Investment in the primary market of domestic ordinary corporate bonds with

Cathay Securities Corporation as the underwriter
 Transactions with Cathay Century Insurance Co., Ltd.
 Transactions with Symphox Information Co., Ltd.
 Transactions with Symphox Information Co., Ltd.
 Transactions with Ally Logistic Property Co., Ltd. and Xu Yuan Construction Co., Ltd.
 Transactions with Think Zone Technologies Co., Ltd.
 Endowments to Cathay General Hospital
 Transactions with Cathay General Hospital
 Acquisition of shares issued by stakeholders
 Transactions with Lin Yuan Property Management Co., Ltd., Cathay Healthcare Management Co. Ltd. And Cathay Hospitality Management Consulting Co., Ltd.
 Transactions with Xingde Co., Ltd.
 Transactions with Yua-Yung Marketing (Taiwan) Co., Ltd. and CITY PARKING

- (6) 2021.11.02 13th meeting of the 20th Board of Directors
 Passed the real estate transaction
 Passed the real estate transaction
- (7) 2021.11.09 14th meeting of the 20th Board of Directors
 Passed the real estate transaction
 Participation in investment in Cathay Private Equity Smart Technology Limited Partnership.
 New York Times Square leasehold mortgage collateral auction and acceptance
 Appointment of financial statement auditors and review of audit remuneration for 2022
 Formulation of the 2022 compliance and AML/CTF plan
 Formulation of the Company's 2022 Audit Plan
 Signing of the 2021 Qualified Foreign Institutional Investor (QFII) investment account audit agreement with Deloitte & Touche
 The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation
 Appointment of managers
 Appointment of Chairman, Director and Supervisor to Cathay Life Insurance (Vietnam) Co., Ltd.
 Appointment of Director to Cathay Securities Investment Consulting Co., Ltd.
 Appointment and authorization of an outside actuary to verify the Company's 2021 actuarial and certification report
 A total of nine companies and Cathay Financial Holdings, intend to amend and sign the Cathay Financial Holdings and Subsidiaries Information System Equipment and Personnel Sharing Framework Agreement
 A total of eight entities including the Company and Cathay Financial Holdings, intend to share the cloud resources and sign the Cathay Financial Holdings and Subsidiaries Cloud Services Sharing Framework Agreement

A total of nine entities including the Company and Cathay Financial Holdings, intend to share the job fit information system and sign the Cathay Financial Holdings Job Fit Information System Sharing Agreement

Transaction with Cathay United Bank Co., Ltd. and its Singapore Branch

Transaction with Cathay United Bank Co., Ltd.

Signing of an investment management for Conning, Inc.'s global fixed income funds and ETF strategies

Transactions with Symphox Information Co., Ltd.

Transactions with Rainforest Retail Co., Ltd.

Transactions with TPIsoftware Corporation.

Transactions with Cathay General Hospital

Participation in Cathay Power Inc.'s capital increase and acquired part of Cathay Power Inc.'s equity from San-Ching Engineering Co., Ltd.

Acquisition of shares issued by stakeholders

Transactions with Lin Yuan Property Management Co. Ltd.

Transactions with Cathay Futures Co., Ltd.

(8) 2022.01.26

15th meeting of the 20th Board of Directors

The "evaluation of the impact of future new contract plans on debt valuation" in 2021 Q3, implementation, follow-up, and review

A response plan and long-term capital management objectives in alignment with IFRS 17 and ICS

Appointment of CIO

Appointment of Vice President

Promotion of managers

Assignment of branch heads

Assignment of OIU managers

Removal of restrictions imposed against the Company's Manager for involving in competing businesses.

Partial amendments to the Company's Articles of Incorporation

The Board of Directors entitled to execute stockholders' meeting functions on partial amendments to the Company's Articles of Incorporation

Suspension of Cathay Century's second-phase capital increase

Transactions with San-Ching Engineering Co., Ltd.

Transactions with San-Ching Engineering Co., Ltd.

Transactions with Symphox Information Co., Ltd.

The chief auditor's performance evaluation

Approval of year-end bonus, special bonus, and long-term incentives of the company's Chairman, Vice Chairman, and Resident Supervisor in 2021.

(9) 2022.03.11

16th meeting of the 20th Board of Directors

Passed the 2021 Business Report

Passed the 2021 distribution of compensation for employees.

Passed the 2021 distribution of compensation for directors and supervisors
 Passed the 2021 financial statements
 Passed the 2021 earnings distribution
 Passed the 2022 business targets
 Passed the 2022 financial targets
 2021 life insurance policy dividend distribution report
 The “evaluation of the impact of future new contract plans on debt valuation” in 2021 Q4, implementation, follow-up, and review
 A reserve increase plan for the measurement of the fair value of liabilities in 2021
 Passed the 2021 Declaration of Internal Control System
 Passed the 2021 Declaration of AML/CTF Internal Control system
 Passed the 2021 Risk Management Committee Performance Assessment Result
 Passed the 2021 Board Performance Assessment Result
 The 2021 domestic real estate investment income and use efficiency improvement plan
 A use efficiency improvement plan for land not to be used immediately
 The 2022 investment improvement plan for subsidiaries on the basis of project funds
 Reclassification of various overdue receivables other than non-performing loans to bad debts
 The Company’s 2022 risk appetite and risk limits determination
 The Company’s self-assessment report on the principle of fair treatment of consumers
 Partial amendments to the Company’s Articles of Incorporation
 The Board of Directors entitled to execute stockholders’ meeting functions on partial amendments to the Company’s Articles of Incorporation
 Promotion of managers
 Investment in the primary market of domestic ordinary corporate bonds with Cathay Securities Corporation as the underwriter
 Securities lending transaction with Cathay Securities
 Participation in cash capital increase of Nan-Gang International 1 Corp. and Nan-Gang International 2 Corp.
 Acquisition of shares issued by stakeholders
 Transactions with Cathay Hospitality Management and Cathay Hospitality Management Consulting Co., Ltd.
 Transactions with TPIsoftware Corporation.
 Transactions with Symphox Information Co., Ltd.
 Transactions with Symphox Information Co., Ltd.

- (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 CPAs

- (I) The amount of audit and non-audit fees paid to the certified public accountant and the accounting firm at which the certified public accountant works and its affiliates, and the content of non-audit services:

Unit: NT\$ thousand

Accounting firm name	Names of Auditors	Audit period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Cheng-Hung Kuo	2021.01.01 ~ 2021.12.31	17,977	22,567	40,544	Non-audit services included the tax compliance audit, ad-hoc audit, and consultation services
	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 10% or more: None.

VI. Information about replacement of CPAs

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. In the recent years up to the publication of this annual report, facts of equity transfer and change in equity pledge about the director or supervisor, managerial officer, 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, 2021

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	5,418,606	21.43%	-	0.00%	5,418,606	21.43%
Da Sheng Venture Inc.	42,500,889	25.00%	-	0.00%	42,500,889	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.	129,543,247	25.00%	-	0.00%	129,543,247	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%
Kaitai Energy Co., Ltd.	45,000,000	45.00%	-	0.00%	45,000,000	45.00%
Xinritai Energy Co., Ltd.	67,500,000	45.00%	-	0.00%	67,500,000	45.00%
TaiYang Solar Power Co., Ltd.	42,750,000	45.00%	-	0.00%	42,750,000	45.00%
Ding Teng Co., Ltd.	44,537,911	27.36%	-	0.00%	44,537,911	27.36%
PSS Co., Ltd.	14,185,923	35.61%	-	0.00%	14,185,923	35.61%
Rizal Commercial Banking Corporation	452,018,582	22.19%	-	0.00%	452,018,582	22.19%
PT Bank Mayapada Internasional Tbk.	2,389,294,076	20.19%	-	0.00%	2,389,294,076	20.19%
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%
Lin Yuan Property Management Co., Ltd.	1,470,000	49.00%	-	0.00%	1,470,000	49.00%
Cathay Century (China)	-	24.50%	-	0.00%	-	24.50%
Cathay Lujiazui Life Insurance Company Limited	-	50.00%	-	0.00%	-	50.00%
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%
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%
Cathay Industry Research and Development Center Co., Ltd.	99,000,000	99.00%	-	0.00%	99,000,000	99.00%

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 2022

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 wholly-owned subsidiary of Cathay Financial Holding Co., Ltd.

(III) Fact of equity scattering:

Common stock
At NT\$10 par value

March 2022

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:

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

Note: The Company is a wholly-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:

Item \ Year		2020	2021	As of March 31, 2022
Market Share Price	Highest	—	—	—
	Lowest	—	—	—
	Average	—	—	—
Share Book Value	Before payout	121.97	125.51	125.51 (Note 1)
	After payout	121.97	(Note 2)	(Note 2)
Earnings Per Share	Weighted Average No of Shares	5,851,527,395	5,851,527,395	5,851,527,395
	Earnings Per Share	8.84	19.18	19.18 (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 2021 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 2021, 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 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: Distribution of NT\$22,445,732,658 cash dividend proposed in the 2021 board of directors' meeting.

(VII) Impact to 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 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 2021: The amount of any employee compensation and compensation for directors and supervisors distributed in 2021 are NT\$12,461,693 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 2021 and total employee compensation: None.
 - (3) EPS after the distribution of employee, director, and supervisor compensation: NT\$19.18.
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 2020, the distribution amount of employees' compensation and remuneration to directors/supervisors are NT\$4,996,102 and NT\$5,700,000 respectively. There was no discrepancy between the actual distribution of employee, director, and supervisor compensation for 2020 and the recognized expenses in the 2020 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)	1 st unsecured corporate bonds (issued by 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		None	None	None

shareholders due to issuance and conversion, trading or subscription rules, or issuance terms			
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	2021 total premium income (excluding reinsurance premium)	%
Life Insurance		3,675.8	56.9%
Accidental injury insurance		159.1	2.5%
Health insurance		956.7	14.8%
Annuity insurance		0.9	0.0%
Investment-linked insurance		1,667.1	25.8%
Subtotal		6,459.6	100.0%

3. Main products:

Traditional Insurance Main Contracts	
New GO Fu-chi Whole Life Insurance (regular payment)	iMoney Interest Sensitive Annuity Insurance (Type A)
GO huo-li-yu Term Life Insurance	Hsin-Money Interest Sensitive Annuity Insurance (Type A)
Micro Personal Term Life Insurance	OIU New Hao-li High USD Interest Sensitive Whole Life Insurance
Wei-hsin-an Small Amount Whole Life Insurance	OIU New Mei-tien GO li USD Interest Sensitive Whole Life Insurance
He-hu-kung-chiao Long-Term Care Whole Life Health Insurance	New Le-chuan-shou-hu Long-Term Care Whole Life Insurance
iLove Small Amount Whole Life Insurance	Le-chuan-chien-kang Hospitalization Medical Whole Life Insurance

Chih-le-huo Cognitive Dysfunction Term Health Insurance (XDT)	Le-chuan-jen-sheng Deferred Annuity Insurance
Yang-an-an Medical Whole Life Health Insurance	Chen-ai-ping-an Cancer Term Insurance (Type A)
Le-an-hsin Hospitalization Medical Health Insurance	Chung-hsin-shou-hu Cancer Term Insurance (Type A)
GO ching-tsai 101 USD Whole Life Insurance (regular payment)	Chung-hsin-shou-hu Cancer Term Insurance (Type B)
Hen hsiang-chien-kang Term Health Insurance	iLife one-Year Term Life Insurance
Hen hsiang-chung-i Major Illness Term Health Insurance	An-hsin-yi-kao Medical Whole Life Insurance
Hsin-e-pa-chao Term Life Insurance	Hao-mei-li 101 USD Interest Sensitive Whole Life Insurance (regular payment)
Chuan-hsin-shou-hu Long-Term Care Whole Life Insurance	Mei-hsin-nien-nien USD Whole Life Insurance
Hao-an-shun Surgery Medical Whole Life Insurance	Mei-mei-nien-nien USD Interest Sensitive Whole Life Insurance
Kang-tai-wu-yu Hospitalization Medical Whole Life Health Insurance	I-mei-wei-li USD Interest Sensitive Whole Life Insurance
Chung-hsin-chien-kang Major Illness Term Health Insurance (Type A)	I-li-shuang-shou Interest Sensitive Whole Life Insurance (regular payment)
Chung-hsin-fu Specific Illness Whole Life Insurance	I-mei-shuang-hsi USD Interest Sensitive Whole Life Insurance (regular payment)
Chung-yi-he-hu Major Illness Whole Life Insurance	Lu-mei-man USD Interest Sensitive Whole Life Insurance (regular payment)
GO hsin-pao-chang 100 Term Life Insurance	Hsin-le-nien-nien Interest Sensitive Whole Life Insurance
Shou-hu-chiu-chiu Long-Term Care Whole Life Health Insurance (XDT)	Chang-mei-li USD Interest Sensitive Whole Life Insurance
Hsin-an-hsin Hospitalization Medical Whole Life Insurance	Shuang-pei-mei-li USD Interest Sensitive Whole Life Insurance (regular payment)
Hsin-an-yi One-Year Term Hospitalization Daily Health Insurance	Mei-fa-lu USD Interest Sensitive Whole Life Insurance (regular payment)
Go an-hsin-pao-pen Term Insurance	Yung-pao-ping-an Cancer Term Insurance
GO-fu-chi Whole Life Insurance (regular payment)	Hen hsiang-ai-ni Term Insurance

Hen-hsiang-shou-hu Long-Term Care Term Health Insurance (XDT)	San-kao-ping-an Term Health Insurance
I-mei-hua-li USD Interest Sensitive Whole Life Insurance	Hsin-an-an Medical Whole Life Insurance
Jiou-an-hsin Hospitalization Medical Whole Life Insurance	Hao-an-hsin Hospitalization Medical Whole Life Insurance
Wan-wu-yi-shi Term Insurance	Hao-yang-an-hsin Hospitalization Medical Whole Life Insurance
Yi-ding-an-hsin Hospitalization Medical Health Term Insurance	Tai-tai-hsin-fu Decrement Term Life Insurance
Yi-sheng-yi-kao Medical Whole Life Insurance	Chung-hsin-le-huo Specific Illness Whole Life Health Insurance
Chung-hsin-shou-hu Cancer Term Insurance	Chung-yi-mei-man Major Illness USD Whole Life Insurance
New GO An-hsin-pao-pen Term Insurance	San-pei-yi-kao Hospitalization Medical Term Insurance
New iLife One-Year Term Life Insurance	Yang-chung-yi Major Illness Whole Life Health Insurance
New GO Hsin-pao-chang 100 Term Life Insurance	Chih-le-huo Cognitive Dysfunction Whole Life Health Insurance (XDT)
Tai-tai-yu-fu Decrement Term Life Insurance	Tai-tai-fu-chi Decrement Term Life Insurance
Tai-tai-yu-fu Parity Term Life Insurance	Tai-tai-fu-chi Parity Term Life Insurance
Hen hsiang-ai Term Insurance	iOnly Yu Term Life Insurance
Xiang-bao-zhang Term Life Insurance (5-year period)	Only Yu Term Life Insurance
Xiang-bao-zhang Term Life Insurance (20-year period and endowment)	Zhen-ai-mi-ma Anti-Cancer Whole Life Health Insurance (XDT)
Zi-you-pei One-year Term Death and Total and Permanent Disability Insurance	Chen-hsin-ping-an Cancer Term Insurance
Wei-hsin-tsai Small Amount Whole Life Insurance	GO Feng-tsai 101 Whole Life Insurance (regular payment)
Xiang-bao-zhang Small Amount Whole Life Insurance	Hsin GO ching-tsai 101 USD Whole Life Insurance (regular payment)
I-li-shuang-bei Interest Sensitive Whole Life Insurance (regular payment)	Qi-mei-fu USD Interest Sensitive Whole Life Insurance (regular payment)

Ji-li-mei-man USD Interest Sensitive Whole Life Insurance (regular payment)	Hua-mei-man USD Interest Sensitive Whole Life Insurance (regular payment)
Ji-tian-da-sheng Variable Interest Rate USD Whole Life Insurance	I-mei-shuang-ying USD Interest Sensitive Whole Life Insurance (regular payment)
Hsin-mei-li 101 USD Interest Sensitive Whole Life Insurance (regular payment)	I-mei-yu-li USD Interest Sensitive Whole Life Insurance
Shuang-mei-tian-yi USD Interest Sensitive Whole Life Insurance (regular payment)	Lu-mei-chia USD Interest Sensitive Whole Life Insurance (regular payment)
Feng-le-nien-nien Interest Sensitive Whole Life Insurance	Shuang-hsin-nien-nien USD Interest Sensitive Whole Life Insurance
Mei-nien-chia-hsin USD Interest Sensitive Whole Life Insurance	Chen-shun-hsin Whole Life Insurance
Hao-an-an Medical Whole Life Insurance	Chen-hao-an-hsin Hospitalization Medical Whole Life Insurance
Chen-Yang-an-hsin Hospitalization Medical Whole Life Insurance	New Hsin-an-hsin Hospitalization Medical Whole Life Insurance
New-Jiou-an-hsin Hospitalization Medical Whole Life Insurance	Hao-yang-an-an Medical Whole Life Health Insurance
New-le-an-hsin Hospitalization Medical Health Insurance	iHealth One-Year Hospitalization Medical Health Insurance
Chung-hsin-man-man Major Injuries Term Insurance	Le-chung-yi Major Illness Whole Life Health Insurance
New chung-hsin-fu Specific Illness Whole Life Insurance (XDT)	Chung-hsin-mei-fu Specific Illness USD Whole Life Insurance
Xiang-bao-zhang Major Illness Term Health Insurance (Type A)(1-year period)	Xiang-bao-zhang Major Illness Term Health Insurance (Type A)(20-year period)
Chung-sheng-chien-kang Specific Illness Whole Life Insurance	Chen-hsin-shou-hu Long-Term Care Whole Life Health Insurance (XDT)
New-yi-le-huo Cognitive Dysfunction Whole Life Health Insurance (XDT)	New-shou-hu-chiu-chiu Long-Term Care Whole Life Health Insurance (XDT)
Zi-you-pei One-Year Term Hospitalization Daily Health Insurance	New-chih-le-huo Cognitive Dysfunction Term Health Insurance (XDT)

Zi-you-pei One-Year Term Surgery Medical Health Insurance	Zi-you-pei One-Year Term First-Time Critical Injury and Illness Health insurance
Zi-you-pei One-Year Term First-Time Critical Illness Health insurance (Type A)	Zi-you-pei One-Year Term Long-Term Care Health Insurance
Yang-hsin-shou-hu Long-Term Care Whole Life Health Insurance (XDT)	Shih-fen-yi-kao Hospitalization Medical Term Insurance
An-hsin-pao-pei Term Insurance	Le-huo-ping-an Cancer Term Insurance
Shou-hu-tien-shih Cord Blood Stem Cell Transplant Health Insurance	Shou-hu-ma-mi Endowment Insurance
Term Life Insurance (GL)	
Traditional Insurance Rider and Endorsement	
Chen-yung-chien Hospitalization Daily Health Insurance Rider	Health Rider Endorsement
Chen-an-i Premium Waiver Rider	Beneficiaries Designation and Disposal Right Within the Scope of Claims and Debts Endorsement
Hen hsiang-an-chuan Term Accident Insurance Rider	Accident Insurance Rider Amendment Right Endorsement
Chen-kuan-huai Premium Waiver Rider	Maturity Benefit Beneficiaries Endorsement
Hao-chuan-fang-wei Accident Insurance Rider	Expanded Surgery Agreement Coverage Endorsement
Chin-ku-li Accident Insurance Rider	Chung-ai-chien-kang Rider Extension Endorsement
Accident Rider Death Insurance Endorsement (Applicable to One-Year Accident Insurance for Under 15 Years of Age)	Change Value-added Feedback Calculation Formula Endorsement
Chung-hsin-chu-fu Major Illness Term Health Insurance Rider (Type B)	Hsin-an-yi Illness Prevention Additional Clause
Yi-chi-an-hsin Hospitalization Medical Health Insurance Rider	Purchase of Domestic Insurance Products with Overseas Funds Endorsement
Chen-hsin-kang-ai Cancer Whole Life Health Insurance Rider	Chung-yi-he-hu Walker Additional Clause
Hao-pao-pei Accident Insurance Contract (Type A)	Chung-yi-mei-man Walker Additional Clause

Zeng-shi-zai Deductible Hospitalization Medical Health Insurance Rider	Foreign Currency Policy Loan Endorsement (Non-Investment Product)
Yi-chi-shou-hu Long-Term Care Term Health Insurance Rider	Motorcycle/Bicycle Accident Insurance Additional Clause
Xiang-bao-zhang Small Amount Accident Insurance Rider	Pedestrian/Public Transport Accident Insurance Additional Clause
Zi-you-pei One-Year Term Burns and Scalds Intensive Care Unit Medical and Health Insurance Rider	Holiday Accident Insurance Additional Clause
Zi-you-pei One-Year Term Accident Hospitalization Daily Injury Insurance Rider	Accident Medical Limited Coverage Accident Insurance Additional Clause
Zi-you-pei One-Year Term Health Insurance Rider	Fracture Accident Insurance Additional Clause
Zi-you-pei One-Year Term Specific Treatment Health Insurance Rider	Communicable Disease Exclusion Waiting Period Endorsement
Zi-you-pei One-Year Term First-Time Cancer Diagnosed Health Insurance Rider	Chih-le-huo Walker Additional Clause
Shih-chuan-hsin-yi Hospitalization Medical Health Insurance Rider	Elderly Hospitalization Advance Payment Additional Clause
Chung-an-hsin Specific Illness Term Health Insurance Rider	Long Term Rider Renewal Endorsement
Yi-chi-shun-hsin Surgery Medical Health Insurance Rider	Rider Renewal Endorsement
Yi-chi-chung-hsin Major Illness Whole Life Health Insurance Rider	Policy Termination and Rider Renewal Endorsement
New-yi-chi-chung-hsin Major Illness Whole Life Health Insurance Rider	Cancer Genetic Testing Service Endorsement (XDT)
Hen hsiang-ping-an Term Accident Insurance Rider	Personal Accident Insurance Free Extended Warranties Endorsement
Chen-ta-hsin Hospitalization Medical Health Insurance Rider	Personal Injury Insurance Free Extended Warranties Additional Clause
Micro Personal Accident Medical Insurance Rider	Interest Sensitive Value-Added Feedback Endorsement
Qin-ai-bao-bei One-Year Term Accident Death and Disability Insurance Rider	Additional Injury Insurance Benefit Specific Contract (Family) Death Insurance Endorsement

Zhen-ai-bao-bei One-Year Term Injury Medical Insurance (no death benefit)	Severe Pneumonia with Novel Pathogens Vaccine Death Benefit Health Insurance Rider
Chen-kuai-pao-pei Health Insurance Rider	Yi-qi-jian-kang Rider
National Health Insurance Medical Care Payment Items and Standards Endorsement	Hsin-liu-hsueh-yu-shou Accident Medical Insurance Coverage Additional Clause (Type A)
Insurance Contract Change Terms Endorsement	Hsin-liu-hsueh-yu-shou Overseas Sudden Illness Medical Health Insurance Coverage Additional Clause (Type A)
New-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)
New-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)
New-liu-hsueh-yu-shou Accident Medical Insurance Coverage Additional Clause (Type B)	New Holiday Accident Insurance Additional Clause
New-liu-hsueh-yu-shou Overseas Sudden Illness Medical Health Insurance Coverage Additional Clause (Type B)	New Accident Medical Limited Coverage Accident Insurance Additional Clause
New Motorcycle/Bicycle Accident Insurance Additional Clause	New Fracture Accident Insurance Additional Clause
New Pedestrian/Public Transport Accident Insurance Additional Clause	Specific Treatment Health Insurance Additional Clause
Li-ji-pao Car Accident Medical Limited Coverage Accident Insurance Additional Clause	Li-ji-pao Motorcycle/Bicycle Accident Medical Limited Coverage Accident Insurance Additional Clause
Li-ji-pao Pedestrian/Public Transport Accident Medical Limited Coverage Accident Insurance Additional Clause	
Investment-linked Insurance Main Contract	
New-chin-huan-tsuan RMB Variable Annuity Insurance	Chen-le-hsiang-jen-sheng Foreign Currency Variable Life Insurance
Chen-cho-yueh-li-tsai Variable Universal Life Insurance	Chen-yueh-yueh-hsiang-fu Variable Life Insurance

Chen-fu-li-to-hsin Variable Life Insurance	Fei-yang-hsiang-tui Variable Annuity Insurance
New-chi-fu-jen-sheng Variable Annuity Insurance	Yueh-hsiang-chia-hsin Variable Life Insurance
New-fu-kuei-tung Investment Chain Insurance (Type A)	Chen-yueh-yueh-hsiang-fu Foreign Currency Variable Life Insurance
New-shih-chieh-tung Foreign Currency Variable Annuity Insurance	Hen hsiang-hao-yeh Variable Life Insurance
Chen-chin-tsai-chueh-lun Variable Life Insurance	New-le-huo-fei-yang Variable Life Insurance
Chen-chin-tsai-wan-fen Variable Annuity Insurance	New-le-huo-fei-yang Foreign Currency Variable Life Insurance
Chen-chin-tsai-wan-fen Foreign Currency Variable Annuity Insurance	Walker yu-li Variable Annuity Insurance
Chen-le-fu-jen-sheng Variable Life Insurance	Yueh-hsiang-le-tui Variable Annuity Insurance
Chen-le-fu-jen-sheng Variable Annuity Insurance	Fei Young jen-sheng Variable Annuity Insurance
Chen-le-fu-jen-sheng Foreign Currency Variable Annuity Insurance	Fei Young jen-sheng Foreign Currency Variable Annuity Insurance
Chen-fu-li-shuang-hsiang Variable Life Insurance	Young fei-yang Variable Annuity Insurance
New-fu-li-shuang-hsiang Foreign Currency Variable Annuity Insurance	Young fei-yang Foreign Currency Variable Annuity Insurance
Chen-to-chin-te-li Variable Life Insurance	New-le-huo-fei-yang Variable Annuity Insurance
Chen-to-chin-te-li Variable Annuity Insurance	New-le-huo-fei-yang Foreign Currency Variable Annuity Insurance
Chen-to-chin-te-li Foreign Currency Variable Annuity Insurance	Yueh-hsiang-hsin-li Variable Life Insurance
Chen-to-chin-fu-li Variable Annuity Insurance	Yueh-hsiang-hsin-li Variable Annuity Insurance
New-yueh-yueh-hsiang-li Variable Annuity Insurance	Yueh-yueh-yu-hsin Variable Annuity Insurance
New-ao-li-fu Foreign Currency Variable Annuity Insurance	Yueh-yueh-yu-hsin Foreign Currency Variable Annuity Insurance
Chen-le-hsiang-jen-sheng Variable Annuity Insurance	Yueh-yueh-yu-hsin Variable Life Insurance

New-yueh-yueh-hsiang-li Foreign Currency Variable Annuity Insurance	iSmart Variable Life Insurance
Chen-le-hsiang-jen-sheng Variable Life Insurance	Chen-fei-yang-jen-sheng Foreign Currency Variable Annuity Insurance
Chen-le-hsiang-jen-sheng Foreign Currency Variable Annuity Insurance	Chen-fei-yang-jen-sheng Variable Annuity Insurance
Chen-to-chin-fu-li Variable Life Insurance	Chen-fei Young jen-sheng Variable Annuity Insurance
Chen-to-chin-fu-li Foreign Currency Variable Annuity Insurance	Chen-fei Young jen-sheng Foreign Currency Variable Annuity Insurance
Yueh-hsiang-chia-hsin Foreign Currency Variable Life Insurance	Chen Young fei-yang Variable Annuity Insurance
Yueh-hsiang-chia-hsin Foreign Currency Variable Annuity Insurance	Chen Young fei-yang Foreign Currency Variable Annuity Insurance
New-yueh-yueh-hao-li Variable Life Insurance	Chen-yueh-yueh-kang-li Variable Life Insurance
New-yueh-yueh-hao-li Foreign Currency Variable Life Insurance	Yueh-yueh-de-yi Variable Annuity Insurance
New-yueh-yueh-hao-li Variable Annuity Insurance	Yueh-yueh-de-yi Foreign Currency Variable Annuity Insurance
New-yueh-yueh-hao-li Foreign Currency Variable Annuity Insurance	Yueh-yueh-de-yi Variable Life Insurance
Chen-yueh-yueh-kang-li Variable Annuity Insurance	Yueh-yueh-de-yi Foreign Currency Variable Life Insurance
Chen-yueh-yueh-kang-li Foreign Currency Variable Annuity Insurance	Tian-li-fei-yang Variable Annuity Insurance
Yueh-hsiang-chia-hsin Variable Annuity Insurance	Tian-li-fei-yang Foreign Currency Variable Annuity Insurance
Chen-chien-tan-i Variable Universal Life Insurance	Yueh-hsiang-feng-pei Variable Annuity Insurance
Fei-yang-jen-sheng Foreign Currency Variable Annuity Insurance	Yueh-hsiang-feng-pei Foreign Currency Variable Annuity Insurance
Fei-yang-jen-sheng Variable Annuity Insurance	Yueh-hsiang-feng-pei Variable Universal Life Insurance
Yueh-yueh-yu-li Variable Annuity Insurance	Yueh-hsiang-feng-pei Foreign Currency Variable Universal Life Insurance

Chen-yueh-yueh-yu-li Variable Life Insurance	Hsin-fei-yang Variable Annuity Insurance
Yueh-yueh-yu-li Foreign Currency Variable Annuity Insurance	Hsin-fei-yang Foreign Currency Variable Annuity Insurance
Chen-yueh-yueh-ao-li Foreign Currency Variable Life Insurance	iFund Variable Annuity Insurance
Chen-he-chia-ai Variable Universal Life Insurance	
Investment-linked Insurance Rider and Endorsement	
Structured Commodity Plus Investment Type Foreign Currency Insurance Policy Loan Endorsement	OIU nien- nien-chi-li Investment Target Endorsement
Parent-Subsidiary Fund Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (IV)
Fu-li-to Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (V)
Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (VI)
Investment Target Entrusted to BlackRock Investment Account Endorsement	New-cho-yueh-li-tasi Double Platform Endorsement
Investment Insurance Initial Investment Allocation Date Endorsement	Entrusted Investment Account Investment Target Endorsement (VII)
Variable Universal Life Insurance plus Yung-an Premium Waiver Rider Endorsement	Entrusted Investment Account Investment Target Endorsement (VIII)
Evaluation Day Plus Chuang-shih-chi Variable Universal Life Insurance Endorsement	Entrusted Investment Account Investment Target Endorsement (IX)
Chin-tsai-chueh-lun Investment Target Endorsement	New Money Market Fund and Change Value-Added Bonus Calculation Formula Endorsement
Chin-huan-tsuan Investment Target Endorsement	Entrusted Investment Account Investment Target Endorsement (X)
Investment Target Entrusted to Alliance Bernstein Investment Account Endorsement	iSmart Investment Target Endorsement
Investment Target Conversion Fee Endorsement	Entrusted Investment Account Investment Target Endorsement (XI)
Fu-li-shuang-hsiang Investment Target Endorsement	Le-yu-le-li Investment Target Endorsement

Investment Target Entrusted to BlackRock Investment Account Endorsement (Growth Income Type)	Entrusted Investment Account Investment Target Endorsement (XII)
Ao-li-fu Investment Target Endorsement	Yueh-hsiang-feng-pei Investment Target Endorsement
Investment Target Entrusted to Schroder Investment Account Endorsement (Growth Accumulating Type)	Entrusted Investment Account Investment Target Endorsement (XIII)
Entrusted Investment Account Investment Target Endorsement (I)	iFund Investment Target Endorsement
Income Distribution/ Return of Asset Payment and Partial Withdrawal Endorsement	Chuang-shih-chi Variable Universal Life Insurance Value-Added Bonus Additional Clause
Le-hsiang-jen-sheng Investment Target Endorsement	Accidental Life Care Insurance Additional Clause
Hsiang-le 88 Investment Target Endorsement	Accidental Life Care Disability Insurance Additional Clause
Entrusted Investment Account Investment Target Endorsement (II)	Chen-yueh-yueh-kang-li Variable Life Insurance Walker Rider
Yueh-yueh-kang-li Investment Target Endorsement	New-yung-an Insurance Premium Waiver Health Insurance Rider (Investment-Linked Insurance)
Accidental injury insurance	
e-yu-yu Travel Insurance	Micro Personal Accident Insurance
Construction Workers Group Accident Insurance	Micro Accident Insurance
Vehicle Passenger Travel Insurance	New-ping-an Group Insurance
New Travel Insurance	New-liu-hsueh-yu-shou Accident Insurance
New-e-lu-ping-an Accident Insurance	New Travel Accident Medical Insurance (no death benefit)
Le-ping-an Accident Insurance	iCarry Accident Insurance
Zi-you-pei One-Year Term Accident Death and Disability Insurance Rider	Hsin-liu-hsueh-yu-shou Accident Insurance
Hsin-e-lu-ping-an Accident Insurance	New iCarry Accident Insurance
i-dong-dong Accident Insurance	Li-ji-pao Pedestrian/Public Transport Accident Insurance

Qin-ai-bao-bei One-Year Term Accident Death and Disability Insurance	Li-ji-pao Car Accident Insurance
Xiang-fun-jia Accident Insurance	Li-ji-pao Motorcycle/Bicycle Accident Insurance
Chen-chuan-fang-wei Accident Insurance	
Group Insurance Main Contract	
Group Term Life Insurance	Group ao-yu-shih-tai-shih-tai Health Insurance (Type A, Type B)
Group One Year Major Illness Term Insurance	He-hu-kung-chiao Group and 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	Group Notifiable Infectious Disease Care Benefit Health Insurance
Group Micro Accident Insurance	He-hu-shih-tai Group and Long-Term Care Health Insurance
New Group Accident Medical Alternative Benefit Accident Insurance	Group and Long-Term Care Health Insurance (XDT)
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	Shou-hu-kung-chiao Group Long-Term Care Health Insurance
Group Insurance Rider and Endorsement	
An-hsin Group One-Year Cancer Term Health Insurance Rider	Group Hospitalization Limited Coverage Medical Health Insurance Rider (Type A, Type B)
An-pao Group One-Year Term Cancer Death Health Insurance Rider	Group Inpatient Medical Expense Limited Coverage Health Insurance Rider
An-pao Group One-Year Cancer Term Medical Health Insurance Rider	Group Hospitalization Medical Expense Limited Coverage Health Insurance Rider
An-shun Group One-Year Cancer Term Health Insurance Rider	Group Accident Insurance Rider

Hsin Group Hospitalization Daily Health Insurance Rider	Group Accident Emergency Limited Coverage Accident Insurance Rider
Group Newly Diagnosed Cancer One-Year Term Insurance Rider	Group Accident Hospitalization Daily Benefit Accident Insurance Rider
Group Major Illness One-year Term Health Insurance Rider (Type A)	Group Accident Limited Coverage Medical Accident Insurance Rider
Group Cancer One-Year Term Hospitalization Health Insurance Rider	Group Accident Medical Alternative Benefit Accident Insurance Rider
Group Chuan-i Hospitalization Limited Coverage Medical Health Insurance Rider	Group Hsin-chuan-i Hospitalization Limited Coverage Medical Health Insurance Rider
Group Hospitalization Surgery Fixed Sum Health Insurance Rider	Group Hsin Accident Medical Limited Coverage Accident Insurance Rider
Group Hospitalization Daily Health Insurance Rider	Group Wen-hsin Hospitalization Daily Health Insurance Rider
Group Hospitalization 120 Per Day Health Insurance Rider	Group wen-ching Hospitalization Medical Health Insurance Rider (Type A)
Group Hospitalization Daily Increment Health Insurance Rider	Group wen-ching Hospitalization Medical Health Insurance Rider (Type B)
Group Hospitalization Fixed Sum Medical Health Insurance Rider	An-pao Group Newly Diagnosed Cancer One-Year Term Insurance Additional Clause
New Group Overseas Sudden Illness/ Burn Injury Medical Insurance Premiums Additional Clause	Group Fei-hsiang-shih-tai College Student Hospitalization Medical Health Insurance Additional Clause
New Group Business Travel Insurance International Air Ambulance Medical Transportation Additional Clause (XDT)	Group Fei-hsiang-shih-tai College Student Newly Diagnosed Cancer Health Insurance Additional Clause
New Group Business Travel Accident Insurance Medical Coverage Additional Clause	Group Fei-hsiang-shih-tai College Major Illness Health Insurance Additional Clause
Group Disability Level 2-11 Accident Insurance Additional Clause	Group Fei-hsiang-shih-tai College Student Fracture Non-Hospitalization Allowance Additional Clause
Group Elevator Accident Insurance Additional Clause	Group Fei-hsiang-shih-tai Colleges Subsidies Major Surgery Benefit Health Insurance Additional Clause

Group Land and Sea Public Transport Accident Insurance Additional Clause	Group Fei-hsiang-shih-tai College Food Poison Condolences Accident Insurance Additional Clause
Group Intensive Care/ Burn Injury Health Insurance Additional Clause	Group Fei-hsiang-shih-tai College Accident Outpatient Limited Coverage Accident Insurance Additional Clause
Group Intensive Care/ Burn Injury Medical Insurance Additional Clause	Group fei-hsiang-shih-tai College Student Medical and X-ray Examination Fee Limited Coverage Health Insurance Additional Clause
Group ICU Accident Medical Insurance Additional Clause	Group Overseas Sudden Illness/ Injury Outpatient (Emergency) Limited Coverage Health Insurance Additional Clause
Group Intensive Care/ Burn Injury Insurance Additional Clause	Group Overseas Sudden Illness/ Injury Medical Insurance Premiums Additional Clause
Group ICU Accident Insurance Additional Clause	Group Specific Accident Insurance Additional Clause
Group Disability Living Allowance Accident Additional Clause	Group Illness Level 2-7 Disability Health Insurance Additional Clause
Group Disability Coverage Accident Insurance Additional Clause	Group Illness Level 2-11 Disability Health Insurance Additional Clause
Group Maternity Benefits Health Insurance Additional Clause	Group Incapacity Medical Coverage Health Insurance Additional Clause
Group Hospitalization Surgery Limited Coverage Health Insurance Additional Clause	Group Accident Outpatient Coverage Accident Insurance Additional Clause
Group Hospitalization and Return Visit Health Insurance Additional Clause	Group Accident Insurance Fracture Non-Hospitalized Medical Benefits Additional Clause
Group Hospitalization Two-Week Return Visit Health Insurance Additional Clause	Group Hsin Hospitalization Surgery Limited Coverage Health Insurance Additional Clause
Group Outpatient Before and After Hospitalization Insurance Additional Clause	Group Hsin Outpatient Surgery Limited Coverage Health Insurance Additional Clause
Group Notifiable Infectious Disease Intensive Care Unit Care Benefit Health Insurance Rider	Group Ao-yu-shih-tai Outpatient Emergency Limited Amount Health Insurance Additional Clause
Group Notifiable Infectious Disease Death Benefit Health Insurance Rider	Group Burn Injury Coverage Accident Insurance Additional Clause

Group Outpatient Surgery Limited Coverage Health Insurance Additional Clause	Group Cancer Treatment Health Insurance Additional Clause
Group Outpatient Surgery Health Insurance Additional Clause	Group Occupational Disaster Benefit Medical Health Insurance Additional Clause
Group Outpatient Limited Amount Health Insurance Additional Clause	Group Occupational Death or Level 1 Disability Insurance Additional Clause
Group Insurance Air Accident Additional Clause	Group Occupational Accident Insurance Additional Clause
Group Emergency Limited Coverage Health Insurance Additional Clause	Group Severe Pneumonia with Novel Pathogens Vaccine Hospitalization Care Benefit Health Insurance Rider
Group Fei-hsiang-shih-tai College Student Surgery Limited Coverage Health Insurance Additional Clause	Group Severe Pneumonia with Novel Pathogens Vaccine Health Insurance Rider
An-pao Group Newly Diagnosed Cancer One-Year Term Insurance Endorsement	Group Accident Medical Limited Coverage Accident Insurance Endorsement
New Group Overseas Sudden Illness Emergency Medical Insurance Endorsement	Change Insured Person Endorsement
Group Chuan-i Hospitalization Limited Coverage Medical Health Insurance Endorsement	Group Insurance War Limit Deletion Amendment Endorsement
Group Chuan-i Hospitalization Preferential Medical Health Insurance Endorsement	Employee Group Effective Method for Change of Insured Endorsement
Group Hospitalization Surgery Limited Coverage Health Insurance Endorsement	Non-Employee Group Effective Method for Change of Insured Endorsement
Group Hospitalization Increment Compensation Payment Health Insurance Endorsement	Death Insurance/ Funeral Expenses Insurance Beneficiaries Specific Endorsement
Group Hospitalization Preferential Medical Health Insurance Endorsement	Group Insurance Experience Dividend Endorsement
Group Newly Diagnosed Cancer Health Insurance Endorsement	Specific Endorsement of Unpaid Medical Insurance Death Benefits for Dependents

Group Fei-hsiang-shih-tai College Student Hospitalization Medical Health Insurance Endorsement	Group Insurance Contract Health Promotion Feedback Endorsement
Group Accident Exclusion Endorsement	National Health Insurance Medical Care Payment Items and Standards Endorsement
Group Hsin-chuan-i Hospitalization Preferential Medical Health Insurance Endorsement	Group Insurance Renewal Endorsement
Exempt from Insurance Addition/ Cancellation Endorsement	

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

1. Industry Overview:

In 2021, the penetration rate of Taiwan insurance companies reached 13.72%, slightly falling to second place in the world, while the total life insurance premium income reached NT\$2.97 trillion, with total assets of NT\$33.34 trillion, which grew steadily by 5% YoY compared to 2020.

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 continuous impact of 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. IFRS 17, ICS 2.0) 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.
- (5) Provide innovative and diverse products to satisfy customer financial protection and retirement financial management demands, in order to cope with the continuous pandemic and global low interest rate environment.

- (6) Activate remote service, open the new era of digital insurance service, and seamlessly transfer services from offline to online operation, providing smooth customer experience, and diverse services in addition to insurance application.
4. Long-term business development plan:
- Cathay Life embraces its business philosophy of providing “Security in Life,” and enforces its vision of “Smart, Simple, and Safe through InsurTech.” The four main strategies below have been proposed as a 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 (%):

Year \ Item	First-year-premium	Subsequent-year-premium	Total premium
2019	15.8	21.6	19.4
2020	17.5	22.5	21.1
2021	19.3	23.1	21.7

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

2. Macroeconomic environment:

In 2021, the COVID-19 pandemic escalated again, and the global economy was still under pressure due to supply chain interruption and inflation. Although the vaccines have been developed successfully, the

economic recovery was still affected by factors, including pandemic control as well as business and consumer confidence, so economic development is highly unstable. However, due to the appropriate pandemic control in Taiwan, the economy is still growing. As per the latest statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate in the third quarter of 2021 was 3.7%, and the annual economic growth rate for 2022 is predicted to reach 4.15%. However, the relations between the United States and China are still tense. In addition, the uncertain development of the pandemic and other geopolitical risks will become the key factors influencing the development of Taiwan's trade, investment, and financial markets.

3. Regulatory environment:

- (1) Closer public-private collaboration through “Green Finance 2.0” and “Corporate Governance 3.0”

To implement corporate governance, promote sustainable development, develop a complete ESG ecosystem, and reinforce the international competitiveness of Taiwan's capital market, the FSC has launched the “Green Finance 2.0” and the “Corporate Governance 3.0 - Blueprint for Sustainable Development”, to direct enterprises' and investors' attention to ESG issues through the financial supervision mechanism and work with the relevant public and private sectors to accelerate the internationalization of corporate governance in our country, thereby forming a virtuous circle of green and sustainable development in investment and the industry.

- (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 FSC 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 collaboration. For example, the “Claims Alliance Chain” and the “Medical Claims Alliance”, and other integrated platforms launched this year allow policyholders to connect all insurance companies for relevant policies through such systems with the policyholders' authorization in the case of an accident and undergo relevant services to greatly save the time for claims.

- (3) Assist people with disabilities in applying for insurance to implement the principle of fair treatment of consumers

The Insurance Bureau has taken the initiative to formulate applicable regulations on the insurance industry's and undertaken financial inspections and required the insurance companies to carry out ad-hoc inspections on their own, while urging them to strengthen the education and training to insurance salespersons. It has established the Standard Operating Procedure for Consistency of

Policy Approval Assessments for Persons with Disabilities and a Mechanism for Insurance Salespersons to Assist Persons with Disabilities in Applying for Insurance, thereby ensuring financial friendliness.

- (4) The government permits the establishment of “pure online insurance companies”

As customer autonomy has improved, it has become a trend to freely access personalized financial services on the internet. To accelerate the digital transformation of Taiwan’s insurance companies and the innovation of insurance products, allowing people in Taiwan to enjoy a fast, convenient, independent, and inclusive service experience, to strengthen the insurance protection for citizens and enhance the competitiveness of the insurance industry, the FSC, referring to various countries’ development experience, announced the policy of permitting the establishment of pure online insurance companies in Taiwan in 2021 and planned to accept applications and issue licenses in 2022 to enhance the competitiveness of the insurance industry.

4. Analysis of future market supply and demand:

- (1) The digital service experience will be more complete

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 more 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. In addition, as the COVID-19 pandemic has ravaged the world in recent years, zero contact and remote services have become a new model for interaction in the post-epidemic era, which indicates the importance of the development of digital service experience.

- (2) Enhance the concept of “prevention in advance” in the aging society

The needs of elderlies on financial and health management 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. Usage-based policies can be used in innovative development of preventive health care during the COVID-19 pandemic, health promotion, and long-term care, and thereby advocating the concept from “ex-post compensation” to “ex-ante prevention.”

5. Positive and negative factors for future development:

- (1) Positive factors

A. Under the impact of the global pandemic and the threats associated with the inflation in the U.S. and supply chain interception, new risks are introduced to the global economy. Nevertheless, the U.S. Federal Reserve has announced that

interest rates may be gradually increased in March of this year, which is beneficial to the life insurance market.

- B. In the past 5 years, global insurance technology growth trend has led to digital transformation in Taiwan's insurance industry. As the FSC in Taiwan gradually relaxes insurance technology related regulations, under the empowerment of new technologies, the Company actively strengthens digital technology application, and it is expected that the industry will continue to implement technologies to the insurance value chain in the future, thereby improving the financial service efficiency and promptly satisfying customer demands with new emerging technologies and financial services.
- C. The pandemic has driven the public awareness in health management, and the Company aims to expand health promotion advocacy and link diverse services in order to construct a health ecosystem. In addition, the Company will also continue to develop a new health spillover mechanism and integrate the membership system to develop exclusive products. Furthermore, the Company will design and promote its products by focusing on the protective features of insurance, advocating a value-oriented approach to ensure sustainable business growth.
- D. 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 conflict between China and the U.S. is 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 toward 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 FSC policies, but also to ensure continuity of business activities.
- C. 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 FSC continues to supervise the Taiwan Insurance Institute to properly handle promotion affairs and to urge operators to perform relevant preparation operations step by step according to the work objectives and to enhance insurance industry financial structure through relevant enhancement of supervisory measures, and thereby improve capital and reduce the impact of the international system. The Company will actively implement an information system in alignment with the IFRS 17 and ICS standards, and will continue to adjust our overall business strategy and cooperate with a high level of retraining in order to complete preparation works in advance.

(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:

Item Year	Total insurance premium (NT\$ 100 Million; excluding reinsurance premium)	In-force general individual life insurance (Ten thousand cases)	Total operating income (NT\$m)
2020	6,660.8	1,333.1	906,260
2021	6,459.6	1,332.9	914,870

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		2020	2021	As of March 31
Number of employees	Back-Office Personnel	4,948	4,949	4,855
	Front-Office Personnel	28,435	27,451	27,085
	Total	33,383	32,400	31,940
Avg. Age		43.78	44.33	45.25
Average years of services		12.05	12.50	12.63
Highest educational attainment	Doctorate	0.04%	0.05%	0.05%
	Master	7.94%	8.37%	8.46%
	Bachelor	52.79%	53.62%	53.71%
	High School	36.63%	35.56%	35.41%
	Below High School	2.60%	2.40%	2.37%

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: NT\$500,000.
- (VI) Labor inspection results
- Punishments for violations of against the Labor Standards Act after labor inspection:
1. The Company was fined NT\$20,000 in violation of Paragraph 6. Article 30 of the Labor Standards Act on October 18, 2021.
 2. The Company was fined NT\$50,000 in violation of Article 24 of the Labor Standards Act on November 26, 2021.

VI. Cyber Security Management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

To reinforce cyber security management, the Company established an Information Security Department in April 2018 to be responsible for formulating internal information security policies and continuing to implement information security risk control plans and measures:

1. We continue to strengthen the protection against security threat in cooperation with the FSC's "Financial Information Security Action Plan", thereby ensuring the security, convenience, and continuity of services rendered.
2. We strive to improve the Company's information security governance framework in the four aspects of system management, management and control measures, risk early warning, and crisis management:

(1) System management

- A. There is an Information Security Management Committee in place,

which is responsible for planning, monitoring, and implementing information security management, while reporting on the overall implementation of information security in the last year to the Board of Directors every year.

- B. The Information Security Policy has been formulated in alignment with the principles of confidentiality, integrity, availability, and legality and announced on the employee website after being approved by the Board of Directors.
- C. We have obtained the “ISO27001: 2013 Information Security Management System”, “ISO27017: 2015 Cloud Service Information Security Management System”, “PCI DSS Payment Card Industry Data Security Standard” certifications.

(2) Control measures

- A. Establish information security monitoring indicators and regularly review and examine the suitability and the achieving status of targets.
- B. Regularly perform audits of the outsourced organizations that process customer data to confirm their risks and compliance, thereby reinforcing data security and reducing the risk of data leakage.
- C. Conduct information security assessment of computer systems every year, follow up on system security status, and implement improvement measures.

(3) Risk early warning

Established a 7×24 information security monitoring center to keep abreast of information security risks in real time and respond in advance and regularly organize white hat hackers’ attack and defense exercises, DDoS attack exercises, and social engineering exercises.

(4) Crisis management

Formulated the “Information Security Incident Notification and Response Operating Procedure” and set up an information security incident response team to respond to various information security incidents in real-time.

3. Focus on investing resources in an effective boundary detection and blocking mechanism to respond to the increasing new types of attacks and reinforce internal automated protection mechanisms:

- (1) Adopt external information security risk monitoring mechanisms to understand the degree of information security risks to which the Company is exposed.
- (2) Built next-generation firewalls and advanced web application firewalls to strengthen the analysis of encrypted connections and protection against automated robot attacks.
- (3) Adopt endpoint APT and a whitelist system, analyze endpoint unusual activity or behavior, and protect the system from inappropriate

changes.

- (II) Any losses suffered by the Bank in the most recent fiscal year and up to the date of publication of the annual report due to significant cyber security incidents, the possible impacts therefrom, and countermeasures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

In 2021 and up to the publication date of this annual report, Cathay Life had not experienced any major information security incident. We appointed an independent third party to evaluate the overall information security implementation, and the implementation was rated appropriate.

VII. Important contracts and commitments

Contract Type	Contracting Party	Valid Period	Purpose	Restriction Clause
Major reinsurers and reinsurance contracts	Central Reinsurance Corporation	1970.09.30~	Reinsurance contracts for life, casualty, group and catastrophe insurance policies	None
	Swiss Reinsurance Company Ltd	1970.09.30~	Reinsurance contracts for life and health insurance policies	
	Munich Reinsurance Company	1975.04.01~	Reinsurance contracts for life, health and casualty insurance policies	
	RGA Reinsurance Company	1998.09.01~	Reinsurance contracts for life and health insurance policies	
	SCOR SE	1998.01.01~	Reinsurance contracts for life, health and casualty insurance policies	
	Hannover Rück SE	2003.01.01~	Reinsurance contracts for life and health 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 March 31, 2022
		2021	2020	2019	2018	2017	
Cash and cash equivalents		\$465,755,469	\$515,120,301	\$402,051,684	\$175,332,205	\$210,543,885	(Note 4)
Receivable		73,894,118	69,178,243	82,467,914	74,970,469	81,845,945	
Financial assets and loans		6,643,000,313	6,282,949,269	5,850,011,560	5,437,465,863	5,116,300,938	
Reinsurance assets		2,378,996	2,200,691	1,743,932	1,518,910	758,458	
Property and equipment		29,928,347	29,453,426	32,271,269	32,381,622	31,077,311	
Intangible assets		41,492,461	44,070,838	41,346,899	44,044,960	46,272,945	
Other assets (Note 1)		816,711,115	732,586,557	675,730,248	625,680,600	610,855,079	
Total assets		8,073,160,819	7,675,559,325	7,085,623,506	6,391,394,629	6,097,654,561	
Payables		22,835,359	30,171,547	30,964,602	32,822,268	25,235,969	
Financial Liabilities		83,071,153	91,826,925	83,005,228	97,499,106	76,104,658	
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve		6,413,220,872	6,085,533,922	5,683,423,989	5,313,166,664	4,944,291,611	
Provisions		56,245	56,245	233,871	225,277	472,002	
Other liabilities (Note 2)		811,844,379	746,844,205	693,477,828	585,551,888	610,368,958	
Total liabilities	Before payout	7,331,028,008	6,954,432,844	6,491,105,518	6,029,265,203	5,656,473,198	
	After payout	(Note 3)	6,954,432,844	6,491,105,518	6,029,265,203	5,656,473,198	
Capital stock		58,515,274	58,515,274	58,515,274	57,265,274	53,065,274	
Capital surplus		60,594,868	60,606,533	60,607,456	51,535,925	13,767,663	
Retained earnings	Before payout	529,717,909	416,092,528	364,423,657	331,036,962	326,660,113	
	After payout	(Note 3)	416,092,528	364,423,657	331,036,962	316,679,364	
Other equity		85,614,861	178,513,029	105,072,396	(83,245,452)	42,094,995	
Non-controlled interests		7,689,899	7,399,117	5,899,205	5,536,717	5,593,318	
Total equity	Before payout	742,132,811	721,126,481	594,517,988	362,129,426	441,181,363	
	After payout	(Note 3)	721,126,481	594,517,988	362,129,426	431,200,614	
Note 1: Other assets include right-of-use assets, current income tax 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 2021, 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 March 31, 2022	
		2021	2020	2019	2018	2017		
Cash and cash equivalents		\$447,821,607	\$504,040,612	\$392,341,567	\$164,504,001	\$201,115,297	(Note 4)	
Receivable		68,442,213	64,212,928	78,031,177	70,860,435	77,861,873		
Financial assets and loans		6,599,842,037	6,249,700,647	5,830,260,811	5,429,239,626	5,108,414,329		
Reinsurance assets		2,232,832	2,087,931	1,677,797	1,480,860	726,118		
Property and equipment		28,314,253	26,750,271	29,653,823	29,848,752	29,532,953		
Intangible assets		27,549,955	29,509,337	31,478,209	33,545,574	35,653,303		
Other assets (Note 1)		811,408,266	728,026,748	671,416,154	621,937,547	607,385,501		
Total assets		7,985,611,163	7,604,328,474	7,034,859,538	6,351,416,795	6,060,689,374		
Payables		17,099,854	24,648,142	25,554,039	27,799,042	16,112,637		
Financial Liabilities		83,050,197	91,778,038	82,974,334	97,499,106	76,104,658		
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve		6,347,828,671	6,034,623,477	5,647,301,880	5,285,984,127	4,923,976,857		
Provisions		56,245	56,245	56,245	56,245	56,245		
Other liabilities (Note 2)		803,133,284	739,495,208	690,354,257	583,485,566	608,850,932		
Total liabilities	Before payout	7,251,168,251	6,890,601,110	6,446,240,755	5,994,824,086	5,625,101,329		
	After payout	(Note 3)	6,890,601,110	6,446,240,755	5,994,824,086	5,625,101,329		
Capital stock		58,515,274	58,515,274	58,515,274	57,265,274	53,065,274		
Capital surplus		60,594,868	60,606,533	60,607,456	51,535,925	13,767,663		
Retained earnings	Before payout	529,717,909	416,092,528	364,423,657	331,036,962	326,660,113		
	After payout	(Note 3)	416,092,528	364,423,657	331,036,962	316,679,364		
Other equity		85,614,861	178,513,029	105,072,396	(83,245,452)	42,094,995		
Total equity	Before payout	734,442,912	713,727,364	588,618,783	356,592,709	435,588,045		
	After payout	(Note 3)	713,727,364	588,618,783	356,592,709	425,607,296		
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 2021, 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 March 31, 2022
	2021	2020	2019	2018	2017	(Note 1)
Operating income	\$945,121,173	\$933,078,907	\$928,939,094	\$819,418,217	\$876,379,516	
Operating cost	788,155,049	853,629,597	859,448,121	763,040,422	815,057,155	
Operating expenses	32,447,873	29,565,063	30,691,802	29,165,453	28,790,215	
Non-operating income and expenses	1,563,137	1,588,615	1,709,895	1,312,360	1,441,684	
Net profit before tax	126,081,388	51,472,862	40,509,066	28,524,702	33,973,830	
Net profit this term	113,165,858	52,682,113	38,293,071	30,297,261	36,267,725	
Other comprehensive income (net amount after tax)	(91,594,187)	77,198,672	184,007,440	(173,901,169)	45,818,490	
Total comprehensive income this term	21,571,671	129,880,785	222,300,511	(143,603,908)	82,086,215	
Net profit attributable to the owner of parent	112,230,795	51,744,594	37,845,953	30,189,320	36,290,138	
Net profit belonging to non-controlled equity	935,063	937,519	447,118	107,941	(22,413)	
Total comprehensive income attributable to the owner of parent	20,590,789	129,053,807	221,704,543	(143,618,129)	82,272,008	
Total comprehensive income belonging to non-controlled equity	980,882	826,978	595,968	14,221	(185,793)	
Earnings Per Share (NTD)	19.18	8.84	6.60	5.47	6.84	

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 March 31, 2022
	2021	2020	2019	2018	2017	(Note 1)
Operating income	\$914,869,993	\$906,260,419	\$906,585,211	\$799,466,715	\$861,140,395	
Operating cost	769,618,791	837,328,341	846,503,873	751,709,190	807,086,790	
Operating expenses	22,215,769	20,564,071	22,141,294	21,472,697	21,676,305	
Non-operating income and expenses	1,563,640	1,582,615	1,663,036	1,310,502	1,429,361	
Net profit before tax	124,599,073	49,950,622	39,603,080	27,595,330	33,806,661	
Net profit this term	112,230,795	51,744,594	37,845,953	30,189,320	36,290,138	
Other comprehensive income	(91,640,006)	77,309,213	183,858,590	(173,807,449)	45,981,870	
Earnings Per Share (NTD)	19.18	8.84	6.60	5.47	6.84	

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
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
2021	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, 2022
		2021	2020	2019	2018	2017		
Financial structure (%)	Liabilities to assets ratio		90.81	90.60	91.61	94.33	92.76	(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)		10.44	10.63	9.58	6.20	7.96	
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)		4.10	4.27	7.26	10.88	7.60	
Operational ability (%)	Premium rate of new insurance contract		19.42	26.50	22.82	18.82	16.40	
	Premium income change (Note 2)		(14.72)	(4.92)	8.67	(8.67)	(0.06)	
	Capital utilization ratio		100.05	100.75	100.48	99.88	100.53	
	Persistency ratio	13 months	98.37	98.15	97.96	98.36	98.19	
		25 months	96.28	95.54	96.36	94.71	94.29	
Profitability	ROA (%) (Note 3)		1.47	0.74	0.60	0.49	0.63	
	ROE (%) (Note 3)		15.47	8.01	8.01	7.54	9.01	
	Ratio of pre-tax net income to total paid-in capital (%) (Note 3)		105.85	43.21	34.01	26.22	50.83	
	Net profit margin (%) (Note 3)		11.97	5.65	4.12	3.70	4.14	
	Earnings Per Share (NTD) (Note 3)		19.18	8.84	6.60	5.47	6.84	
Cash flows	Cash flow ratio (%) (Note 4)		(118.13)	194.38	457.89	(121.52)	150.74	
	Cash flow adequacy rate (%)		210.35	196.58	(74.05)	(85.22)	(13.69)	
	Cash reinvestment ratio (%) (Note 4)		(0.44)	1.16	2.43	(1.44)	0.59	
Leverage	Operation leverage		111.19	126.11	121.89	141.04	126.94	
	Financial leverage		102.54	106.69	108.26	111.20	107.07	
Note 1: Mainly due to lower cost of the new contract in 2021 compared to that in 2020.								
Note 2: Mainly due to wider change in premiums as income 2021 compared to that in 2020.								
Note 3: Mainly due to the higher net profit after tax in 2021 compared to that in 2020.								
Note 4: Mainly due to less cash flows from operating activities in 2021 compared to that in 2020.								

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

Year Title			Five Year Financial Analysis					As of March 31, 2022
			2021	2020	2019	2018	2017	
Financial structure (%)	Liabilities to assets ratio		90.80	90.61	91.63	94.39	92.81	(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)		10.46	10.64	9.57	6.14	7.91	
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)		14.30	12.75	17.87	27.61	20.63	
Operational ability (%)	Premium rate of new insurance contract		19.42	26.50	22.82	18.82	16.40	
	Premium income change (Note 2)		(14.72)	(4.92)	8.67	(8.67)	(0.06)	
	Capital utilization ratio		100.05	100.75	100.48	99.88	100.53	
	Persistency ratio	13 months	98.37	98.15	97.96	98.36	98.19	
		25 months	96.28	95.54	96.36	94.71	94.29	
Profitability	ROA (%) (Note 3)		1.47	0.74	0.60	0.49	0.63	
	ROE (%) (Note 3)		15.50	7.95	8.01	7.32	9.11	
	Ratio of pre-tax net income to total paid-in capital (%) (Note 3)		104.61	41.93	33.25	25.36	50.58	
	Net profit margin (%) (Note 3)		12.27	5.71	4.17	3.78	4.21	
	Earnings Per Share (NTD) (Note 3)		19.18	8.84	6.60	5.47	6.84	
Cash flows	Cash flow ratio (%) (Note 4)		(154.35)	232.15	536.43	(131.62)	199.63	
	Cash flow adequacy rate (%)		182.68	174.88	(82.15)	(82.03)	(8.11)	
	Cash reinvestment ratio (%) (Note 4)		(0.45)	1.25	2.46	(1.45)	0.67	
Leverage	Operation leverage		94.16	114.80	118.74	126.17	120.98	
	Financial leverage		102.57	106.92	108.46	110.63	106.79	
Note 1: Mainly due to lower cost of the new contract in 2021 compared to that in 2020.								
Note 2: Mainly due to wider change in premiums as income 2021 compared to that in 2020.								
Note 3: Mainly due to the higher net profit after tax in 2021 compared to that in 2020.								
Note 4: Mainly due to less cash flows from operating activities in 2021 compared to that in 2020.								

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 + inventory increase + 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, 2021, 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

March 18, 2022

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, 2021 and 2020 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 sheets as of December 31, 2021 and 2020, 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, 2021 and 2020 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, 2021. 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, 2021 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, 2021 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, 2021.

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, 2021.
 - 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 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, 2021.

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 years ended December 31, 2021 and 2020 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, 2021 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 11, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34)	\$ 465,755,469	6	\$ 515,120,301	7
RECEIVABLES (Notes 4, 5, 7 and 34)	73,894,118	1	69,178,243	1
CURRENT TAX ASSETS	56,763	-	-	-
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39)	1,621,839,940	20	1,397,135,509	18
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39)	1,308,707,464	16	1,222,686,258	16
Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39)	2,689,002,505	33	2,652,985,443	35
Financial assets for hedging (Notes 4, 5 and 10)	500,642	-	146,959	-
Investments accounted for using the equity method (Notes 4 and 12)	29,084,146	1	29,380,517	-
Investment property (Notes 4, 5, 14 and 34)	510,358,271	6	496,163,021	7
Investment property under construction (Notes 4, 14 and 34)	3,412,376	-	1,528,547	-
Prepayments for buildings and land - investments (Notes 4 and 14)	242,642	-	3,131,915	-
Loans (Notes 4, 5, 15 and 34)	479,852,327	6	479,791,100	6
Total investments	6,643,000,313	82	6,282,949,269	82
REINSURANCE ASSETS (Notes 4, 16 and 23)	2,378,996	-	2,200,691	-
PROPERTY AND EQUIPMENT (Notes 4 and 17)	29,928,347	-	29,453,426	-
RIGHT-OF-USE ASSETS (Notes 4, 18 and 34)	1,740,046	-	1,675,209	-
INTANGIBLE ASSETS (Notes 4 and 19)	41,492,461	1	44,070,838	1
DEFERRED TAX ASSETS (Notes 4 and 33)	58,628,168	1	56,690,743	1
OTHER ASSETS (Notes 20, 34 and 37)	32,075,904	-	32,536,037	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35)	724,210,234	9	641,684,568	8
TOTAL	\$ 8,073,160,819	100	\$ 7,675,559,325	100
LIABILITIES AND EQUITY				
PAYABLES (Notes 21 and 34)	\$ 22,835,359	1	\$ 30,171,547	1
CURRENT TAX LIABILITIES (Note 4)	371,581	-	477,145	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	3,050,197	-	11,687,067	-
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	20,956	-	139,858	-
BONDS PAYABLE (Notes 22 and 34)	80,000,000	1	80,000,000	1
INSURANCE LIABILITIES (Notes 4, 5 and 23)				
Unearned premium reserve	19,496,231	-	18,775,949	1
Loss reserve	11,763,381	-	12,163,853	-
Policy reserve	6,334,959,547	79	5,999,277,703	78
Special reserve	11,085,059	-	11,084,776	-
Premium deficiency reserve	9,808,215	-	13,802,343	-
Other reserve	1,865,925	-	1,876,925	-
Total insurance liabilities	6,388,978,358	79	6,056,981,549	79
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24)	15,188,788	-	13,731,508	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25)	9,053,726	-	14,820,865	-
PROVISIONS (Notes 4 and 27)	56,245	-	56,245	-
LEASE LIABILITIES (Notes 4, 18 and 34)	12,081,162	-	10,522,490	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	54,318,203	1	68,278,447	1
OTHER LIABILITIES (Notes 28 and 34)	20,863,199	-	25,881,555	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35)	724,210,234	9	641,684,568	9
Total liabilities	7,331,028,008	91	6,954,432,844	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)				
Share capital				
Ordinary shares	58,515,274	1	58,515,274	1
Capital surplus	60,594,868	1	60,606,533	1
Retained earnings				
Legal reserve	27,491,929	-	18,834,196	-
Special reserve	390,287,210	5	347,320,212	4
Unappropriated earnings	111,938,770	1	49,938,120	1
Total retained earnings	529,717,909	6	416,092,528	5
Other equity	85,614,861	1	178,513,029	2
Total equity attributable to owners of the Company	734,442,912	9	713,727,364	9
NON-CONTROLLING INTERESTS (Notes 4 and 30)	7,689,899	-	7,399,117	-
Total equity	742,132,811	9	721,126,481	9
TOTAL	\$ 8,073,160,819	100	\$ 7,675,559,325	100

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, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Retained earned premium (Notes 4, 26 and 34)				
Written premium	\$501,639,497	53	\$582,663,197	62
Reinsurance premium	102,567	-	110,139	-
Premium income	501,742,064	53	582,773,336	62
Less: Reinsurance expense	(2,639,962)	-	(2,512,690)	-
Add: Net changes in unearned premium reserve (Notes 4 and 23)	(704,307)	-	(697,939)	-
Total retained earned premium	498,397,795	53	579,562,707	62
Reinsurance commission income	387,942	-	533,237	-
Fee income (Notes 34 and 35)	10,714,732	1	8,701,291	1
Net investment incomes (losses)				
Interest income (Notes 4, 32 and 34)	157,777,570	17	157,373,248	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	136,924,517	15	209,668,761	22
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	29,456,079	3	28,187,167	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	38,060,685	4	39,503,872	4
Share of profit (loss) of associates accounted for using the equity method (Notes 4 and 12)	1,712,701	-	(12,188,914)	(1)
Foreign exchange loss	(75,870,444)	(8)	(127,555,018)	(14)
Net changes in reserve for foreign exchange valuation (Notes 4 and 25)	5,767,139	1	3,180,012	-
Gain on investment property (Notes 4 and 34)	12,738,120	1	14,300,502	2
Reversal of (expected credit loss) expected credit loss on investments (Notes 4 and 32)	1,627,302	-	(1,659,048)	-
Other net investment income	950,962	-	2,026,807	-
Gain (loss) on reclassification using overlay approach (Notes 4 and 8)	39,802,554	4	(48,929,893)	(5)
Other operating revenue (Note 34)	8,754,025	1	6,978,017	1
Separate account insurance product income (Notes 4 and 35)	77,919,494	8	73,396,159	8
Total operating revenue	945,121,173	100	933,078,907	100
OPERATING COSTS				
Retained claims payments (Notes 4 and 26)				
Insurance claims payments	289,792,257	30	274,470,111	29
Less: Claims and payments recovered from reinsurers	(1,942,014)	-	(1,420,622)	-
Total retained claims payments	287,850,243	30	273,049,489	29

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Net changes in other insurance liabilities (Notes 4, 5 and 23)				
Net changes in loss reserve	\$ (363,700)	-	\$ 1,084,927	-
Net changes in policy reserve	379,955,900	40	466,068,474	50
Net changes in special reserve	283	-	152	-
Net changes in premium deficiency reserve	(3,863,053)	-	(5,711,343)	(1)
Net changes in other reserve	<u>(11,000)</u>	<u>-</u>	<u>3,784</u>	<u>-</u>
Total net changes in other insurance liabilities	375,718,430	40	461,445,994	49
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24)	1,052,640	-	787,429	-
Underwriting expenses (Note 32)	16,441,121	2	17,904,028	2
Commission expenses (Note 32)	18,003,700	2	17,910,821	2
Finance costs (Notes 22 and 34)	3,113,652	-	2,500,695	-
Other operating costs (Note 34)	8,055,769	1	6,634,982	1
Separate account insurance product expenses (Notes 4 and 35)	<u>77,919,494</u>	<u>8</u>	<u>73,396,159</u>	<u>8</u>
Total operating costs	<u>788,155,049</u>	<u>83</u>	<u>853,629,597</u>	<u>91</u>
OPERATING EXPENSES (Notes 32 and 34)				
General expenses	12,434,984	2	10,782,155	1
Administrative expenses	19,934,385	2	18,710,809	2
Employee training expenses	53,731	-	65,791	-
Non-investment expected credit loss (Notes 4 and 32)	<u>24,773</u>	<u>-</u>	<u>6,308</u>	<u>-</u>
Total operating expenses	<u>32,447,873</u>	<u>4</u>	<u>29,565,063</u>	<u>3</u>
OPERATING INCOME	124,518,251	13	49,884,247	6
NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34)	<u>1,563,137</u>	<u>-</u>	<u>1,588,615</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	126,081,388	13	51,472,862	6
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 33)	<u>(12,915,530)</u>	<u>(1)</u>	<u>1,209,251</u>	<u>-</u>
NET INCOME	<u>113,165,858</u>	<u>12</u>	<u>52,682,113</u>	<u>6</u>

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	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	\$ 1,345,381	-	\$ (324,932)	-
Property revaluation surplus	286,073	-	-	-
Gain on equity instruments at fair value through other comprehensive income	7,307,076	1	3,384,176	-
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	(55,895)	-	329,806	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	105,120	-	294,703	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(1,801,645)	-	(1,508,332)	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(73,570,902)	(8)	37,585,249	4
(Loss) gain on hedging instruments	(13,681)	-	13,263	-
Share of other comprehensive loss of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(930,948)	-	(231,845)	-
Other comprehensive income reclassified using overlay approach	(39,802,554)	(4)	48,929,893	5
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33)	<u>15,537,788</u>	<u>1</u>	<u>(11,273,309)</u>	<u>(1)</u>
Total other comprehensive (loss) income for the period, net of income tax	<u>(91,594,187)</u>	<u>(10)</u>	<u>77,198,672</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 21,571,671</u>	<u>2</u>	<u>\$129,880,785</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$112,230,795	12	\$ 51,744,594	6
Non-controlling interests	<u>935,063</u>	<u>-</u>	<u>937,519</u>	<u>-</u>
	<u>\$113,165,858</u>	<u>12</u>	<u>\$ 52,682,113</u>	<u>6</u>

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 20,590,789	2	\$129,053,807	14
Non-controlling interests	<u>980,882</u>	<u>-</u>	<u>826,978</u>	<u>-</u>
	<u>\$ 21,571,671</u>	<u>2</u>	<u>\$129,880,785</u>	<u>14</u>
EARNINGS PER SHARE (Note 31)				
Basic earnings per share	<u>\$ 19.18</u>		<u>\$ 8.84</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, 2021 AND 2020
(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, 2020	\$ 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
Appropriation of 2020 earnings															
Legal reserve	-	-	10,333,774	-	(10,333,774)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	68,636,191	(68,636,191)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(3,665,312)	3,665,312	-	-	-	-	-	-	-	-	-	-
Legal reserve offset deficits	-	-	(1,676,041)	-	1,676,041	-	-	-	-	-	-	-	-	-	-
Special reserve offset deficits	-	-	-	(23,690,492)	23,690,492	-	-	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,678,724	(1,678,724)	-	-	-	-	-	-	-	-	-	-
Appropriation of special reserve for personal insures Travel insurance	-	-	-	7,887	(7,887)	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	(40,644)	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	(554,511)	-	-	-	-	-	-	719,914	165,403	(176,506)	(11,103)
Net profit for the year ended December 31, 2021	-	-	-	-	112,230,795	-	-	-	-	-	-	-	112,230,795	935,063	113,165,858
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,413,405)	(52,298,742)	(12,020)	1,109,698	214,555	(38,240,092)	-	(91,640,006)	45,819	(91,594,187)
Total comprehensive income (loss) for year ended December 31, 2021	-	-	-	-	112,230,795	(2,413,405)	(52,298,742)	(12,020)	1,109,698	214,555	(38,240,092)	-	20,590,789	980,882	21,571,671
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	1,976,000	-	(1,976,000)	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(513,594)	(513,594)
BALANCE AT DECEMBER 31, 2021	<u>\$ 58,515,274</u>	<u>\$ 60,594,868</u>	<u>\$ 27,491,929</u>	<u>\$ 390,287,210</u>	<u>\$ 111,938,770</u>	<u>\$ (15,347,517)</u>	<u>\$ 38,259,385</u>	<u>\$ 335,851</u>	<u>\$ 1,336,456</u>	<u>\$ 402,058</u>	<u>\$ 63,853,017</u>	<u>\$ (3,224,389)</u>	<u>\$ 734,442,912</u>	<u>\$ 7,689,899</u>	<u>\$ 742,132,811</u>

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$126,081,388	\$ 51,472,862
Adjustments for:		
Depreciation expense	1,366,310	1,372,209
Amortization expense	2,655,445	2,723,499
Gain on financial assets and liabilities at fair value through profit or loss	(121,728,129)	(194,880,209)
Realized gain on financial assets at fair value through other comprehensive income	(24,399,829)	(25,172,381)
Gain on derecognition of financial assets measured at amortized cost	(38,060,685)	(39,503,872)
Finance costs	3,240,055	2,681,849
Interest income	(157,777,570)	(157,373,248)
Net changes in insurance liabilities	332,029,156	402,220,522
Dividend income	(20,252,638)	(17,803,338)
Net changes in reserve for insurance contracts with the nature of financial products	1,457,280	2,799,500
Net changes in reserve for foreign exchange valuation	(5,767,139)	(3,180,012)
(Reversal of expected credit loss) expected credit loss on investments	(1,627,302)	1,659,048
Expected credit loss of non-investments	24,773	6,308
Share of (profit) loss of associates accounted for using the equity method	(1,712,701)	12,188,914
(Gain) loss on reclassification using overlay approach	(39,802,554)	48,929,893
Loss on disposal and retirement of property and equipment	3,984	63,484
Loss on disposal of investment property	-	480,581
Gain on disposal of investments accounted for using the equity method	(167,748)	(1,786,696)
Gain on changes in fair value of investment property	(1,118,188)	(2,340,914)
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(42,410,453)	205,495,676
Increase in financial assets at fair value through other comprehensive income	(130,368,058)	(302,562,852)
Decrease in financial assets measured at amortized cost	3,822,447	1,658,224
(Increase) decrease in financial assets for hedging	(157,643)	93,292
Decrease in notes receivable	27,742	578
Decrease in other receivables	4,361,556	2,491,911
Decrease (increase) in prepaid expenses and other prepayments	629,503	(872,474)
Increase in guarantee deposits paid	(431,146)	(4,052,209)
Increase in reinsurance assets	(210,652)	(186,836)
Decrease in other assets	30,405	918
Decrease in financial liabilities at fair value through profit or loss	(68,011,438)	(65,127,563)
(Decrease) increase in financial liabilities for hedging	(328,623)	430,051
Decrease in notes payable	(209,845)	(217,028)
Increase in claims payable	86,066	40,334

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Decrease in other payables	\$ (1,477,485)	\$ (5,227,957)
Increase in due to reinsurers and ceding companies	145,875	330,669
Increase (decrease) in commissions payable	431,874	(1,389,827)
Increase (decrease) in advance receipts	14,885	(114,476)
(Decrease) Increase in guarantee deposits received	(3,953,792)	917,441
Decrease in provisions	-	(177,626)
Decrease in deferred fee income	(2,151)	(1,662)
(Decrease) increase in other liabilities	<u>(446,245)</u>	<u>1,352,337</u>
Cash used in operations	(184,013,270)	(82,561,080)
Interest received	156,732,779	158,022,145
Dividends received	21,117,805	18,582,847
Interest paid	(3,083,987)	(3,129,822)
Income tax paid	<u>(25,627,232)</u>	<u>(1,352,588)</u>
Net cash (used in) generated from operating activities	<u>(34,873,905)</u>	<u>89,561,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(414,500)	(495,185)
Proceeds from disposal of investments accounted for using the equity method	307,166	-
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	382,739	241,056
Acquisition of property and equipment	(1,421,449)	(1,065,218)
Proceeds from disposal of property and equipment	61	310
Acquisition of intangible assets	(306,787)	(250,403)
(Increase) decrease in loans	(611,339)	33,653,556
Acquisition of investment property	(11,576,015)	(7,130,742)
Proceeds from disposal of investment property	<u>-</u>	<u>233,825</u>
Net cash (used in) generated from investing activities	<u>(13,640,124)</u>	<u>25,034,698</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principal portion of lease liabilities	(718,059)	(687,284)
Acquisition of additional interests in subsidiaries	(605,519)	-
Changes in non-controlling interests	<u>(205,233)</u>	<u>(742,087)</u>
Net cash used in financing activities	<u>(1,528,811)</u>	<u>(1,429,371)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>678,008</u>	<u>(98,212)</u>
		(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$(49,364,832)	\$113,068,617
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>515,120,301</u>	<u>402,051,684</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$465,755,469</u>	<u>\$515,120,301</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, 2021 AND 2020 (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 (“R.O.C.”) 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, R.O.C.

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 11, 2022.

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 material impact on the accounting policies of the Company and its subsidiaries (collectively, “the Group”):

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are 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” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	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 2)

Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

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

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

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

Recognition

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

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

Measurement on initial recognition

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

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

Subsequent measurement

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

Onerous contracts

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

Premium Allocation Approach (PAA)

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

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

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

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

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

Redesignation of financial assets

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

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 4 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, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

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

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

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

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

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 and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to 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 way purchases or sales 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 financial assets are mandatorily classified or designated as at FVTPL, including investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 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 at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

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

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets

are classified as normal assets (“First Category”), assets that require special attention (“Second Category”), assets that are substandard (“Third Category”), assets that are doubtful (“Fourth Category”) and assets for which there is loss (“Fifth Category”) based on the borrower’s financial conditions and the delay for payment of principal and interests as well as the status of the loan collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. 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 amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2) Equity instruments

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

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

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. 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.

5) Modification of financial instruments

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

For the changes in the basis for determining contractual cash flows of financial assets or financial

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

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 expires or is sold, terminated or exercised.

2) Cash flow hedges

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

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

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

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 policies with a policy period shorter than 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 an 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 changed its accounting policy for subsequent measurement of investment property from the cost method to the fair value method starting from 2014. In accordance with Jin Guan Bao Tsai No. 10302501161 issued by the FSC on March 21, 2014, the fair value of insurance liabilities measured did not exceed their book value and no additional insurance liabilities should be provided accordingly.

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 a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividends 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 policies with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as a premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

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

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

The 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 the estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

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 only recognized as revenue collection and underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

t. Classification of insurance products

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

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

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

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

- 1) Additional payments may be a significant portion of total contractual benefits.
- 2) The amounts or timing for additional payments are contractually at the Group's discretion.
- 3) Additional payments are contractually based on one of the following matters:
 - a) The performance on a specified combination of contracts or a specified type of contract.

- b) The investment returns on a specified combination of assets held by the Group.
- c) The profit or loss of the Group, funds, or other entities.

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

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

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

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

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 assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

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

y. Taxation

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

1) Current tax

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

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

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its 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 taxpayer. 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	
	2021	2020
Cash on hand	\$ 26,784	\$ 263,287
Cash in banks	238,199,168	188,316,842
Time deposits	177,212,844	244,915,895
Cash equivalents	<u>50,316,673</u>	<u>81,624,277</u>
	<u>\$465,755,469</u>	<u>\$515,120,301</u>

7. RECEIVABLES

	December 31	
	2021	2020
Notes receivable	\$ 246,908	\$ 274,650
Other receivables	73,656,842	68,909,465
Overdue receivables	18,909	4,982
	<u>73,922,659</u>	<u>69,189,097</u>
Less: Loss allowance	<u>(28,541)</u>	<u>(10,854)</u>
	<u>\$ 73,894,118</u>	<u>\$ 69,178,243</u>

The movements in the loss allowance are as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 10,854	\$ 14,732
Provision for the current year	24,773	6,308
Amounts written off	(6,774)	(10,522)
Foreign exchange	<u>(312)</u>	<u>336</u>
Ending balance	<u>\$ 28,541</u>	<u>\$ 10,854</u>

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic stocks	\$ 321,549,940	\$ 296,934,408
Beneficiary certificates	730,945,252	649,221,409
Financial debentures	12,855,988	10,361,868
Overseas stocks	217,526,275	221,380,016
Real estate investment trust	21,695,569	25,103,815
Overseas bonds	294,907,239	148,053,159
Structured time deposits	7,771,014	18,027,331
Derivative financial assets (not under hedge accounting)		
Currency swap contracts ("SWAP")	9,621,851	23,730,446
Foreign exchange forward contacts ("Forward")	2,906,188	3,704,505
Cross currency swap contracts ("CCS")	2,013,271	594,443
Options	26,534	-
Call warrants	<u>20,819</u>	<u>24,109</u>
	<u>\$1,621,839,940</u>	<u>\$1,397,135,509</u>

(Continued)

	December 31	
	2021	2020
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
SWAP	\$ 1,327,392	\$ 3,537,918
Forward	1,692,288	8,095,543
CCS	-	53,606
Options	30,517	-
	<u>\$ 3,050,197</u>	<u>\$ 11,687,067</u>
		(Concluded)

- 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	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Domestic stocks	\$ 321,157,922	\$ 296,934,408
Beneficiary certificates	710,531,686	605,836,995
Financial debentures	12,855,988	10,361,868
Overseas stocks	217,451,512	220,372,150
Real estate investment trust	21,695,569	25,103,815
Overseas bonds	294,220,757	147,576,634
Structured time deposits	7,771,014	18,027,331
	<u>\$1,585,684,448</u>	<u>\$1,324,213,201</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, 2021 and 2020 is as follows:

	For the Year Ended December 31	
	2021	2020
Gain due to the implementation of IFRS 9 to profit or loss	\$115,400,184	\$162,399,658
Gain due to the implementation of IAS 39 to profit or loss (if applicable)	<u>(155,202,738)</u>	<u>(113,469,765)</u>
(Gain) loss reclassified due to application of overlay approach	<u>\$(39,802,554)</u>	<u>\$ 48,929,893</u>

Due to the application of overlay approach, the amounts of gain on financial assets and liabilities at FVTPL for the years ended December 31, 2021 and 2020 increased from \$136,924,517 thousand to \$176,727,071 thousand, and decreased from \$209,668,761 thousand to \$160,738,868 thousand, respectively.

- b. As of December 31, 2021 and 2020, structured notes which were accounted for as financial assets at FVTPL amounted to \$161,150,298 thousand and \$29,048,344 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	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic stocks	\$ 135,378,484	\$ 91,718,232
Overseas stocks	9,330,352	7,706,479
	<u>144,708,836</u>	<u>99,424,711</u>
Investments in debt instruments at FVTOCI		
Corporate bonds	2,202,539	2,206,288
Government bonds	43,225,023	43,699,940
Overseas bonds	1,119,667,280	1,078,517,070
Less: Litigation deposits	(43,613)	(46,761)
Less: Deposits to Central Bank	<u>(1,052,601)</u>	<u>(1,114,990)</u>
	<u>1,163,998,628</u>	<u>1,123,261,547</u>
	<u>\$1,308,707,464</u>	<u>\$1,222,686,258</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, 2021 and 2020 were \$5,056,250 thousand and \$3,014,786 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2021 and 2020 were \$321,221 thousand and \$14,978 thousand, respectively.
- c. In consideration of investment strategies, the Group sold equity instruments at FVTOCI at fair values of \$15,144,411 thousand and \$5,103,571 thousand at the time of sale, and transferred unrealized gain of \$1,976,000 thousand and loss of \$75,723 thousand from other equity to retained earnings for the years ended December 31, 2021 and 2020, 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	
	2021	2020
<u>Financial assets for hedging</u>		
Interest rate swap contracts ("IRS")	\$ 90,307	\$ 146,959
CCS	202,531	-
Forward	<u>207,804</u>	<u>-</u>

	<u>\$ 500,642</u>	<u>\$ 146,959</u>
<u>Financial liabilities for hedging</u>		
IRS	\$ 20,956	\$ 48,887
CCS	-	90,971
	<u>\$ 20,956</u>	<u>\$ 139,858</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		
			2021	2020	
The Company	Cathay Lujiazui Life.	Life insurance	50.00	50.00	
The Company	Cathay Life (Vietnam) Co., Ltd.	Life insurance	100.00	100.00	
The Company	Lin Yuan (Shanghai) Real Estate.	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	
The Company	Cathay Industrial Research and Design Center Co., Ltd. (“Cathay Industrial R&D Center”)	Real estate investment and management	99.00	-	Note 1
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	Holding company	61.15	53.13	Note 2
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	86.13	85.67	
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	99.51	99.72	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	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	90.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	

Note 1: It was jointly established by the Company and Ally Logistic Property Co., Ltd. on January 8, 2021.

Note 2: 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. In addition, non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.02% equity shares, and its ownership interest increased from 53.13% to 61.15%.

Note 3: As of December 31, 2020, Global Evolution USA GP, LLC was dissolved.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Investees	Business	Ownership Interest (%)		Note
			December 31		
			2021	2020	
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	
	2021	2020
Investments in unconsolidated subsidiaries	\$ 699,974	\$ 637,478
Investments in associates	<u>28,384,172</u>	<u>28,743,039</u>
	<u>\$ 29,084,146</u>	<u>\$ 29,380,517</u>

Refer to Table 1 and Table 4 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	
	2021	2020
Cathay Securities Investment Consulting	<u>\$ 699,974</u>	<u>\$ 637,478</u>

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group' share of:		
Net income (loss)	\$ 1,458,714	\$(12,403,959)
Other comprehensive (loss) income	<u>(991,854)</u>	<u>97,076</u>
Total comprehensive income (loss) for the period	<u>\$ 466,860</u>	<u>\$(12,306,883)</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 recognized on the basis of the financial statements which have not been reviewed by an independent auditor.

The investments in associates were not pledged as collateral.

PT Bank Mayapada Internasional Tbk, the Group'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 Group recognized a loss on investment in associate accounted for using the equity method of \$13,980,277 thousand for the years ended December 31, 2020.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2021	2020
Time deposits	\$ 7,580,839	\$ 3,621,636
Financial debentures	25,719,718	41,434,737
Corporate bonds	26,847,429	29,096,122
Government bonds	40,356,915	40,464,412
Overseas bonds	2,597,982,247	2,549,889,678
Asset-backed securities	445,000	445,000
Less: Litigation deposits	(1,151,573)	(1,353,429)
Less: Deposits to Central Bank	(8,033,844)	(8,039,298)
Less: Loss allowance (Note)	(744,226)	(2,573,415)
	<u>\$2,689,002,505</u>	<u>\$2,652,985,443</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2021 and 2020, the amounts were \$286 thousand and \$1,258 thousand, respectively.

- For the years ended December 31, 2021 and 2020, the Group disposed of bonds before maturity due to an increase in credit risk, which resulted in gains(losses) on disposal of \$4,328,088 thousand and \$259,490 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$29,013,762 thousand and \$38,149,433 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$4,718,835 thousand and \$1,613,929 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		
Balance at 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	-	-
Foreign exchange	(215,169)	(308,118)	(523,287)	-	-
Balance at 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>
Balance at January 1, 2021	\$ 372,342,140	\$ 123,820,881	\$ 496,163,021	\$ 1,528,547	\$ 3,131,915
Additions	1,675,410	-	1,675,410	3,640,889	7,685,126
Reclassification	7,139,865	5,595,930	12,735,795	(1,757,060)	(10,574,399)
(Loss) gain on changes in fair value of investment property	(1,409,285)	2,527,473	1,118,188	-	-
Foreign exchange	(502,128)	(832,015)	(1,334,143)	-	-

Balance at December 31, 2021	\$ 379,246,002	\$ 131,112,269	\$ 510,358,271	\$ 3,412,376	\$ 242,642
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	For the Year Ended December 31	
	2021	2020
Rental income from investment properties	\$ 11,619,932	\$ 12,440,169
Direct operating expenses of investment properties that generate rental income	(783,637)	(710,371)
Direct operating expenses of investment properties that do not generate rental income	<u>(334,689)</u>	<u>(147,336)</u>
	<u>\$ 10,501,606</u>	<u>\$ 11,582,462</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- As of December 31, 2021, investment properties of the Company amounted to \$472,079,611 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 the investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at December 31, 2021 and 2020 respectively.

Name of Appraiser Firm	December 31	
	2021	2020
DTZ Real Estate Appraiser Firm	Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai	Chang-da, Yang; Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; Xi-Zhong, Wang; Hong-Zhi, Li	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin

(Continued)

Name of Appraiser Firm	December 31	
	2021	2020
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang;	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Jian-Hao, Huang Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen; Yi-huei Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
China Credit Information Service Ltd.	Zhi-Hao, Wu; Wei-Ru, Li	-
LinkU Real Estate Appraisal and Consulting Services	Lin-Yu, Lian; Sheng-Feng, Lai	-
(Concluded)		

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	
	2021	2020
Direct capitalization rates (net)	0.61%-5.12%	0.84%-5.70%
Discount rates	2.35%-4.26%	3.09%-3.94%

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

The 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	
	2021	2020
Beginning balance	\$479,767,372	\$471,748,733
Amount recognized in profit or loss		
Gain from investment property	1,118,188	2,340,914
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	(1,334,143)	(523,287)
Disposals	-	(646,500)
Transfers from investment property under construction	1,757,060	6,043,024
Transfers from prepayments for buildings and land	4,606,027	804,488
Transfers from investment property measured at cost	<u>1,423,762</u>	<u>-</u>
Ending balance	<u>\$487,338,266</u>	<u>\$479,767,372</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 costs or price of at least NT\$100 million or 20% of the paid-in capital.

15. LOANS

	December 31	
	2021	2020
Life insurance policy loans (a)	\$158,747,746	\$155,706,198
Premium loans (b)	13,145,619	12,622,690
Secured loans (c)	310,463,414	314,154,457
Non-accrual receivables	<u>2,645,039</u>	<u>2,041,471</u>
	485,001,818	484,524,816
Less: Loss allowance	<u>(5,149,491)</u>	<u>(4,733,716)</u>
	<u>\$479,852,327</u>	<u>\$479,791,100</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, 2021 and 2020.

16. REINSURANCE ASSETS

	December 31	
	2021	2020
Due from reinsurers and ceding companies	\$ 801,063	\$ 590,411
Reinsurance reserve assets		
Ceded unearned premium reserve	1,131,321	1,113,039
Ceded loss reserve	51,497	71,723
Ceded policy reserve	<u>395,115</u>	<u>425,518</u>
	<u>\$ 2,378,996</u>	<u>\$ 2,200,691</u>

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 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 reinsurers and commission income

	For the Year Ended December 31	
	2021	2020
Reinsurance expense	\$ -	\$ 550
Claims recovered from reinsurers	38,188	35,314
Reinsurance commission income	1,949	4,029

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

Net gain from reinsurance of \$11,067 thousand was recognized for the year ended December 31, 2021 from CNY co-reinsurance business. The amount was calculated as follows:

insurance commission of \$1,949 thousand + Claims recovered from reinsurers of \$38,188 thousand - Net changes in reinsurance reserve assets of \$25,752 thousand - Foreign exchange losses of \$3,318 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 reinsurance reserve assets including policy reserve and ceded premium deficiency reserve for ceded co-reinsurance business and provides insurance liabilities as direct business. All reinsurance reserve assets should be derecognized when the co-reinsurance contract ceased.

f. Other notes designated by authorities: None.

17. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvement	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
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)
Foreign exchange	-	16,926	(43,982)	(9,543)	27	(2,336)	-	(38,908)
Balance at December 31, 2020	<u>\$ 17,428,074</u>	<u>\$ 22,321,979</u>	<u>\$ 3,440,014</u>	<u>\$ 616,432</u>	<u>\$ 11,243</u>	<u>\$ 4,011,666</u>	<u>\$ 611,000</u>	<u>\$ 48,440,408</u>
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)
Foreign exchange	-	3,155	(9,148)	(1,327)	11	(673)	-	(7,982)
Balance at December 31, 2020	<u>\$ 103,134</u>	<u>\$ 12,564,238</u>	<u>\$ 2,461,500</u>	<u>\$ 353,836</u>	<u>\$ 9,472</u>	<u>\$ 3,494,802</u>	<u>\$ -</u>	<u>\$ 18,986,982</u>
Carrying amount at December 31, 2020	<u>\$ 17,324,940</u>	<u>\$ 9,757,741</u>	<u>\$ 978,514</u>	<u>\$ 262,596</u>	<u>\$ 1,771</u>	<u>\$ 516,864</u>	<u>\$ 611,000</u>	<u>\$ 29,453,426</u>
Cost								
Balance at January 1, 2021	\$ 17,428,074	\$ 22,321,979	\$ 3,440,014	\$ 616,432	\$ 11,243	\$ 4,011,666	\$ 611,000	\$ 48,440,408
Additions	-	-	663,042	56,289	-	77,199	624,919	1,421,449
Disposals	-	-	(140,243)	(2,497)	(3)	(37,308)	-	(180,051)
Reclassification	1,019,426	(1,303,866)	305,667	(16,991)	-	(13,024)	(47,746)	(56,534)
Foreign exchange	-	(8,395)	(29,393)	(12,448)	(15)	(4,533)	-	(54,784)
Balance at December 31, 2021	<u>\$ 18,447,500</u>	<u>\$ 21,009,718</u>	<u>\$ 4,239,087</u>	<u>\$ 640,785</u>	<u>\$ 11,225</u>	<u>\$ 4,034,000</u>	<u>\$ 1,188,173</u>	<u>\$ 49,570,488</u>
Depreciation and impairment								
Balance at January 1, 2021	\$ 103,134	\$ 12,564,238	\$ 2,461,500	\$ 353,836	\$ 9,472	\$ 3,494,802	\$ -	\$ 18,986,982
Depreciation expense	-	388,789	212,452	56,681	600	117,731	-	776,253
Disposals	-	-	(136,752)	(2,497)	(2)	(36,755)	-	(176,006)
Reclassification	-	(213,745)	285,957	627	-	(10,305)	-	62,534
Foreign exchange	-	(1,360)	(7,779)	(4,850)	(9)	6,376	-	(7,622)
Balance at December 31, 2021	<u>\$ 103,134</u>	<u>\$ 12,737,922</u>	<u>\$ 2,815,328</u>	<u>\$ 403,797</u>	<u>\$ 10,061</u>	<u>\$ 3,571,849</u>	<u>\$ -</u>	<u>\$ 19,642,141</u>
Carrying amount at December 31, 2021	<u>\$ 18,344,366</u>	<u>\$ 8,271,796</u>	<u>\$ 1,423,709</u>	<u>\$ 236,988</u>	<u>\$ 1,164</u>	<u>\$ 462,151</u>	<u>\$ 1,188,173</u>	<u>\$ 29,928,347</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	3-10 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	
	2021	2020
<u>Carrying amount</u>		
Buildings	\$ 1,703,623	\$ 1,640,096
Office equipment	9,573	11,035
Transportation equipment	<u>26,850</u>	<u>24,078</u>
	<u>\$ 1,740,046</u>	<u>\$ 1,675,209</u>
Right-of-use assets presented as investment properties	<u>\$ 9,958,120</u>	<u>\$ 8,548,824</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 574,043</u>	<u>\$ 735,579</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 570,515	\$ 576,928
Office equipment	9,676	4,541
Transportation equipment	<u>9,866</u>	<u>10,839</u>
	<u>\$ 590,057</u>	<u>\$ 592,308</u>

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount	<u>\$ 12,081,162</u>	<u>\$ 10,522,490</u>

Range of discount rates for lease liabilities is as follows:

	December 31	
	2021	2020
Buildings	1.82%-8.57%	1.82%-8.57%
Office equipment	4.67%-4.76%	4.67%-4.76%
Transportation equipment	2.49%-3.66%	3.25%-3.66%
Investment property - right of superficies	2.82%-4.00%	2.82%-3.71%

19. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2020	\$ 2,285,198	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 10,343,445	\$ 209,989	\$ 54,441,605
Acquisition 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)
Foreign exchange	844	-	(20,965)	(284,187)	(528,632)	(11,146)	(844,086)
Balance at December 31, 2020	<u>\$ 2,503,514</u>	<u>\$ 37,659,600</u>	<u>\$ 373,996</u>	<u>\$ 5,731,801</u>	<u>\$ 13,278,169</u>	<u>\$ 198,843</u>	<u>\$ 59,745,923</u>
Amortization and impairment							
Balance at January 1, 2020	\$ 1,976,599	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 13,094,706
Amortization	139,554	2,079,383	-	485,836	-	18,726	2,723,499
Disposals	(32,931)	-	-	-	-	-	(32,931)
Foreign exchange	1,357	-	-	(101,466)	-	(10,080)	(110,189)
Balance at December 31, 2020	<u>\$ 2,084,579</u>	<u>\$ 11,436,607</u>	<u>\$ -</u>	<u>\$ 1,967,996</u>	<u>\$ -</u>	<u>\$ 185,903</u>	<u>\$ 15,675,085</u>
Carrying amount at December 31, 2020	<u>\$ 418,935</u>	<u>\$ 26,222,993</u>	<u>\$ 373,996</u>	<u>\$ 3,763,805</u>	<u>\$ 13,278,169</u>	<u>\$ 12,940</u>	<u>\$ 44,070,838</u>
Cost							
Balance at January 1, 2021	\$ 2,503,514	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 13,278,169	\$ 198,843	\$ 59,745,923
Additions - acquired separately	306,787	-	-	-	-	-	306,787
Others	-	-	-	(172,492)	368,174	-	195,682
Foreign exchange	(2,039)	-	(10,731)	(153,010)	(321,715)	(5,705)	(493,200)
Balance at December 31, 2021	<u>\$ 2,808,262</u>	<u>\$ 37,659,600</u>	<u>\$ 363,265</u>	<u>\$ 5,406,299</u>	<u>\$ 13,324,628</u>	<u>\$ 193,138</u>	<u>\$ 59,755,192</u>
Amortization and impairment							
Balance at January 1, 2021	\$ 2,084,579	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 15,675,085
Amortization	191,193	2,079,383	-	372,154	-	12,715	2,655,445
Foreign exchange	(1,560)	-	-	(60,759)	-	(5,480)	(67,799)
Balance at December 31, 2021	<u>\$ 2,274,212</u>	<u>\$ 13,515,990</u>	<u>\$ -</u>	<u>\$ 2,279,391</u>	<u>\$ -</u>	<u>\$ 193,138</u>	<u>\$ 18,262,731</u>
Carrying amount at December 31, 2021	<u>\$ 534,050</u>	<u>\$ 24,143,610</u>	<u>\$ 363,265</u>	<u>\$ 3,126,908</u>	<u>\$ 13,324,628</u>	<u>\$ -</u>	<u>\$ 41,492,461</u>

- 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, 2021 and 2020, the carrying amounts of goodwill were \$13,324,628 thousand and \$13,278,169 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	
	2021	2020
Insurance Industry Stability Fund (a)	\$ 13,022,786	\$ 12,099,873
Less: Reserve for Insurance Industry Stability Fund (a)	(13,022,786)	(12,099,873)
Guarantee deposits paid (b)	22,924,334	24,070,098
Deferred acquisition costs (c)	1,563	2,596
Prepayments	595,598	1,297,483
Net defined benefit assets (Note 29)	7,697,991	6,280,228
Others	<u>856,418</u>	<u>885,632</u>
	<u>\$ 32,075,904</u>	<u>\$ 32,536,037</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	
	2021	2020
Insurance operation guarantee deposit	\$ 11,705,144	\$ 11,783,552
Deposit for futures and options trading	7,006,713	6,074,070
Deposit for derivatives trading	2,165,104	4,044,034
Other guarantee deposits	<u>2,047,373</u>	<u>2,168,442</u>
	<u>\$ 22,924,334</u>	<u>\$ 24,070,098</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	
	2021	2020
Beginning balance	\$ 2,596	\$ 3,629
Amortization	<u>(1,033)</u>	<u>(1,033)</u>
Ending balance	<u>\$ 1,563</u>	<u>\$ 2,596</u>

21. PAYABLES

	December 31	
	2021	2020
Notes payable	\$ 849,511	\$ 1,059,356
Claims payable	1,011,838	925,772
Commissions payable	3,114,168	2,682,294
Due to reinsurers and ceding companies	1,106,989	961,114
Other payables	<u>16,752,853</u>	<u>24,543,011</u>
	<u>\$ 22,835,359</u>	<u>\$ 30,171,547</u>

22. BONDS PAYABLE

	December 31	
	2021	2020
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	\$ 35,000,000	\$ 35,000,000
First perpetual cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000
First perpetual 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 of \$1,260,000 thousand 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 of \$1,155,000 thousand and \$1,157,030 thousand was recorded as finance costs for the years ended December 31, 2021 and 2020, respectively.
- c. Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual 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 of \$300,000 thousand and \$300,420 thousand was recorded as finance costs for the years ended December 31, 2021 and 2020, respectively.

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					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 64,522	\$ -	\$ 64,522	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,516,597	-	7,516,597	7,293,363	-	7,293,363
Individual health insurance	10,484,937	-	10,484,937	9,911,436	-	9,911,436
Group insurance	849,693	-	849,693	995,234	-	995,234
Investment-linked insurance	118,841	-	118,841	116,825	-	116,825
	<u>19,034,590</u>	<u>-</u>	<u>19,034,590</u>	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>
Less ceded unearned premium reserve:						
Individual life insurance	880,519	-	880,519	878,870	-	878,870
Individual injury insurance	21,575	-	21,575	25,638	-	25,638
Individual health insurance	229,227	-	229,227	208,531	-	208,531
	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,903,269</u>	<u>\$ -</u>	<u>\$ 17,903,269</u>	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>

The changes in unearned premium reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 18,390,129	\$ -	\$ 18,390,129	\$ 17,504,877	\$ -	\$ 17,504,877
Provision	19,034,610	-	19,034,610	18,390,137	-	18,390,137
Recovery	(18,390,129)	-	(18,390,129)	(17,504,877)	-	(17,504,877)
Foreign exchange	(20)	-	(20)	(8)	-	(8)
Ending balance	<u>19,034,590</u>	<u>-</u>	<u>19,034,590</u>	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>
Less ceded unearned premium reserve:						
Beginning balance	1,113,039	-	1,113,039	894,878	-	894,878
Increase	<u>18,282</u>	<u>-</u>	<u>18,282</u>	<u>218,161</u>	<u>-</u>	<u>218,161</u>
Ending balance	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
Net ending balance	<u>\$ 17,903,269</u>	<u>\$ -</u>	<u>\$ 17,903,269</u>	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>

2) Loss reserve

December 31						
	2021			2020		
	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	\$ 2,953,975	\$ 31,747	\$ 2,985,722	\$ 2,994,498	\$ 35,590	\$ 3,030,088
Not yet filed	24,700	-	24,700	26,374	-	26,374
Individual injury insurance						
Filed but not paid	85,959	-	85,959	39,709	-	39,709
Not yet filed	1,969,841	-	1,969,841	1,944,744	-	1,944,744
Individual health insurance						
Filed but not paid	1,505,115	-	1,505,115	1,636,337	-	1,636,337
Not yet filed	3,311,515	-	3,311,515	3,212,273	-	3,212,273
Group insurance						
Filed but not paid	70,387	-	70,387	62,412	-	62,412
Not yet filed	1,028,164	-	1,028,164	1,487,129	-	1,487,129
Investment-linked insurance						
Filed but not paid	197,029	-	197,029	218,021	-	218,021
Not yet filed	930	-	930	551	-	551
	<u>11,147,615</u>	<u>31,747</u>	<u>11,179,362</u>	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>
Less ceded loss reserve						
Individual life insurance	35,496	-	35,496	46,636	-	46,636
Individual health insurance	<u>4,106</u>	<u>-</u>	<u>4,106</u>	<u>14,721</u>	<u>-</u>	<u>14,721</u>
	<u>39,602</u>	<u>-</u>	<u>39,602</u>	<u>61,357</u>	<u>-</u>	<u>61,357</u>
	<u>\$ 11,108,013</u>	<u>\$ 31,747</u>	<u>\$ 11,139,760</u>	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 11,622,048	\$ 35,590	\$ 11,657,638	\$ 10,533,411	\$ 31,200	\$ 10,564,611
Provision	11,161,581	31,747	11,193,328	11,636,942	35,590	11,672,532
Recovery	(11,622,048)	(35,590)	(11,657,638)	(10,533,411)	(31,200)	(10,564,611)
Foreign exchange	(13,966)	-	(13,966)	(14,894)	-	(14,894)
Ending balance	<u>11,147,615</u>	<u>31,747</u>	<u>11,179,362</u>	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>
Less ceded loss reserve						
Beginning balance	61,357	-	61,357	3,732	-	3,732
Increase	-	-	-	57,625	-	57,625
Decrease	<u>(21,755)</u>	<u>-</u>	<u>(21,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>39,602</u>	<u>-</u>	<u>39,602</u>	<u>61,357</u>	<u>-</u>	<u>61,357</u>
Net ending balance	<u>\$ 11,108,013</u>	<u>\$ 31,747</u>	<u>\$ 11,139,760</u>	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>

3) Policy reserve

	December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	\$5,398,835,257	\$ 3,673	\$5,398,838,930	\$5,144,987,292	\$ 3,810	\$5,144,991,102
Injury insurance	7,497,332	-	7,497,332	7,058,104	-	7,058,104
Health insurance	865,362,488	-	865,362,488	793,400,966	-	793,400,966
Annuity insurance	1,312,175	10,396,632	11,708,807	1,381,226	14,175,381	15,556,607
Investment-linked insurance	743,098	-	743,098	515,821	-	515,821
Total (Note 2)	<u>6,273,750,350</u>	<u>10,400,305</u>	<u>6,284,150,655</u>	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>
Less ceded policy reserve						
Life insurance	<u>374,908</u>	<u>-</u>	<u>374,908</u>	<u>403,979</u>	<u>-</u>	<u>403,979</u>
	<u>\$6,273,375,442</u>	<u>\$ 10,400,305</u>	<u>\$6,283,775,747</u>	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to \$6,284,636,754 thousand and \$5,961,980,645 thousand as of December 31, 2021 and 2020, respectively.

The changes of policy reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$5,947,343,409	\$ 14,179,191	\$5,961,522,600	\$5,546,639,427	\$ 20,479,782	\$5,567,119,209
Provision	589,916,586	85,175	590,001,761	663,427,493	157,530	663,585,023
Recovery	(219,457,277)	(3,863,924)	(223,321,201)	(202,828,855)	(6,458,184)	(209,287,039)
Foreign exchange	(44,052,368)	(137)	(44,052,505)	(59,894,656)	63	(59,894,593)
Ending balance	<u>6,273,750,350</u>	<u>10,400,305</u>	<u>6,284,150,655</u>	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>
Less ceded policy reserve						
Beginning balance	403,979	-	403,979	421,465	-	421,465
Decrease	(25,752)	-	(25,752)	(22,443)	-	(22,443)
Foreign exchange	(3,319)	-	(3,319)	4,957	-	4,957
Ending balance	<u>374,908</u>	<u>-</u>	<u>374,908</u>	<u>403,979</u>	<u>-</u>	<u>403,979</u>
Net ending balance	<u>\$6,273,375,442</u>	<u>\$ 10,400,305</u>	<u>\$6,283,775,747</u>	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>

4) Special reserve

	December 31							
	2021				2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	\$ (41,854)	\$ -	\$ -	\$ (41,854)	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	43,589	-	-	43,589	54,928	-	-	54,928
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

The changes of special reserve are summarized below:

	For the Year Ended December 31							
	2021				2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	22,335	-	-	22,335	14,694	-	-	14,694
Recovery of participating policies dividends reserve	(10,713)	-	-	(10,713)	(11,270)	-	-	(11,270)
Recovery of dividend risk reserve	(11,339)	-	-	(11,339)	(3,272)	-	-	(3,272)
Ending balance	<u>\$ 1,735</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

5) Premium deficiency reserve

December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 8,570,062	\$ -	\$ 8,570,062	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	3,300	-	3,300	934	-	934
Individual health insurance	1,234,787	-	1,234,787	1,225,954	-	1,225,954
Group insurance	<u>66</u>	<u>-</u>	<u>66</u>	<u>5,713</u>	<u>-</u>	<u>5,713</u>
	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

The changes of premium deficiency reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	-	-	-	5,619	-	5,619
Recovery	(3,863,053)	-	(3,863,053)	(5,716,962)	-	(5,716,962)
Foreign exchange	<u>(131,075)</u>	<u>-</u>	<u>(131,075)</u>	<u>(165,771)</u>	<u>-</u>	<u>(165,771)</u>
Ending balance	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

6) Other reserve

	December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

The changes of other reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925	\$ 1,873,141	\$ -	\$ 1,873,141
Provision	-	-	-	3,784	-	3,784
Recovery	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2021	2020
Unearned premium reserve	\$ 19,034,590	\$ 18,390,129
Policy reserve	6,284,636,754	5,961,980,645
Premium deficiency reserve	9,808,215	13,802,343
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
Book value of insurance liabilities	<u>\$6,315,345,484</u>	<u>\$5,996,050,042</u>
Estimated present value of cash flows	<u>\$5,567,751,045</u>	<u>\$5,195,570,713</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	
	2021	2020
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, 2021, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with	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.

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					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	\$ 5,034	\$ -	\$ 5,034	\$ 5,362	\$ -	\$ 5,362
Individual health insurance	55,998	-	55,998	33,821	-	33,821
Group insurance	<u>338,757</u>	<u>-</u>	<u>338,757</u>	<u>310,876</u>	<u>-</u>	<u>310,876</u>
	<u>\$ 399,789</u>	<u>\$ -</u>	<u>\$ 399,789</u>	<u>\$ 350,059</u>	<u>\$ -</u>	<u>\$ 350,059</u>

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 350,059	\$ -	\$ 350,059	\$ 301,808	\$ -	\$ 301,808
Provision	434,959	-	434,959	372,780	-	372,780
Recovery	(383,704)	-	(383,704)	(353,794)	-	(353,794)
Reclassification	-	-	-	25,878	-	25,878
Foreign exchange	<u>(1,525)</u>	<u>-</u>	<u>(1,525)</u>	<u>3,387</u>	<u>-</u>	<u>3,387</u>
Ending balance	<u>\$ 399,789</u>	<u>\$ -</u>	<u>\$ 399,789</u>	<u>\$ 350,059</u>	<u>\$ -</u>	<u>\$ 350,059</u>

2) Loss reserve

December 31						
	2021			2020		
	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	\$ 342	\$ -	\$ 342	\$ 4,512	\$ -	\$ 4,512
Not yet filed	19,857	-	19,857	12,433	-	12,433
Individual injury insurance						
Filed but not paid	212	-	212	112	-	112
Not yet filed	5,730	-	5,730	5,518	-	5,518
Individual health insurance						
Filed but not paid	14,848	-	14,848	16,011	-	16,011
Not yet filed	74,299	-	74,299	65,990	-	65,990
Group insurance						
Filed but not paid	21,972	-	21,972	6,679	-	6,679
Not yet filed	<u>394,241</u>	<u>-</u>	<u>394,241</u>	<u>375,879</u>	<u>-</u>	<u>375,879</u>
	<u>531,501</u>	<u>-</u>	<u>531,501</u>	<u>487,134</u>	<u>-</u>	<u>487,134</u>
Less ceded loss reserve						
Individual injury insurance	12	-	12	29	-	29
Individual health insurance	7,501	-	7,501	7,193	-	7,193
Group insurance	<u>4,382</u>	<u>-</u>	<u>4,382</u>	<u>3,144</u>	<u>-</u>	<u>3,144</u>
	<u>11,895</u>	<u>-</u>	<u>11,895</u>	<u>10,366</u>	<u>-</u>	<u>10,366</u>
	<u>\$ 519,606</u>	<u>\$ -</u>	<u>\$ 519,606</u>	<u>\$ 476,768</u>	<u>\$ -</u>	<u>\$ 476,768</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 487,134	\$ -	\$ 487,134	\$ 466,011	\$ -	\$ 466,011
Provision	700,742	-	700,742	477,443	-	477,443
Recovery	(654,269)	-	(654,269)	(460,652)	-	(460,652)
Foreign exchange	(2,106)	-	(2,106)	4,332	-	4,332
Ending balance	<u>531,501</u>	<u>-</u>	<u>531,501</u>	<u>487,134</u>	<u>-</u>	<u>487,134</u>
Less ceded loss reserve						
Beginning balance	10,366	-	10,366	20,282	-	20,282
Increase	47,770	-	47,770	51,934	-	51,934
Decrease	(46,195)	-	(46,195)	(61,856)	-	(61,856)
Foreign exchange	(46)	-	(46)	6	-	6
Ending balance	<u>11,895</u>	<u>-</u>	<u>11,895</u>	<u>10,366</u>	<u>-</u>	<u>10,366</u>
Net ending balance	<u>\$ 519,606</u>	<u>\$ -</u>	<u>\$ 519,606</u>	<u>\$ 476,768</u>	<u>\$ -</u>	<u>\$ 476,768</u>

3) Policy reserve

December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 36,742,466	\$ -	\$ 36,742,466	\$ 27,482,482	\$ -	\$ 27,482,482
Health insurance	4,445,415	-	4,445,415	3,115,884	-	3,115,884
Investment-linked insurance	<u>735</u>	-	<u>735</u>	<u>787</u>	-	<u>787</u>
	<u>41,188,616</u>	-	<u>41,188,616</u>	<u>30,599,153</u>	-	<u>30,599,153</u>
Less ceded loss reserve						
Individual life insurance	1,231	-	1,231	2,074	-	2,074
Health insurance	<u>18,976</u>	-	<u>18,976</u>	<u>19,465</u>	-	<u>19,465</u>
	<u>20,207</u>	-	<u>20,207</u>	<u>21,539</u>	-	<u>21,539</u>
	<u>\$ 41,168,409</u>	<u>\$ -</u>	<u>\$ 41,168,409</u>	<u>\$ 30,577,614</u>	<u>\$ -</u>	<u>\$ 30,577,614</u>

The changes of policy reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 30,599,153	\$ -	\$ 30,599,153	\$ 21,152,145	\$ -	\$ 21,152,145
Provision	12,222,025	-	12,222,025	10,483,907	-	10,483,907
Recovery	(1,538,545)	-	(1,538,545)	(1,468,817)	-	(1,468,817)
Reclassification	43,213	-	43,213	92,400	-	92,400
Foreign exchange	(137,230)	-	(137,230)	339,518	-	339,518
Ending balance	<u>41,188,616</u>	<u>-</u>	<u>41,188,616</u>	<u>30,599,153</u>	<u>-</u>	<u>30,599,153</u>
Less ceded loss reserve						
Beginning balance	21,539	-	21,539	-	-	-
Increase	81,738	-	81,738	89,028	-	89,028
Decrease	(82,978)	-	(82,978)	(67,853)	-	(67,853)
Foreign exchange	(92)	-	(92)	364	-	364
Ending balance	<u>20,207</u>	<u>-</u>	<u>20,207</u>	<u>21,539</u>	<u>-</u>	<u>21,539</u>
Ending balance	<u>\$ 41,168,409</u>	<u>\$ -</u>	<u>\$ 41,168,409</u>	<u>\$ 30,577,614</u>	<u>\$ -</u>	<u>\$ 30,577,614</u>

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2021	2020
Unearned premium reserve	\$ 399,789	\$ 350,059
Policy reserve	<u>41,188,616</u>	<u>30,599,153</u>
Book value of insurance liabilities	<u>\$ 41,588,405</u>	<u>\$ 30,949,212</u>
Estimated present value of cash flows	<u>\$ 33,270,724</u>	<u>\$ 24,759,370</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	
	2021	2020
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 2020, 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 2019, 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					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	\$ 18,135	\$ -	\$ 18,135	\$ 14,935	\$ -	\$ 14,935
Individual health insurance	<u>43,717</u>	<u>-</u>	<u>43,717</u>	<u>20,826</u>	<u>-</u>	<u>20,826</u>
	<u>\$ 61,852</u>	<u>\$ -</u>	<u>\$ 61,852</u>	<u>\$ 35,761</u>	<u>\$ -</u>	<u>\$ 35,761</u>

The changes of unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 35,761	\$ -	\$ 35,761	\$ 25,518	\$ -	\$ 25,518
Provision	26,853	-	26,853	11,854	-	11,854
Foreign exchange	<u>(762)</u>	<u>-</u>	<u>(762)</u>	<u>(1,611)</u>	<u>-</u>	<u>(1,611)</u>
Ending balance	<u>\$ 61,852</u>	<u>\$ -</u>	<u>\$ 61,852</u>	<u>\$ 35,761</u>	<u>\$ -</u>	<u>\$ 35,761</u>

2) Loss reserve

December 31						
	2021			2020		
	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	\$ 9,835	\$ -	\$ 9,835	\$ 3,895	\$ -	\$ 3,895
Individual injury insurance						
Filed but not paid	2,043	-	2,043	991	-	991
Not yet filed	2,915	-	2,915	1,952	-	1,952
Individual health insurance						
Filed but not paid	14,747	-	14,747	2,052	-	2,052
Not yet filed	12,954	-	12,954	6,349	-	6,349
Investment-linked insurance						
Filed but not paid	<u>10,024</u>	<u>-</u>	<u>10,024</u>	<u>3,842</u>	<u>-</u>	<u>3,842</u>
	<u>\$ 52,518</u>	<u>\$ -</u>	<u>\$ 52,518</u>	<u>\$ 19,081</u>	<u>\$ -</u>	<u>\$ 19,081</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 19,081	\$ -	\$ 19,081	\$ 11,990	\$ -	\$ 11,990
Provision	33,957	-	33,957	7,918	-	7,918
Foreign exchange	<u>(520)</u>	<u>-</u>	<u>(520)</u>	<u>(827)</u>	<u>-</u>	<u>(827)</u>
Ending balance	<u>\$ 52,518</u>	<u>\$ -</u>	<u>\$ 52,518</u>	<u>\$ 19,081</u>	<u>\$ -</u>	<u>\$ 19,081</u>

3) Policy reserve

December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 8,313,750	\$ -	\$ 8,313,750	\$ 6,278,493	\$ -	\$ 6,278,493
Investment-linked insurance	<u>820,427</u>	<u>-</u>	<u>820,427</u>	<u>419,412</u>	<u>-</u>	<u>419,412</u>
	<u>\$ 9,134,177</u>	<u>\$ -</u>	<u>\$ 9,134,177</u>	<u>\$ 6,697,905</u>	<u>\$ -</u>	<u>\$ 6,697,905</u>

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 6,697,905	\$ -	\$ 6,697,905	\$ 4,234,620	\$ -	\$ 4,234,620
Provision	2,564,868	-	2,564,868	2,754,132	-	2,754,132
Foreign exchange	<u>(128,596)</u>	<u>-</u>	<u>(128,596)</u>	<u>(290,847)</u>	<u>-</u>	<u>(290,847)</u>
Ending balance	<u>\$ 9,134,177</u>	<u>\$ -</u>	<u>\$ 9,134,177</u>	<u>\$ 6,697,905</u>	<u>\$ -</u>	<u>\$ 6,697,905</u>

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2021	2020
Unearned premium reserve	\$ 61,852	\$ 35,761
Policy reserve	<u>9,134,177</u>	<u>6,697,905</u>
Book value of insurance liabilities	<u>\$ 9,196,029</u>	<u>\$ 6,733,666</u>
Estimated present value of cash flows	<u>\$ 6,130,977</u>	<u>\$ 5,387,856</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	
	2021	2020
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, 2021 and 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

	December 31	
	2021	2020
Life insurance	\$ 71,548	\$ 72,080
Investment-linked insurance	<u>1,093,492</u>	<u>938,076</u>
	<u>\$ 1,165,040</u>	<u>\$ 1,010,156</u>
	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,010,156	\$ 1,001,991
Claims and payments	(325,919)	(273,584)
Net provision of statutory reserve	488,088	294,427
Foreign exchange	<u>(7,285)</u>	<u>(12,678)</u>
Ending balance	<u>\$ 1,165,040</u>	<u>\$ 1,010,156</u>

b. Cathay Lujiazui Life

	December 31	
	2021	2020
Life insurance	<u>\$ 14,023,748</u>	<u>\$ 12,721,352</u>
	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 12,721,352	\$ 9,930,017
Premiums received	3,936,515	5,195,938
Claims and payments	(3,143,547)	(3,029,317)
Net reserve of statutory reserve	564,552	493,002
Foreign exchange	<u>(55,124)</u>	<u>131,712</u>
Ending balance	<u>\$ 14,023,748</u>	<u>\$ 12,721,352</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	
	2021	2020
Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision		
Compulsory reserve	7,479,726	8,433,364
Additional reserve	<u>2,135,119</u>	<u>11,153,852</u>
	9,614,845	19,587,216
Recovery	<u>(15,381,984)</u>	<u>(22,767,228)</u>
Ending balance	<u>\$ 9,053,726</u>	<u>\$ 14,820,865</u>

c. Effects due to reserve for foreign exchange valuation

Items	For the Year Ended December 31, 2021		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	\$107,617,084	\$112,230,795	\$ 4,613,711
Earnings per share	18.39	19.18	0.79
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Equity attributable to owners of the Company	738,082,996	734,442,912	(3,640,084)

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)

26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 484,186,521	\$ 89,658	\$ 484,276,179	\$ 567,721,071	\$ 165,822	\$ 567,886,893
Reinsurance premium	<u>102,567</u>	<u>-</u>	<u>102,567</u>	<u>110,139</u>	<u>-</u>	<u>110,139</u>

Premium income	484,289,088	89,658	484,378,746	567,831,210	165,822	567,997,032
Less: Reinsurance expenses	(2,442,858)	-	(2,442,858)	(2,355,053)	-	(2,355,053)
Net changes in unearned premium reserve	<u>(626,199)</u>	<u>-</u>	<u>(626,199)</u>	<u>(667,099)</u>	<u>-</u>	<u>(667,099)</u>
Retained earned premium	<u>\$ 481,220,031</u>	<u>\$ 89,658</u>	<u>\$ 481,309,689</u>	<u>\$ 564,809,058</u>	<u>\$ 165,822</u>	<u>\$ 564,974,880</u>

2) Cathay Lujiazui Life

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 14,629,447	\$ -	\$ 14,629,447	\$ 12,716,610	\$ -	\$ 12,716,610
Reinsurance premium	-	-	-	-	-	-
Premium income	14,629,447	-	14,629,447	12,716,610	-	12,716,610
Less: Reinsurance expenses	(172,613)	-	(172,613)	(157,133)	-	(157,133)
Net changes in unearned premium reserve	(51,255)	-	(51,255)	(18,986)	-	(18,986)
Retained earned premium	<u>\$ 14,405,579</u>	<u>\$ -</u>	<u>\$ 14,405,579</u>	<u>\$ 12,540,491</u>	<u>\$ -</u>	<u>\$ 12,540,491</u>

3) Cathay Life (Vietnam)

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 2,733,871	\$ -	\$ 2,733,871	\$ 2,059,694	\$ -	\$ 2,059,694
Reinsurance premium	-	-	-	-	-	-
Premium income	2,733,871	-	2,733,871	2,059,694	-	2,059,694
Less: Reinsurance expenses	(24,491)	-	(24,491)	(504)	-	(504)
Net changes in unearned premium reserve	(26,853)	-	(26,853)	(11,854)	-	(11,854)
Retained earned premium	<u>\$ 2,682,527</u>	<u>\$ -</u>	<u>\$ 2,682,527</u>	<u>\$ 2,047,336</u>	<u>\$ -</u>	<u>\$ 2,047,336</u>

b. Retained claim payments

1) The Company

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 283,137,833	\$ 3,952,737	\$ 287,090,570	\$ 265,571,820	\$ 6,731,051	\$ 272,302,871
Reinsurance claim payments	<u>54,463</u>	<u>-</u>	<u>54,463</u>	<u>43,045</u>	<u>-</u>	<u>43,045</u>
Insurance claim payments	283,192,296	3,952,737	287,145,033	265,614,865	6,731,051	272,345,916
Less: Claims recovered from reinsurers	(1,803,354)	-	(1,803,354)	(1,304,635)	-	(1,304,635)
Retained claim payments	<u>\$ 281,388,942</u>	<u>\$ 3,952,737</u>	<u>\$ 285,341,679</u>	<u>\$ 264,310,230</u>	<u>\$ 6,731,051</u>	<u>\$ 271,041,281</u>

2) Cathay Lujiazui Life

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 2,381,168	\$ -	\$ 2,381,168	\$ 1,892,549	\$ -	\$ 1,892,549
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	2,381,168	-	2,381,168	1,892,549	-	1,892,549
Less: Claims recovered from reinsures	(138,660)	-	(138,660)	(115,987)	-	(115,987)
Retained claim payments	<u>\$ 2,242,508</u>	<u>\$ -</u>	<u>\$ 2,242,508</u>	<u>\$ 1,776,562</u>	<u>\$ -</u>	<u>\$ 1,776,562</u>

3) Cathay Life (Vietnam)

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 266,056	\$ -	\$ 266,056	\$ 231,646	\$ -	\$ 231,646
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	266,056	-	266,056	231,646	-	231,646
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	<u>\$ 266,056</u>	<u>\$ -</u>	<u>\$ 266,056</u>	<u>\$ 231,646</u>	<u>\$ -</u>	<u>\$ 231,646</u>

27. PROVISIONS

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 56,245	\$ 233,871
Provision	-	2,956
Reversal	-	(177,405)
Foreign exchange differences	-	(3,177)
Ending balance	<u>\$ 56,245</u>	<u>\$ 56,245</u>

28. OTHER LIABILITIES

	December 31	
	2021	2020
Advance receipts	\$ 356,620	\$ 341,735
Deferred fee income	3,397	5,548
Guarantee deposits received	10,279,416	14,233,208
Others (Note)	<u>10,223,766</u>	<u>11,301,064</u>
	<u>\$ 20,863,199</u>	<u>\$ 25,881,555</u>

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to \$3,084,003 thousand and \$3,802,965 thousand as of December 31, 2021 and 2020, respectively.

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 reconciled below:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 5,548	\$ 7,210
Amortization	(1,763)	(1,722)
Foreign exchange	<u>(388)</u>	<u>60</u>
Ending balance	<u>\$ 3,397</u>	<u>\$ 5,548</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.

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	
	2021	2020
Present value of defined benefit obligation	\$ 12,232,321	\$ 13,423,238
Fair value of plan assets	<u>(19,930,312)</u>	<u>(19,703,466)</u>
Net defined benefit assets	<u>\$ (7,697,991)</u>	<u>\$ (6,280,228)</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, 2020	<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>
Service cost			
Current service cost	250,400	-	250,400
Interest expense (income)	<u>40,968</u>	<u>(61,940)</u>	<u>(20,972)</u>
Recognized in profit or loss	<u>291,368</u>	<u>(61,940)</u>	<u>229,428</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,018,052)	(1,018,052)
Actuarial loss (gain)			
Changes in demographic assumptions	182,213	-	182,213
Changes in financial assumptions	(307,765)	-	(307,765)
Experience adjustments	<u>(201,777)</u>	<u>-</u>	<u>(201,777)</u>
Recognized in other comprehensive income (loss)	<u>(327,329)</u>	<u>(1,018,052)</u>	<u>(1,345,381)</u>
Contributions from the employer	-	(301,810)	(301,810)
Benefits paid	<u>(1,154,954)</u>	<u>1,154,954</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 12,232,323</u>	<u>\$(19,930,314)</u>	<u>\$ (7,697,991)</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	
	2021	2020
Discount rate	0.66%	0.32%
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	
	2021	2020
Discount rate		
Increase 0.25%	<u>\$(220,182)</u>	<u>\$(281,888)</u>
Decrease 0.25%	<u>\$ 232,414</u>	<u>\$ 295,311</u>
Expected rate of salary increase		
Increase 0.5%	<u>\$ 440,364</u>	<u>\$ 577,199</u>
Decrease 0.5%	<u>\$(415,899)</u>	<u>\$(550,353)</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	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 300,520</u>	<u>\$ 417,796</u>
Average duration of the defined benefit obligation	7.5 years	8.5 years

30. EQUITY

a. Share capital

	December 31	
	2021	2020
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 right to dividends.

b. Capital surplus

	December 31	
	2021	2020
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	833,127	844,792
Share-based payments granted by the parent company to the Company's employees	<u>182,599</u>	<u>182,599</u>
	<u>\$ 60,594,868</u>	<u>\$ 60,606,533</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.

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.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 2020 and 2019 had been approved by the board of directors (on behalf of the shareholders) on April 28, 2021 and April 29, 2020, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 10,333,774	\$ 6,677,339
Special reserve	70,366,942	59,449,742

The Company's board of directors (on behalf of the shareholders) resolved to offset the deficit by legal reserve of \$1,676,041 thousand and special reserve of \$23,690,492 thousand on April 28, 2021. 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 appropriations of earnings for 2021, which were proposed by the Company's board of directors on March 11, 2022, were as follows:

	Appropriation of Earnings
Legal reserve	\$ 22,725,076
Special reserve	72,964,689
Cash dividends	23,918,733
Cash dividends per share (NT\$)	4.09

The appropriation of earnings for 2021 has been reported to and reviewed by authorities, and will be resolved by the Company's board of directors (on behalf of the shareholders) on May 4, 2022.

d. Special reserves

	December 31	
	2021	2020
Special reserve for catastrophic events and fluctuation of risks (1)	\$ 14,869,604	\$ 14,908,281
Special reserve for the foreign exchange valuation reserve (2)	23,277,194	33,677,108
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)	149,344,667	148,125,659
Special reserve for gains or losses on disposal of immature debt instruments (5)	67,293,218	25,491,229
Others (6)	<u>88,174,667</u>	<u>77,790,075</u>
	<u>\$390,287,210</u>	<u>\$347,320,212</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, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance	\$ 108,498	\$ -	\$ 108,498
Injury insurance	4,896,115	-	4,896,115
Health insurance	5,683,756	-	5,683,756
Group insurance	<u>4,181,235</u>	<u>-</u>	<u>4,181,235</u>
	<u>\$ 14,869,604</u>	<u>\$ -</u>	<u>\$ 14,869,604</u>

	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>

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 issued on February 7, 2012 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:

- 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, 2021
Accumulated balance at the end of the previous year	\$ 67,293,218
Realized capital gains of \$52,423,678 thousand, net of income tax of \$10,484,736 thousand	41,938,942
Net amortization for the current year	<u>(5,970,935)</u>
Accumulated balance at the end of the year	<u>\$103,261,225</u>

As of December 31, 2021, the Company has set aside special reserve of \$67,293,218 thousand in accordance with the regulation; In 2022, the board of directors will resolve to set aside special reserve of \$35,968,007 thousand according to the changes in the current year; the accumulated balance of special reserve will be \$103,261,225 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)
2021	\$ 3,638,518	\$ 2,332,417	\$ 5,970,935
2022	3,630,366	2,328,897	5,959,263
2023	3,587,595	2,311,696	5,899,291
2024	3,390,357	2,244,449	5,634,806
2025	3,379,754	1,979,669	5,359,423
2026	3,245,402	1,822,923	5,068,325
2027	3,154,795	1,777,094	4,931,889
2028	3,043,900	1,691,300	4,735,200
2029	2,860,636	1,656,544	4,517,180
2030	2,713,822	1,605,226	4,319,048
2031 to 2040	22,489,934	14,388,961	36,878,895
2041 to 2050	11,342,393	6,985,677	18,328,070
2051 to 2151	<u>815,746</u>	<u>814,089</u>	<u>1,629,835</u>
Total (Note)	<u>\$ 67,293,218</u>	<u>\$ 41,938,942</u>	<u>\$103,261,225</u>

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2021.

- 6) Other special reserve mainly included the amount of \$34,772,198 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	
	2021	2020
Beginning balance	<u>\$(12,934,112)</u>	<u>\$(11,187,030)</u>
Recognized for the year	(1,683,323)	(1,540,359)
Share of associates accounted for using the equity method	(914,495)	(239,646)
Tax effects	<u>184,413</u>	<u>32,923</u>
Other comprehensive loss recognized for the year	<u>(2,413,405)</u>	<u>(1,747,082)</u>
Ending balance	<u>\$(15,347,517)</u>	<u>\$(12,934,112)</u>

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 92,536,203</u>	<u>\$ 57,531,736</u>
Recognized for the year	(41,863,997)	66,141,805
Share of associates accounted for using the equity method	(114,002)	288,649
Reclassification adjustment		
Disposal of investments in debt instruments	(24,399,829)	(25,172,380)
Tax effects	<u>14,079,086</u>	<u>(6,329,330)</u>
Other comprehensive income recognized for the year	<u>(52,298,742)</u>	<u>34,928,744</u>
Changes in associates accounted for using the equity method	(2,076)	-
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(1,976,000)</u>	<u>75,723</u>
Ending balance	<u>\$ 38,259,385</u>	<u>\$ 92,536,203</u>

3) Gain on hedging instruments

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 347,871</u>	<u>\$ 331,929</u>
Recognized for the year	(86,019)	82,834
Reclassification adjustment		
Hedged item that affects profit or loss	72,338	(69,571)
Tax effects	<u>1,661</u>	<u>2,679</u>
Other comprehensive (loss) income recognized for the year	<u>(12,020)</u>	<u>15,942</u>
Ending balance	<u>\$ 335,851</u>	<u>\$ 347,871</u>

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 226,758</u>	<u>\$ 447,694</u>
Recognized for the year (Note 29)	1,345,381	(324,932)
Share of associates accounted for using the equity method	41,654	48,958
Tax effects	<u>(277,337)</u>	<u>55,038</u>
Other comprehensive income (loss) recognized for the year	<u>1,109,698</u>	<u>(220,936)</u>
Ending balance	<u>\$ 1,336,456</u>	<u>\$ 226,758</u>

5) Property revaluation surplus

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 187,503	\$ 187,503
Recognized for the year	286,073	-
Tax effects	<u>(71,518)</u>	<u>-</u>
Ending balance	<u>\$ 402,058</u>	<u>\$ 187,503</u>

6) Other comprehensive income (loss) on reclassification using overlay approach

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$102,093,109</u>	<u>\$ 57,760,564</u>
Recognized for the year	74,682,803	123,303,424
Reclassification adjustment		
Disposal of investments in financial instruments	(114,649,498)	(74,230,963)
Tax effects	<u>1,726,603</u>	<u>(4,739,916)</u>
Other comprehensive (loss) income recognized for the year	<u>(38,240,092)</u>	<u>44,332,545</u>
Ending balance	<u>\$ 63,853,017</u>	<u>\$102,093,109</u>

7) Other equity - other

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$(3,944,303)	\$ -
Initial recognition of put options on subsidiaries' share	-	(3,944,303)
Actual execution of put options on subsidiaries' share	731,017	-
Others	<u>(11,103)</u>	<u>-</u>
Ending balance	<u>\$(3,224,389)</u>	<u>\$(3,944,303)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 7,399,117	\$ 5,899,205
Attributed to non-controlling interests		
Net profit for the year	935,063	937,519
Exchange differences on translation of the financial	(118,322)	32,027

statements of foreign operations		
Other comprehensive income (loss) reclassified using overlay approach	164,141	(142,568)
Acquisition of non-controlling interests in subsidiaries (Note 43)	-	1,415,021
Actual acquisition of interests in subsidiaries	(176,506)	-
Others	<u>(513,594)</u>	<u>(742,087)</u>
Ending balance	<u>\$ 7,689,899</u>	<u>\$ 7,399,117</u>

31. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 19.18</u>	<u>\$ 8.84</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	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$112,230,795</u>	<u>\$ 51,744,594</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>5,851,527</u>	<u>5,851,527</u>

If reserve for foreign exchange valuation was not applicable, basic earnings per share would be \$18.39 and \$8.41 for the years ended December 31, 2021 and 2020, respectively.

32. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Year Ended December 31	
	2021	2020
Financial assets at FVTOCI	\$ 38,715,329	\$ 31,362,610
Financial assets measured at amortized cost	103,228,290	108,727,054
Loans	13,837,122	14,552,318
Others	<u>1,996,829</u>	<u>2,731,266</u>
	<u>\$157,777,570</u>	<u>\$157,373,248</u>

b. Expected credit impairment losses and gains on reversal

	For the Year Ended December 31	
	2021	2020
Operating revenues - expected credit impairment losses and gains on reversal from investments		
Debt instrument investments at FVTOCI	\$ 347,254	\$ (346,403)
Financial assets measured at amortized cost	1,830,160	(1,376,760)
Loans	<u>(550,112)</u>	<u>64,115</u>
	<u>1,627,302</u>	<u>(1,659,048)</u>
Operating expenses - expected credit impairment losses from non-investments		
Receivables	<u>(24,773)</u>	<u>(6,308)</u>
	<u>\$ 1,602,529</u>	<u>\$(1,665,356)</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits		
Salaries	\$ 36,504,383	\$ 37,111,842
Labor and health insurance expenses	3,096,992	3,126,805
Post-employment benefits		
Defined contribution plans	1,119,868	1,272,485
Defined benefit plans (Note 29)	229,428	231,531
Remuneration of directors	134,971	97,990
Other employee benefits	<u>987,614</u>	<u>1,132,939</u>
	<u>\$ 42,073,256</u>	<u>\$ 42,973,592</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 29,379,149	\$ 31,240,136
Operating expenses	<u>12,694,107</u>	<u>11,733,456</u>
	<u>\$ 42,073,256</u>	<u>\$ 42,973,592</u>

For the years ended December 31, 2021 and 2020, the average numbers of the Group's employees were 41,324 and 41,300, including 21 and 16 non-executive directors, respectively.

For the years ended December 31, 2021 and 2020, the average employee benefits expense of the Group was \$1,015 thousand and \$1,039 thousand, respectively, and the average salary expense was \$884 thousand and \$899 thousand, respectively; the average employee salary decreased by 2%.

d. Compensation of employees 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 compensation of employee 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. Compensation of employees 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 compensation of employee and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, respectively, as follows:

	For the Year Ended December 31	
	2021	2020
Compensation of employee	\$ 12,462	\$ 4,996
Remuneration of directors and supervisors	5,400	5,400

If there is a change in the amounts after the annual 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 of employee and remuneration of directors and supervisors for the years ended 2020 and 2019, which were resolved by the board of directors on March 10, 2021 and March 11, 2020, respectively, are as follows:

	For the Year Ended December 31	
	2020	2019
Compensation of employee	\$ 4,996	\$ 3,961
Remuneration of directors and supervisors	5,400	5,700

Information on the compensation of employee 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	
	2021	2020
Property and equipment	\$ 776,253	\$ 779,901
Right-of-use assets	590,057	592,308
Intangible assets	<u>2,655,445</u>	<u>2,723,499</u>
	<u>\$ 4,021,755</u>	<u>\$ 4,095,708</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 1,366,310</u>	<u>\$ 1,372,209</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,655,445</u>	<u>\$ 2,723,499</u>

f. Non-operating income and expenses

	For the Year Ended December 31	
	2021	2020
Loss on disposal of property and equipment	\$ (3,984)	\$ (63,484)
Others	<u>1,567,121</u>	<u>1,652,099</u>
	<u>\$ 1,563,137</u>	<u>\$ 1,588,615</u>

33. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ (9,225,178)	\$(17,925,581)
Adjustments for prior years	292,995	144,114
Deferred tax		
In respect of the current year	990,924	18,999,500
Adjustments for prior years	(91,464)	(8,782)
Other		
Additional income tax under the Alternative Minimum Tax Act	(5,971,840)	-
Tax effect under integrated income tax system	<u>1,089,033</u>	<u>-</u>
Income tax (expense) benefit recognized in profit or loss	<u>\$(12,915,530)</u>	<u>\$ 1,209,251</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$126,081,388</u>	<u>\$ 51,472,862</u>
Income tax expense calculated at the statutory rate	\$ 25,216,278	\$ 10,294,572
Tax-exempt income	(17,972,655)	(12,203,282)
Nondeductible expenses in determining taxable income	116,057	53,701
Effect of income tax on deferred tax assets (liabilities)	(40,954)	8,614
Land value increment tax	728,665	930,091
Corporate income tax in China	522	524
Investment loss	(4,876)	(571)
Additional income tax under the Alternative Minimum Tax Act	5,971,840	-

Effect of different tax rates of entities in the Group operating in other jurisdictions	174,586	74,407
Tax effect under integrated income tax system	(1,089,033)	-
Unrealized loss carryforwards	16,631	(102,143)
Unrealized investment credits	-	(132,945)
Withholding tax on foreign investments	-	3,113
Adjustments for prior years' tax	<u>(201,531)</u>	<u>(135,332)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 12,915,530</u>	<u>\$ (1,209,251)</u>

Foreign withholding taxes in the amounts of \$735 thousand and \$3,836 thousand were recognized in current tax expense for the years ended December 31, 2021 and 2020, 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	
	2021	2020
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 137,166	\$ 35,384
Deferred tax		
Derecognition of equity instruments at FVTOCI	(137,166)	(35,384)
Capital surplus	2,033	-
Retain earnings	<u>6,726</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 8,759</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Exchange differences on translation of the financial statements of foreign operations	\$ 184,413	\$ 32,923
Gains on hedging instruments	1,661	2,679
Unrealized losses on equity instruments at FVTOCI	438,781	222,081
Unrealized losses (gains) on debt instruments at FVTOCI	13,624,850	(6,566,673)
Remeasurement of defined benefit plans	(269,076)	64,986
Property revaluation surplus	(71,518)	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	7,194	5,314
Other comprehensive loss (income) reclassified using overlay approach	<u>1,726,603</u>	<u>(4,739,916)</u>
Income tax recognized in other comprehensive income	<u>\$ 15,642,908</u>	<u>\$(10,978,606)</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, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Foreign Exchange	Other	Closing Balance
<u>Deferred tax assets (liabilities)</u>							
Temporary differences							
Property and equipment	\$ 265,651	\$ (10,041)	\$ -	\$ -	\$ -	\$ -	\$ 255,610
Investment property	(28,894,688)	(1,973,714)	(71,518)	-	3,639	-	(30,936,281)
Financial assets at FVTPL	(5,799,636)	2,282,408	(6,710)	-	(152)	-	(3,524,090)
Financial assets at FVTPL applying overlay approach	(13,244,820)	-	749,353	-	-	-	(12,495,467)
Equity instruments at FVTOCI	(397,469)	-	328,162	(95,607)	-	-	(164,914)
Debt instruments at FVTOCI	(18,109,285)	(68,285)	13,624,850	-	-	-	(4,552,720)
Financial assets for hedging	(28,745)	(32,125)	(39,259)	-	-	-	(100,129)
Financial assets measured at amortized cost	(86,345)	11,931	-	-	-	-	(74,414)
Financial liabilities at FVTPL	2,318,537	(1,733,477)	-	-	-	-	585,060
Financial liabilities for hedging	18,194	(65,777)	47,630	-	-	-	47
Rent leveling	(129,443)	(11,532)	-	-	-	-	(140,975)
Other payables	115,771	46,980	-	-	(4,018)	-	158,733
Defined benefit assets	(1,256,045)	(14,476)	(269,076)	-	-	-	(1,539,597)
Investments accounted for using the equity method	2,270,377	(323,460)	191,607	8,759	1,546	-	2,148,829
Deferred revenue	102,856	1,666	-	-	(2,131)	-	102,391
Lease liabilities	122,427	28,516	-	-	-	-	150,943
Goodwill and franchises	55,532	10,097	-	-	-	-	65,629
Unrealized foreign exchange losses (gains)	50,683,048	2,917,757	1,087,869	(41,559)	-	-	54,647,115
Allowance for doubtful account	214,211	9,881	-	-	-	-	224,092
Other	178,759	(189,622)	-	-	43,379	(558,166)	(525,650)
Unused tax losses	13,409	12,733	-	-	(389)	-	25,753
Net deferred tax assets (liabilities)	<u>\$ (11,587,704)</u>	<u>\$ 899,460</u>	<u>\$ 15,642,908</u>	<u>\$ (128,407)</u>	<u>\$ 41,874</u>	<u>\$ (558,166)</u>	<u>\$ 4,309,965</u>
Deferred tax assets	<u>\$ 56,690,743</u>						<u>\$ 58,628,168</u>
Deferred tax liabilities	<u>\$ 68,278,447</u>						<u>\$ 54,318,203</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Foreign Exchange	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	6,109,721	(6,095,555)	-	-	(757)	-	13,409
Net deferred tax assets (liabilities)	<u>\$ (19,573,856)</u>	<u>\$ 18,990,718</u>	<u>\$ (10,978,606)</u>	<u>\$ (35,384)</u>	<u>\$ 8,726</u>	<u>\$ 698</u>	<u>\$ (11,587,704)</u>
Deferred tax assets	<u>\$ 36,156,766</u>						<u>\$ 56,690,743</u>
Deferred tax liabilities	<u>\$ 55,730,622</u>						<u>\$ 68,278,447</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities are recognized:

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$3,154,210 thousand and \$2,298,804 thousand, respectively.

- f. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2015 tax returns and applied for an administrative remedy.

34. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenues and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

- a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent company
Cathay Securities Investment Consulting	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	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
CHL	Subsidiary
Cathay Industrial Research and Design Center Co., Ltd.	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
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 Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Insurance (Vietnam) Co., Ltd.	Subsidiary of fellow subsidiary
Indovina Bank Limited	Subsidiary of fellow subsidiary
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiary

(Continued)

Related Party Name	Related Party Category
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiary
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
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party (subsidiary of associate before July 2021)
Cathay United Bank Foundation	Other related party
Hsin Chung Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Hongtai Energy 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 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			
	2021		2020	
	Items	Amount	Items	Amount
Associate and its subsidiary				
Lin Yuan Property Management Co., Ltd.	International Tower	\$ 9,771	International Tower	\$ 6,645
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehousing, etc.	1,694,037	Yangmei Logistics Park, etc.	1,142,914

San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>1,213,455</u>	THSR Taoyuan Commercial Park, etc.	<u>1,051,289</u>
		<u>2,907,492</u>		<u>2,194,203</u>
		<u>\$ 2,917,263</u>		<u>\$ 2,200,848</u>

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

b) Real-estate rental (the Group as lessor)

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 140,758	\$ 123,238
Subsidiary		
Cathay Securities Investment Consulting	9,865	9,728
Associate and its subsidiary		
Symphox Information Co., Ltd.	32,850	38,409
Yua-Yung Marketing (Taiwan) Co., Ltd.	31,546	22,003
Hong-Sui Co., Ltd.	27,467	27,339
Lin Yuan Property Management Co., Ltd.	19,463	19,411
	<u>111,326</u>	<u>107,162</u>
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	727,756	726,237
Cathay Century Insurance Co., Ltd.	112,768	109,922
Cathay Securities Investment Trust Co., Ltd.	57,112	52,898
Cathay Securities Co., Ltd.	53,806	48,817
Cathay Futures Co., Ltd.	6,952	7,423
Cathay Venture Inc.	5,574	5,575
	<u>963,968</u>	<u>950,872</u>
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	140,144	119,033
Cathay Healthcare Management Co., Ltd.	65,679	69,896
Cathay Real Estate Development Co., Ltd.	18,121	19,008
Hsin Chung Co., Ltd.	11,619	3,226
Cymder Co., Ltd.	7,280	692
San Ching engineering Co., Ltd.	6,473	5,908
Cathay United Bank Foundation	4,812	5,249
Hongtai Energy Co., Ltd.	3,442	700
Liang-Ting Co., Ltd.	3,159	3,124
Retail Forest Co., Ltd.	2,028	8,621
	<u>1,411,110</u>	<u>1,358,267</u>
	<u>\$ 2,637,027</u>	<u>\$ 2,549,267</u>

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 33,301	\$ 29,781
Associate and its subsidiary		
Symphox Information Co., Ltd.	8,000	8,000
Hong-Sui Co., Ltd.	4,740	5,145
Yua-Yang Marketing (Taiwan) Co., Ltd.	4,552	3,487
	<u>17,292</u>	<u>16,632</u>
Fellow subsidiary		
Cathay United Bank Co., Ltd.	187,202	186,446
Cathay Century Insurance Co., Ltd.	32,175	26,580
Cathay Securities Corporation	13,087	11,750
Cathay Securities Investment Trust Co., Ltd.	12,931	11,873
	<u>245,395</u>	<u>236,649</u>
Other related parties		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	143,424	142,869
Cathay Healthcare Management Co., Ltd.	21,113	20,384
Cathay Medical Care Corp.	11,447	11,435
Retail Forest Co., Ltd.	5,745	5,745
Cathay Real Estate Development Co., Ltd.	4,215	4,090
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072
	<u>563,971</u>	<u>558,733</u>
	<u>\$ 859,959</u>	<u>\$ 841,795</u>

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

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ -	\$ 58,426
Other related party		
Yi Ru Capital Co., Ltd.	8,402	-
Cathay Real Estate Development Co., Ltd.	-	21,585
	<u>8,402</u>	<u>21,585</u>
	<u>\$ 8,402</u>	<u>\$ 80,011</u>

Name	Lease Liabilities	
	December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 7,433	\$ 42,437
Other related party		
Cathay Real Estate Development Co., Ltd.	9,155	16,478
Yi Ru Capital Co., Ltd.	5,271	-
	<u>14,426</u>	<u>16,478</u>
	<u>\$ 21,859</u>	<u>\$ 58,915</u>

Name	Lease Expense	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 7,061	\$ 704

Name	Guarantee Deposits Paid	
	December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 10,087	\$ 12,019

d) Acquisition of equipment computer equipment and software

Name	For the Year Ended December 31	
	2021	2020
Subsidiary of associate		
ThinkPower Information Co., Ltd.	\$ 14,833	\$ 4,625

2) Shares transactions

a) Acquisition of shares issued by the related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2021	2020
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	279,500	118,150
CM Energy Co., Ltd.	Ordinary shares	135,000	45,000
PSS Co., Ltd.	Ordinary shares	-	51,386

Lin Yuan Property Management Co., Ltd.	Ordinary shares	-	50,649
		414,500	265,185
		<u>\$ 414,500</u>	<u>\$ 495,185</u>

b) Balance of shares issued by the related parties

Name	Nature of Transaction	December 31	
		2021	2020
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,321,447	\$ 1,436,792
CDIB&PARTNERS Investment	Ordinary shares	880,740	827,820
Daiwa-Cathay Capital Market Co., Ltd.	Ordinary shares	<u>144,600</u>	<u>139,200</u>
		<u>\$ 2,346,787</u>	<u>\$ 2,403,812</u>

Refer to Note 12, Table 1 and Table 4 for the balance of investment in associates.

3) Cash in banks

Name	Nature of Transaction	December 31	
		2021	2020
Fellow subsidiary			
Cathay United Bank Co., Ltd.	Time deposit	\$ 1,280,477	\$ 1,068,004
	Demand deposit	42,819,111	23,114,154
	Checking deposit	209,910	349,239
	Security deposit	<u>6</u>	<u>6</u>
		<u>44,309,504</u>	<u>24,531,403</u>
Subsidiary of fellow subsidiary			
Indovina Bank Limited	Time deposit	1,817,844	815,802
	Demand deposit	<u>12,382</u>	<u>19,863</u>
		<u>1,830,226</u>	<u>835,665</u>
		<u>\$ 46,139,730</u>	<u>\$ 25,367,068</u>

For the years ended December 31, 2021 and 2020, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to \$44,271 thousand and \$47,760 thousand, respectively.

For the years ended December 31, 2021 and 2020, the interest income earned from above bank deposits in Indovina Bank Limited were \$131,557 thousand and \$26,147 thousand, respectively.

4) Loans

Name	For the Year Ended December 31, 2021		
	Maximum Balance	Rate	Ending Balance
Other related party	\$ 999,575	0.75%-3.17%	<u>\$ 821,274</u>

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>

For the years ended December 31, 2021 and 2020, the interest income earned from above loans to other related party amounted to \$10,931 thousand and \$10,951 thousand, respectively.

5) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	\$ 4,888,088	\$ 5,006,641

6) Balance of funds managed by related parties

Name	Item	December 31	
		2021	2020
Other related party			
Funds managed by Octagon Credit Investors, LLC	Market value	\$ 2,075,270	\$ 870,939
	Cost	\$ 2,041,381	\$ 894,337
Funds managed by Global Evolution Holding ApS	Market value	\$ 2,782,079	\$ 2,864,685
	Cost	\$ 2,440,596	\$ 2,606,653
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Market value	\$ 70,780,361	\$ 68,737,375
	Cost	\$ 71,263,962	\$ 65,853,768
Private Equity Fund managed by Cathay Private Equity	Market value	\$ 1,215,634	\$ 1,034,236
	Cost	\$ 1,190,055	\$ 989,445

7) Balance of discretionary management investments

Name	December 31	
	2021	2020
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	\$343,737,780	\$312,835,430

8) Other receivables

Name	December 31	
	2021	2020
Parent company		
Cathay Financial Holdings (Note)	\$ 5,253,915	\$ -
Fellow subsidiary and its subsidiary		
Indovina Bank Limited	83,628	21,574
Cathay Securities Investment Trust Co., Ltd.	63,672	57,735
Cathay United Bank Co., Ltd.	59,216	64,684
Cathay Century Insurance Co., Ltd.	58,727	58,764
	265,243	202,757

\$ 5,519,158 \$ 202,757

Note: Income tax refundable under the integrated income tax system.

9) Guarantee deposits paid (for future transactions)

Name	December 31	
	2021	2020
Subsidiary of fellow subsidiary Cathay Futures Co., Ltd.	\$ 2,234,611	\$ 1,897,019

10) Guarantee deposits received

Name	December 31	
	2021	2020
Associate and its subsidiary Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000
Other related party Ally Logistic Property Co., Ltd.	1,486,507	293,285
San Ching Engineering Co., Ltd.	968,577	979,284
	<u>2,455,084</u>	<u>1,272,569</u>
	\$ 2,460,084	\$ 1,277,569

11) Other payables

Name	December 31	
	2021	2020
Parent company Cathay Financial Holdings (Note)	\$ 70,989	\$ 6,206,423
Subsidiary Cathay Securities Investment Consulting	30,963	30,788
Associate Symphox Information Co., Ltd.	18,642	2,961
Fellow subsidiary Cathay United Bank Co., Ltd.	185,415	350,640
Cathay Securities Investment Trust Co., Ltd.	18,921	17,516
	<u>204,336</u>	<u>368,156</u>
	\$ 324,930	\$ 6,608,328

Note: The payables are comprised of remuneration of directors and supervisors, accrued interests of bonds payable and income tax payable under the integrated income tax system.

12) Bonds payable

Name	December 31	
	2021	2020
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	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 5,729	\$ 6,393
Fellow subsidiary		
Cathay United Bank Co., Ltd.	112,901	123,336
Cathay Century Insurance Co., Ltd.	28,104	24,567
Cathay Securities Corporation	15,316	11,454
Cathay Securities Investment Trust Co., Ltd.	4,826	4,583
	<u>161,147</u>	<u>163,940</u>
Associate		
Lin Yuan Property Management Co., Ltd.	3,466	3,098
Other related party		
Cathay Medical Care Corp.	58,493	50,858
Cathay Real Estate Development Co., Ltd.	4,110	3,332
San Ching Engineering Co., Ltd.	3,444	3,089
Other	313,907	447,657
	<u>379,954</u>	<u>504,936</u>
	<u>\$ 550,296</u>	<u>\$ 678,367</u>

14) Fee income

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	\$ 75,642	\$ 62,835

15) Insurance expenses

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	\$ 110,131	\$ 115,639

16) Indemnity income

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	\$ 10	\$ 7,902

17) Other operating revenue

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	<u>\$ 171,268</u>	<u>\$ 153,354</u>

18) Other operating costs

Name	For the Year Ended December 31	
	2021	2020
Subsidiary's associate		
Global Evolution Holding ApS	<u>\$ -</u>	<u>\$ 14,163</u>
Fellow subsidiary		
Cathay United Bank Co., Ltd.	1,100,121	1,070,664
Cathay Securities Investment Trust Co., Ltd.	<u>466,712</u>	<u>288,106</u>
	<u>1,566,833</u>	<u>1,358,770</u>
	<u>\$ 1,566,833</u>	<u>\$ 1,372,933</u>

19) Finance costs

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>

The finance costs were incurred by the bonds payable issued by the Company.

20) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 5,516	\$ 5,630
Subsidiary		
Cathay Securities Investment Consulting	123,346	124,212
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	828,679	798,050
Symphox Information Co., Ltd.	165,198	200,032
Seaward Card Co., Ltd.	69,635	69,173
ThinkPower Information Co., Ltd.	14,550	8,920
	<u>1,078,062</u>	<u>1,076,175</u>
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	6,367,493	5,483,925
Cathay Securities (Hong Kong) Limited	4,663	5,993
Cathay Futures Co., Ltd.	2,036	3,712
	<u>6,374,192</u>	<u>5,493,630</u>
Other related party		
Cathay Medical Care Corp.	10,125	2,573
Cathay Healthcare Management Co., Ltd.	7,352	19,086
San Ching Engineering Co., Ltd.	4,537	3,900
Cathay Real Estate Development Co., Ltd.	4,418	3,861
	<u>26,432</u>	<u>29,420</u>
	<u>\$ 7,607,548</u>	<u>\$ 6,729,067</u>

21) Non-operating income

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 11,114	\$ 9,756
Fellow subsidiary and its subsidiary		
Cathay Century Insurance Co., Ltd.	674,904	671,489
Cathay United Bank Co., Ltd.	189,892	185,220
Cathay Securities Corporation	77,218	44,614
Cathay Securities Investment Trust Co., Ltd.	28,801	23,475
Cathay Insurance (Vietnam) Co., Ltd.	5,068	6,778
	<u>975,883</u>	<u>931,576</u>
Other related party		
Cathay Hospitality Consulting Co., Ltd.	4,010	995
Cathay Healthcare Management Co., Ltd.	5,564	5,537
Cathay Medical Care Corp.	3,528	3,719
	<u>13,102</u>	<u>10,251</u>
	<u>\$ 1,000,099</u>	<u>\$ 951,583</u>

The non-operating income was generated from the Group's integrated promotion activities.

22) Others

As of December 31, 2021 and 2020, the nominal amounts of the derivative instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

Name	December 31	
	2021	2020
SWAP	<u>US\$2,885,000</u>	<u>US\$3,498,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ -</u>

c. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 193,646	\$ 176,759
Post-employment benefits	<u>2,660</u>	<u>2,494</u>
	<u>\$ 196,306</u>	<u>\$ 179,253</u>

Key management personnel includes the chairman, directors, president, managing senior executive vice president and senior executive vice president.

35. SEPARATE ACCOUNT INSURANCE PRODUCTS

a. The related accounts of the Company were summarized as follows:

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 536,869	\$ 447,744
Financial assets at FVTPL	716,214,583	632,843,466
Other receivables	<u>7,345,361</u>	<u>8,264,484</u>
	<u>\$724,096,813</u>	<u>\$641,555,694</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 319,598	\$ 701,555
Reserve for separate account - insurance contracts	306,089,604	277,388,301
Reserve for separate account - investment contracts	<u>417,687,611</u>	<u>363,465,838</u>
	<u>\$724,096,813</u>	<u>\$641,555,694</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 62,250,599	\$ 61,477,595
Interest income	1,453	1,558
Gains from financial assets at FVTPL	20,892,861	22,709,729
Foreign exchange gains and losses	<u>(5,214,085)</u>	<u>(10,823,926)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 13,149,183	\$ 8,933,740
Cash surrender value	29,823,154	26,526,902
Provision of separate account reserve	30,342,120	34,035,776
Administrative expenses	4,763,801	4,007,503
Non-operating income and expenses	<u>(147,430)</u>	<u>(138,965)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>

For the years ended December 31, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products amounted to \$824,512 thousand and \$815,077 thousand, respectively, which were recorded under fee income.

b. The related accounts of Cathay Lujiazui Life were summarized as follows:

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 10,758	\$ 4,845
Financial assets at FVTPL	102,651	123,985
Other	<u>12</u>	<u>44</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 7	\$ 1,723
Reserve for separate account	<u>113,414</u>	<u>127,151</u>
	<u>\$ 113,421</u>	<u>\$ 128,874</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 51	\$ 150
(Losses)gains from financial assets at FVTPL	(11,418)	31,003
Interest income	<u>33</u>	<u>50</u>
	<u>\$(11,334)</u>	<u>\$ 31,203</u>
<u>Separate account insurance product expenses</u>		
Cash surrender value	\$ 256	\$ 19,729
(Recovery) Provision of separate account reserve	(13,175)	8,176
Other	<u>1,585</u>	<u>3,298</u>
	<u>\$(11,334)</u>	<u>\$ 31,203</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	
	2021	2020
Guarantee deposits paid - government bonds	\$ 10,214,705	\$ 10,553,220
Guarantee deposits paid - time deposits	455,640	458,667
Guarantee deposits paid - others	<u>37,397</u>	<u>30,754</u>
	<u>\$ 10,707,742</u>	<u>\$ 11,042,641</u>

b. 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	
	2021	2020
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	
	2021	2020
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, 2021, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT\$829,500 thousand, US\$4,903,138 thousand, EUR375,770 thousand and GBP1,547 thousand.

39. FINANCIAL INSTRUMENTS

a. 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:

- 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 liquidity, 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 the 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, 2021

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at amortized cost (Note)	\$ 2,698,187,636	\$ 16,975,367	\$ 2,890,773,050	\$ -	\$ 2,907,748,417

December 31, 2020

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at amortized cost (Note)	\$ 2,662,376,912	\$ 110,930,109	\$ 2,945,536,349	\$ -	\$ 3,056,466,458

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, 2021				December 31, 2020			
	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	\$ 539,076,215	\$ 523,092,263	\$ 12,026,990	\$ 3,956,962	\$ 518,314,424	\$ 493,695,475	\$ 20,099,118	\$ 4,519,831
Bonds	307,763,227	2,455,487	302,429,988	2,877,752	158,415,027	2,509,970	153,149,957	2,755,100
Other	760,411,835	550,948,527	24,001,830	185,461,478	692,352,555	533,713,444	38,923,646	119,715,465
Financial assets at FVTOCI								
Stocks	144,708,836	141,944,014	-	2,764,822	99,424,711	94,681,296	-	4,743,415
Bonds (Note)	1,165,094,842	14,715,531	1,150,379,311	-	1,124,423,298	62,139,588	1,062,283,710	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	14,588,663	47,352	14,541,311	-	28,053,503	24,109	28,029,394	-
Financial assets for hedging	500,642	-	500,642	-	146,959	-	146,959	-
Liabilities								
Financial liabilities at FVTPL	3,050,197	30,517	3,019,680	-	11,687,067	-	11,687,067	-
Financial liabilities for hedging	20,956	-	20,956	-	139,858	-	139,858	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the years ended December 31, 2021 and 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, 2021	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$126,990,396	\$ 4,743,415
Recognized in profit or loss		
Gain on financial assets and liabilities at FVTPL	42,882,050	-
Loss on reclassification using the overlay approach	(28,311,993)	-
Recognized in other comprehensive income		
Exchange differences on translation of the financial statements of foreign operations	(54,745)	(163)
Other comprehensive income reclassified using the overlay approach	28,311,993	-
Gain on equity instruments at FVTOCI	-	933,541
Purchases	53,626,971	175,200
Disposals	(30,142,634)	(3,087,171)
Transfers out of Level 3	<u>(1,005,846)</u>	<u>-</u>
Ending balance	<u>\$192,296,192</u>	<u>\$ 2,764,822</u>

	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		
Gain on financial assets and liabilities at FVTPL	8,232,723	-
Loss on reclassification using the overlay approach	(1,992,371)	-
Recognized in other comprehensive income		
Exchange differences on translation of financial statements of foreign operations	(122,015)	(281)
Other comprehensive income reclassified using the overlay approach	1,992,371	-
Loss on 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>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2021 and 2020, unrealized gains of \$1,989,111 thousand and unrealized losses of \$532,032 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 were as follows:

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-135%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
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

4) Valuation process for Level 3 fair value measurement

The Group' 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

Item	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$1,621,839,940	\$1,397,135,509
Financial assets at FVTOCI	1,308,707,464	1,222,686,258
Measured at amortized cost		
Cash and cash equivalents (Note 1)	465,728,685	514,857,014
Receivables (Note 2)	68,638,216	69,178,243
Financial assets measured at amortized cost	2,689,002,505	2,652,985,443
Loans	479,852,327	479,791,100
Guarantee deposits paid	22,924,334	24,070,098
Financial assets for hedging	500,642	146,959
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	3,050,197	11,687,067
Financial liabilities at amortized cost		
Payables (Note 2)	22,835,359	23,904,883
Bonds payable	80,000,000	80,000,000
Lease liabilities	12,081,162	10,522,490
Guarantee deposits received	10,279,416	14,233,208
Financial liabilities for hedging	20,956	139,858

Note 1: Cash on hand was excluded.

Note 2: Income tax refundable and payable under the integrated tax system 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 continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing, to completely and effectively measure, monitor, and manage market risk.

a) Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, the Group adopts the one-week VaR at 95% and 99% confidence levels to measure market risk.

b) Stress testing

In addition to the VaR model, the Group carries out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

The Group performs stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

The simple sensitivity test is to measure the changes in the value of the investment portfolio caused by changes in specific risk factors.

ii. Scenario analysis

The scenario analysis is to measure the changes in the total value of the investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

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

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Year Ended December 31	
		2021	2020
Equity risk (stock price index)	-10%	\$(64,448,025)	\$(57,825,161)
Interest rate risk (yield curve)	+100bps	(221,598,455)	(148,426,208)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,532,342)	(9,747,740)

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

Note 2: Effects of hedging were considered.

Note 3: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

c) Sensitivity analysis

Summary of Sensitivity Analysis

For the Year Ended December 31, 2021			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 6,097,876	\$ 5,535,216
	Appreciation of CNY/USD by 1%	938,508	322,401
	Appreciation of HKD/USD by 1%	261	258,879
	Appreciation of EUR/USD by 1%	(146,356)	312,124
	Appreciation of GBP/USD by 1%	(6,408)	272,827
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,496,723)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(35,531)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(5,463)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,397)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(603,416)
Equity price risk	Increase in equity price by 1%	(96,023)	6,600,666
For the Year Ended December 31, 2020			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,000,932	\$ 4,844,285
	Appreciation of CNY/USD by 1%	1,192,325	316,591
	Appreciation of HKD/USD by 1%	(388)	247,411
	Appreciation of EUR/USD by 1%	(2,740)	210,729
	Appreciation of GBP/USD by 1%	(149)	291,831
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	74	(1,245,536)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(47,559)
	Upward parallel shift of the yield curve (EUR) by 1bp	2,453	(7,561)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,708)

	Upward parallel shift of the yield curve (NTD) by 1bp	-	(337,406)
Equity price risk	Increase in equity price by 1%	(105,682)	5,916,482

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

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

Note 4: Provision or reversal of reserve for foreign exchange fluctuations was not considered in profit or loss due to foreign currency risk.

Note 5: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

d) Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks will expire on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, the Group made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. The Group has identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, the Group will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As at December 31, 2021, the Group's financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	Carrying Amount	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$295,966,077	\$ -
Loans	1,585,794	-

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

- Issuer credit risk is the risk that 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 on agreed conditions due to default, bankruptcy or liquidation.
- 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.
- 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

- Regional distribution of maximum risk exposure for the Company's financial assets:

December 31, 2021						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 313,417,908	\$ 5,659,118	\$ 290,130	\$ 107,274,631	\$ 21,153,500	\$ 447,795,287
Financial assets at FVTPL	42,559,418	14,886,965	119,731,982	90,480,654	22,906,893	290,565,912
Financial assets at FVTOCI	45,394,461	42,480,018	161,764,238	466,843,223	447,516,688	1,163,998,628
Financial assets for hedging	46,209	-	340,532	113,901	-	500,642
Financial assets measured at amortized cost	<u>133,223,615</u>	<u>186,812,778</u>	<u>446,310,424</u>	<u>1,306,524,756</u>	<u>608,616,760</u>	<u>2,681,488,333</u>
	<u>\$ 534,641,611</u>	<u>\$ 249,838,879</u>	<u>\$ 728,437,306</u>	<u>\$ 1,971,237,165</u>	<u>\$ 1,100,193,841</u>	<u>\$ 4,584,348,802</u>
Proportion	11.7%	5.4%	15.9%	43.0%	24.0%	100%
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%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

December 31, 2021					
Location of Collateral	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 204,709,374	\$ 44,281,927	\$ 59,430,029	\$ 2,042,084	\$ 310,463,414
Non-accrual receivables	606,067	25,133	37,039	1,976,800	2,645,039
	<u>\$ 205,315,441</u>	<u>\$ 44,307,060</u>	<u>\$ 59,467,068</u>	<u>\$ 4,018,884</u>	<u>\$ 313,108,453</u>
Proportion	65.6%	14.2%	19.0%	1.2%	100%

December 31, 2020					
Location of Collateral	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	163,381	30,890	47,059	1,800,141	2,041,471
	<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%

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 obligations will be kept and maintained.
- ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and 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 collateral of the borrowers had been 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 assumptions applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures the 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, 2021						
	Stage 1	Stage 2		Stage 3		Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	
Investment grade						
Debt instruments at FVTOCI	\$ 1,145,257,603	\$ -	\$ -	\$ -	\$ -	\$ 1,145,257,603
Financial assets measured at amortized cost	2,667,830,573	-	-	-	(615,441)	2,667,215,132
Non-investment grade						
Debt instruments at FVTOCI	18,741,025	-	-	-	-	18,741,025
Financial assets measured at amortized cost	12,068,749	2,333,237	-	-	(128,785)	14,273,201
December 31, 2020						
	Stage 1	Stage 2		Stage 3		Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	
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 ratings of at least BBB-; non-investment grade assets are those with credit ratings lower than BBB-.

ii) Secured loans and overdue receivables of the Company

December 31, 2021						
	Stage 1	Stage 2		Stage 3		Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	
Secured loans and non-accrual receivables	\$ 304,597,635	\$ 1,762,552	\$ 6,748,266	\$ -	\$ (725,543)	\$ 307,958,962
December 31, 2020						
	Stage 1	Stage 2		Stage 3		Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	
Secured loans and non-accrual receivables	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ 311,462,212

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12- month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	395,186	-	-	-	395,186
Financial assets that have been derecognized during the period	(213,220)	(2,852)	-	-	(216,072)
Changes in models/risk parameters	(511,609)	(69)	-	-	(511,678)
Foreign exchange and other movements	(14,677)	(12)	-	-	(14,689)
December 31, 2021	<u>\$ 345,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,894</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred 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>

ii) Financial assets measured at amortized cost

	Lifetime Expected Credit Losses				Total of Impairment charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	162,513	-	-	-	162,513
Financial assets that have been derecognized during the period	(141,715)	(184,099)	-	-	(325,814)
Changes in models/risk parameters	(1,137,103)	(485,774)	-	-	(1,622,877)
Foreign exchange and other movements	(31,840)	(11,171)	-	-	(43,011)
December 31, 2021	<u>\$ 627,027</u>	<u>\$ 117,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,226</u>

	Lifetime Expected Credit Losses				Total of Impairment charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transferred 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	<u>\$ 1,775,172</u>	<u>\$ 798,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,573,415</u>

iii) Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment charged in Accordance with IFRS 9	Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3,153)	68,503	(65,350)	-	-	-	-
Transferred to credit- impaired financial assets	(44)	(3)	47	-	-	-	-
Transferred to 12- month expected credit losses	41	(23)	(18)	-	-	-	-
New financial assets originated or purchased	4,639	-	4,783	-	9,422	-	9,422
Financial assets that have been derecognized during the period	(3,570)	(4)	(42,291)	-	(45,865)	-	(45,865)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	330,521	330,521
Changes in models/risk parameters	(4,016)	(64,826)	190,539	-	121,697	-	121,697
December 31, 2021	<u>\$ 27,181</u>	<u>\$ 3,679</u>	<u>\$ 694,683</u>	<u>\$ -</u>	<u>\$ 725,543</u>	<u>\$ 4,423,948</u>	<u>\$ 5,149,491</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment charged in Accordance with IFRS 9	Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 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							
Transferred to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transferred to credit- impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transferred 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 period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment charged 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	<u>\$ 33,284</u>	<u>\$ 32</u>	<u>\$ 606,973</u>	<u>\$ -</u>	<u>\$ 640,289</u>	<u>\$ 4,093,427</u>	<u>\$ 4,733,716</u>

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

iv. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of Cathay Life's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2021</u>					
Gross carrying amount (Note)	\$ 17,514,345	\$ 51,473	\$ 13	\$ -	\$ 17,565,831
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,030	1	-	1,031

Note: Notes receivable of \$36,297 thousand and other receivables of \$17,529,534 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, 2020</u>					
Gross carrying amount (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.

The loss allowance was reconciled as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,611	\$ 1,541
(Reversal) provision for the period	<u>(580)</u>	<u>70</u>
Ending balance	<u>\$ 1,031</u>	<u>\$ 1,611</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 Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

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

	December 31, 2021				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 21,364,786	\$ 258,462	\$ 942,036	\$ 264,665	\$ 5,410
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	6,885,000	83,315,000
Lease liabilities (Note 3)	443,192	450,366	758,511	1,498,026	20,468,276
<u>Derivative financial liabilities</u>					
SWAP	1,493,936	75,585	-	-	-
Forward	2,110,718	1,032,946	-	-	-
Option	30,517	-	-	-	-
	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

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

Note 3: For lease liabilities, the remaining periods used to calculate the contractual cash flows were 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 interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 90,307	\$ -	Financial assets for hedging	\$ (8,497)
IRS	865,313	-	20,956	Financial liabilities for hedging	28,176
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		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)

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	
December 31, 2021						
IRS						
Nominal principal	\$ -	\$ -	\$ 207,675	\$ 4,657,638	\$ -	
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	
December 31, 2020						
IRS						
Nominal principal	\$ -	\$ -	\$ 195,993	\$ 4,890,875	\$ -	
Average fixed rate	-	-	2.5%	1.7%-2.5%	-	

3) Hedged items

For the Year Ended December 31, 2021								
	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	\$ 8,497	\$ 90,307	N/A	\$ (8,497)	\$ -	\$ -	\$ (48,155)	Finance costs
Payables	(28,177)	(20,956)	N/A	28,177	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	\$ (236)	N/A	N/A	N/A	9	Finance costs
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

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

For the Year Ended December 31		
	2021	2020
Beginning balance	\$ 74,960	\$ 116,268
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	19,687	11,271
Amount reclassified from cash flow hedge reserve to profit or loss	(48,146)	(69,571)
Tax effect	<u>4,617</u>	<u>16,992</u>
Ending balance	<u>\$ 51,118</u>	<u>\$ 74,960</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, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
CCS	\$ 4,687,225	\$ 202,531	\$ -	Financial assets for hedging	\$ 418,611
Forward	21,550,450	207,804	-	Financial assets for hedging	188,400

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)

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, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,687,225
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
Forward					
Nominal principal					
	- -	- -	-	21,550,450	-
Exchange rate (USD/TWD)					
	- -	- -	-	26.9228	-

	Period Till Maturity				
	3 Months -				
	1 Month	1-3 Months	1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

3) Hedged items

For the Year Ended December 31, 2021								
	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	\$ 4,687,225	\$ -	\$ (418,611)	\$ -	Financial assets at amortized cost	\$ (418,611)	\$ -	\$ -
Oversea bonds	21,550,450	-	(188,400)	-	Financial assets at amortized cost	(188,400)	-	-
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	Ineffectiveness Recognized in	Line Item in Profit or Loss That Includes Hedge
	Assets	Liabilities	Assets	Liabilities				

	Assets	Liabilities	Assets	Liabilities	Hedged Items	for the Period	Profit or Loss	Ineffectiveness
Oversea bonds	\$ 4,825,692	\$ -	\$ 525,402	\$ -	Financial assets at amortized cost	\$ 525,402	\$ -	\$ -

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

	For the Year Ended December 31	
	2021	2020
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	(105,706)	71,563
Amount reclassified to profit or loss	120,484	-
Tax effects	<u>(2,956)</u>	<u>(14,313)</u>
Ending balance	<u>\$ 284,733</u>	<u>\$ 272,911</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, 2021

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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	\$ 15,041,952	\$ -	\$ 15,041,952	\$ 2,978,568	\$ 7,373,362	\$ 4,690,022

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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	\$ 3,019,680	\$ -	\$ 3,019,680	\$ 2,978,568	\$ 42,919	\$ (1,807)

December 31, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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 Amount 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

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 department 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 mitigate 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 implementation status 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, asset and liability matching risk, capital adequacy, information security and personal data management, emerging risk, and ESG and climate risk. 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, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when 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 caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. 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 business continuity management system, 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.

j) Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. The Company conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

k) ESG and climate risks

ESG risks refer to the financial losses directly or indirectly incurred by the Company due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). The Company has established related management measures as a response.

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 for developing insurance risk management strategies.
- iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of 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 the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
- ii. 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 additional 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, equity ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio or equity ratio exceeds the internal risk control 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 countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, 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, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	$\times 1.05 (\times 0.95)$	Decrease (increase)	\$ 3,037,807	Decrease (increase)	\$ 2,430,246
Expense	$\times 1.05 (\times 0.95)$	Decrease (increase)	3,134,316	Decrease (increase)	2,507,453
Surrender rate	$\times 1.05 (\times 0.95)$	Increase (decrease)	227,270	Increase (decrease)	181,816
Rate of return	+0.1%	Increase	6,574,793	Increase	5,259,834
Rate of return	-0.1%	Decrease	6,581,208	Decrease	5,264,967

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	$\times 1.05 (\times 0.95)$	Decrease (increase)	\$ 2,923,953	Decrease (increase)	\$ 2,339,162
Expense	$\times 1.05 (\times 0.95)$	Decrease (increase)	3,054,024	Decrease (increase)	2,443,220
Surrender rate	$\times 1.05 (\times 0.95)$	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

b) Cathay Lujiazui Life

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	$\times 1.10 (\times 0.90)$	Decrease (increase)	\$ 158,461	Decrease (increase)	\$ 118,846
Expense	$\times 1.05 (\times 0.95)$	Decrease (increase)	96,546	Decrease (increase)	72,409
Surrender rate	$\times 1.10 (\times 0.90)$	Increase (decrease)	76,562	Increase (decrease)	57,421
Rate of return	+0.25%	Increase	153,137	Increase	114,853
Rate of return	-0.25%	Decrease	153,509	Decrease	115,132

For the Year Ended December 31, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	$\times 1.10 (\times 0.90)$	Decrease (increase)	\$ 153,298	Decrease (increase)	\$ 114,973
Expense	$\times 1.05 (\times 0.95)$	Decrease (increase)	88,596	Decrease (increase)	66,447
Surrender rate	$\times 1.10 (\times 0.90)$	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

c) Cathay Life (Vietnam)

For the Year Ended December 31, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	$\times 1.05 (\times 0.95)$	Decrease (increase)	\$ 3,706	Decrease (increase)	\$ 2,965
Expense	$\times 1.05 (\times 0.95)$	Decrease (increase)	72,499	Decrease (increase)	57,999
Surrender rate	$\times 1.05 (\times 0.95)$	Increase (decrease)	17,931	Increase (decrease)	14,345
Rate of return	+0.1%	Increase	23,176	Increase	18,541
Rate of return	-0.1%	Decrease	23,199	Decrease	18,559

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

- i. Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2021 and 2020. 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 the 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 the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

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

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

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

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		
2015	\$ 15,353,566	\$ 18,647,560	\$ 18,975,168	\$ 19,056,336	\$ 19,103,869	\$ 19,131,408	\$ 19,148,667	\$ -	\$ -
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,045,358	20,063,960	18,602	18,640
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,919,866	21,951,128	21,970,727	50,861	50,962
2018	19,438,330	23,925,964	24,359,320	24,481,170	24,542,817	24,577,490	24,599,067	117,897	118,132
2019	21,412,454	26,422,361	26,916,178	27,044,842	27,113,878	27,152,125	27,174,887	258,709	259,226
2020	21,393,621	26,253,941	26,723,177	26,847,005	26,913,444	26,951,728	26,974,764	720,823	722,265
2021	19,906,774	24,391,134	24,813,219	24,922,174	24,980,352	25,016,119	25,038,567	5,131,793	5,142,057
Expected future payments									\$ 6,311,282
Add: Assumed reserve for claims not yet filed									23,868
Reserve for claims not yet filed									6,335,150
Add: Claims filed but not yet paid									4,844,212
Loss reserve balance									<u>\$ 11,179,362</u>

ii. Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2015	\$ 15,474,235	\$ 18,809,508	\$ 19,140,593	\$ 19,222,947	\$ 19,270,603	\$ 19,298,248	\$ 19,315,628	\$ -	\$ -
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,185,309	20,204,012	18,703	18,740
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,081,037	22,112,477	22,132,235	51,198	51,300
2018	19,559,154	24,057,586	24,492,262	24,614,489	24,676,696	24,711,854	24,733,864	119,375	119,613
2019	21,440,110	26,462,299	26,957,693	27,086,749	27,156,093	27,194,604	27,217,601	259,908	260,429
2020	21,422,045	26,296,684	26,767,453	26,891,722	26,958,513	26,997,100	27,020,408	723,724	725,171
2021	19,944,238	24,442,977	24,866,879	24,976,355	25,034,945	25,071,069	25,093,836	5,149,598	5,159,897
Expected future payments									\$ 6,335,150
Add: Claims filed but not yet paid									4,804,610
Retained loss reserve balance									<u>\$ 11,139,760</u>

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

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to 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 judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available

information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

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

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2015	\$ 207,586	\$ 388,522	\$ 415,798	\$ 436,459	\$ 436,459	\$ 436,459	\$ 436,459	\$ -
2016	246,327	422,700	475,129	527,813	527,813	527,813	527,813	-
2017	253,422	480,559	536,162	536,162	536,162	536,162	536,162	-
2018	313,092	367,433	408,258	408,258	408,258	408,258	408,258	-
2019	421,773	597,511	615,991	640,607	640,607	640,607	640,607	24,616
2020	455,039	614,302	667,279	693,944	693,944	693,944	693,944	79,642
2021	564,941	854,906	928,632	965,742	965,742	965,742	965,742	400,801
Expected future payments								\$ 505,059
Less: Assumed reserve for claims not yet filed								(10,932)
Reserve for claims not yet filed								494,127
Add: Claims filed but not yet paid								37,374
Loss reserve balance								<u>\$ 531,501</u>

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2015	\$ 186,033	\$ 366,566	\$ 393,821	\$ 396,899	\$ 396,899	\$ 396,899	\$ 396,899	\$ -
2016	243,841	419,851	472,280	514,786	514,786	514,786	514,786	-
2017	241,762	468,899	523,326	523,326	523,326	523,326	523,326	-
2018	304,711	356,695	419,641	419,641	419,641	419,641	419,641	-
2019	418,235	592,500	623,684	639,399	639,399	639,399	639,399	15,715
2020	451,368	609,347	672,436	689,380	689,380	689,380	689,380	80,033
2021	560,612	854,562	943,039	966,801	966,801	966,801	966,801	406,189
Expected future payments								\$ 501,937
Less: Expected claims filed but not yet paid								(10,932)
Add: Claims filed but not yet paid								28,601
Retained loss reserve balance								<u>\$ 519,606</u>

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

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

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

c) Cathay Life (Vietnam)

i. Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

ii. Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2017	13,668	16,605	16,605	16,665	16,665
2018	79,233	90,995	91,042	91,042	91,042
2019	95,423	115,689	115,689	115,752	115,752
2020	279,720	318,842	318,907	319,081	319,081
2021	368,685	427,298	427,385	427,619	427,619

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

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 result and expected amount.

Unit: In 100 of Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2021	\$ 622	\$ 4,829	\$ 175,742
December 31, 2020	(1,025)	4,481	182,228

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's life insurance business is operated in accordance with the Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate 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	Asset Management Services	June 25, 2020	53	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired more equity shares of Global Evolution Holding ApS, and increased the ownership interest from 45% to 53%, and obtained control.

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

	Global Evolution Holding ApS and its Subsidiaries
	<u> </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
	<u> </u>
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

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of this consolidated financial report, there was 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, 2021			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 139,447,050	27.690000	\$3,861,288,805
CNY	22,042,321	4.346666	95,810,606
AUD	5,492,243	20.093249	110,356,998
Non-monetary items			
USD	12,948,901	27.690000	358,555,060
HKD	7,291,008	3.550660	25,887,893
Investments accounted for the using the equity method			
CNY	450,393	4.340660	1,954,975
PHP	29,445,445	0.542500	15,974,154

Financial liabilities

Monetary items			
USD	854,568	27.690000	23,662,999

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 the equity method			
CNY	425,032	4.359200	1,852,798
PHP	27,703,366	0.593700	16,447,489

Financial liabilities

Monetary items			
USD	896,804	28.508000	25,566,094

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

Items	December 31, 2021		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	\$ 465,755,469	\$ -	\$ 465,755,469
Receivables	73,881,704	12,414	73,894,118
Current tax assets	56,763		56,763
Investments			
Financial assets at FVTPL	44,234,081	1,577,605,859	1,621,839,940
Financial assets at FVTOCI	11,023,279	1,297,684,185	1,308,707,464
Financial assets measured at amortized cost	20,870,469	2,668,132,036	2,689,002,505
Financial assets for hedging	-	500,642	500,642
Investments accounted for using the equity method	-	29,084,146	29,084,146
Investment property	-	510,358,271	510,358,271
Investment property under construction	-	3,412,376	3,412,376
Prepayments for buildings and land - investments	-	242,642	242,642
Loans	7,845,639	472,006,688	479,852,327
Total investments	<u>83,973,468</u>	<u>6,559,026,845</u>	<u>6,643,000,313</u>
Reinsurance assets	801,064	1,577,932	2,378,996
Property and equipment	-	29,928,347	29,928,347
Right-of-use assets	-	1,740,046	1,740,046
Intangible assets	-	41,492,461	41,492,461
Deferred tax assets	-	58,628,168	58,628,168
Other assets	8,462,310	23,613,594	32,075,904
Separate account insurance product assets	<u>7,911,329</u>	<u>716,298,905</u>	<u>724,210,234</u>
Total assets	<u>\$ 640,842,107</u>	<u>\$7,432,318,712</u>	<u>\$8,073,160,819</u>
Payables	\$ 21,672,040	\$ 1,163,319	\$ 22,835,359
Current tax liabilities	371,581	-	371,581
Financial liabilities at FVTPL	3,050,197	-	3,050,197
Financial liabilities for hedging	-	20,956	20,956
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	19,496,231	19,496,231
Loss reserve	-	11,763,381	11,763,381
Policy reserve	-	6,334,959,547	6,334,959,547
Special reserve	-	11,085,059	11,085,059
Premium deficiency reserve	-	9,808,215	9,808,215
Other reserve	-	1,865,925	1,865,925
Total insurance liabilities	<u>-</u>	<u>6,388,978,358</u>	<u>6,388,978,358</u>

(Continued)

December 31, 2021			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Reserve for insurance contracts with the nature of financial products	\$ -	\$ 15,188,788	\$ 15,188,788
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Provisions	-	56,245	56,245
Lease liabilities	853,428	11,227,734	12,081,162
Deferred tax liabilities	-	54,318,203	54,318,203
Other liabilities	3,574,153	17,289,046	20,863,199
Separate account insurance product liabilities	299,260	723,910,974	724,210,234
Total liabilities	<u>\$ 29,820,659</u>	<u>\$7,301,207,349</u>	<u>\$7,331,028,008</u> (Concluded)

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	<u>117,264,028</u>	<u>6,165,685,241</u>	<u>6,282,949,269</u>
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> (Continued)

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
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	-	6,056,981,549	6,056,981,549
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	703,278	640,981,290	641,684,568
Total liabilities	<u>\$ 46,778,013</u>	<u>\$6,907,654,831</u>	<u>\$6,954,432,844</u> (Concluded)

d. Information on discretionary investments

- 1) As of December 31, 2021 and 2020, 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	
	2021	2020
Domestic stocks	\$194,785,199	\$165,441,030
Overseas stocks	63,875,230	73,520,629
Notes and bonds purchased under resale agreements	22,665,650	20,066,000
Cash in banks	61,954,809	51,308,069
Beneficiary certificates	240,069	1,997,792
Futures and options	216,823	501,910
	<u>\$343,737,780</u>	<u>\$312,835,430</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, 2021 and 2020, the discretionary investment limits are as follows (in thousands of each currency):

	December 31	
	2021	2020
Monetary items		
NTD	\$ 99,779,839	\$ 84,358,163
USD	1,002,600	1,462,200
HKD	2,084	74,084

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, 2021 and 2020, the Group provided loans amounting to GBP331,300 thousand and \$345,000 thousand, respectively, 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, 2021 and 2020, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	December 31, 2021	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$185,461,478	\$ 34,862,085
Financial assets at FVTOCI	-	41,608,066
Financial assets measured at amortized cost	-	107,111,263
	<u>\$185,461,478</u>	<u>\$183,581,414</u>

	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>

f. Impact of the Russian-Ukrainian War

As of December 31, 2021 and February 28, 2022, Russian bonds held by Cathay Life included financial assets at fair value through other comprehensive income of \$9,328,323 thousand and \$2,948,160 thousand, respectively, and financial assets at amortized cost of \$17,687,512 thousand and \$17,176,719 thousand, respectively. As the Russian-Ukrainian War broke out on February 24, 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was identified as objective credit-impaired evidence; therefore, Cathay Life transferred the Russian bonds from 12-month expected credit losses to lifetime expected credit losses in February 2022. This condition is a non-adjusting event that happened in the subsequent period and Cathay Life continues assessment and recognizes expected credit losses on those bonds.

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.	N/A
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.	Table 6
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.	Table 3
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.	Table 6
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 4
2	Significant transactions, with investees in mainland China, either 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 5 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, 2021
(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
Cathay Life Insurance Co., Ltd.	Conning Holdings Limited	UK	Holding company	\$ 15,723,539	\$ 15,723,539	2,029	100.00	\$ 14,114,000	\$ 2,085,827	\$ 1,539,808	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	20,370,930	9,090,730	-	100.00	22,775,900	88,010	88,010	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	13,142,589	338,468	338,468	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	130,444	2,884	2,884	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	8,583,640	87,650	87,650	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	446,820	4,142	4,142	Subsidiary (Note 1)
	Cathay Industrial Research and Design Center Co., Ltd.	Taiwan	Real estate leasing	990,000	-	99,000	99.00	907,848	(82,982)	(82,152)	Subsidiary (Note 2)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	22.19	15,974,154	3,476,742	794,562	Associate (Note 2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	12,504,578	13,317,536	2,389,294	20.19	-	193,898	-	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	300,000	30,000	100.00	699,974	253,987	253,987	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	386,762	(48,747)	(23,945)	Associate (Note 2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	54,186	108,372	5,419	21.43	4,273	(184)	(40)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	425,009	753,562	42,501	25.00	1,023,946	789,868	197,468	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	712,500	712,500	71,250	21.43	1,254,083	55,201	11,829	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	668,836	(13,262)	(5,968)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	663,377	(18,975)	(8,539)	Associate (Note 2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	450,000	315,000	45,000	45.00	487,829	81,207	36,543	Associate (Note 2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	731,593	112,142	50,464	Associate (Note 2)
	Cathay Power Inc. (former Cathay Sunrise Corporation)	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	728,975	130,547	58,746	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	44,538	27.36	855,187	91,423	25,015	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	832,750	14,186	35.61	935,422	156,813	56,137	Associate (Note 2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	469,273	44,701	13,411	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	129,543	25.00	1,775,372	435,636	108,909	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	63,636	1,470	49.00	52,963	57,164	28,010	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Energy technical services	427,500	148,000	42,750	45.00	417,152	(21,333)	(9,138)	Associate (Note 2)

Note 1: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

TABLE 2

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				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	\$ 5,869	1.76	\$ 5,869	
Symphox Information Co., Ltd.	<u>Stocks</u> Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	24	187	0.63	187	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	33,497	7.72	33,497	
	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	54,433	100.00	54,433	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	5,975	337,438	71.08	337,438	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	27,702	100.00	27,702	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,530,134	100.00	1,530,134	

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, 2021
(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 Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payments by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, Corp.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Ruixing Section, Daix District, Taoyuan City	2021.05.13	1,500,000	Payments by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Gongyuan Section, Zhongzheng District, Taipei City	2021.11.02	302,218	Payments by installment according to the contract	2 natural people	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Jinzhong Section, Luzhu District, Taoyuan City	2021.11.09	1,687,000	Payments by installment according to the contract	Hua Xian Enterprise Ltd., Xia Xian Enterprise Ltd., and 4 natural people	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun Section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payments by installment according to the contract	ROC. (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	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, 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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 779,748	50.00	\$ 389,874 (Note 2,b,2)	\$ 6,544,145	\$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	a	2,943,663	-	-	2,943,663	511,226	24.50	125,250 (Note 2,b,3)	1,954,975	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	a	7,223,435	-	-	7,223,435	215,754	100.00	159,488 (Note 2,b,2)	7,972,675	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	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)	\$440,665,747

Note 1: The three methods of investment are as follows:

- Direct investment in China.
- Reinvestment in China through the third-region companies.
- Others.

Note 2: The column of investment profit or loss for the period:

- If it is in preparation, there are no investment gains and losses, it should be noted.
- The recognition basis for investment gain (loss) are as follows:
 - Financial statement is audited by the international. CPA firm with the cooperation of the ROC CPA firm.
 - Financial statement is audited by the parent company's CPA firm in Taiwan.
 - 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, 2021, 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. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 31, 2021, 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, 2021, the Company’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

TABLE 5**CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Operating Revenue or Assets (Note 3)
0	Cathay Life Insurance Co., Ltd.	Cathay Walbrook Holding 1 Limited	a	Other loans	\$ 11,741,737	Equivalent to general conditions of transactions	0.15
		Cathay Walbrook Holding 1 Limited	a	Other receivables	12,364	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 1 Limited	a	Interest income	374,334	Equivalent to general conditions of transactions	0.04
		Cathay Walbrook Holding 2 Limited	a	Other loans	617,986	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Other receivables	651	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Interest income	19,702	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Processing fee expense	1,306,516	Equivalent to general conditions of transactions	0.14
		Conning Holdings Limited	a	Other payables	327,992	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Prepaid expense	1,489	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Administrative expense	5,931	Equivalent to general conditions of transactions	-
		Global Evolution Holding ApS	a	Processing fee expense	75,546	Equivalent to general conditions of transactions	0.01
		Global Evolution Holding ApS	a	Other payables	19,078	Equivalent to general conditions of transactions	-
1	Lin Yuan (Shanghai) Real Estate	Cathay Lujiazui Life Insurance Co., Ltd.	c	Rental income	20,994	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Guarantee deposits received	139	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Rental income	530	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: $\text{Transaction amount} \div \text{Total consolidated assets}$

For income statement accounts: $\text{Accumulated transaction amount in current period} \div \text{Total consolidated operating revenues}$.

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.

TABLE 6**CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	Parent Company	\$ 5,253,915 (Note 1)	-	\$ -	-	\$ -	\$ -
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Parent Company	327,992 (Note 2)	-	-	-	327,992	-

Note 1: The ending balance mainly comprises refundable taxes under the integrated income tax system.

Note 2: The ending balance mainly comprises service fee receivables.

V. 2021 individual financial statements

Cathay Life Insurance Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2021 and 2020 and its financial performance and its cash flows for the years then ended, 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, 2021. 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, 2021 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, 2021 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, 2021.

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, 2021.
 - 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 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, 2021.

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, 2021 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 11, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 33)	\$ 447,821,607	6	\$ 504,040,612	7
RECEIVABLES (Notes 4, 5, 7 and 33)	68,442,213	1	64,212,928	1
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 38)	1,539,516,819	19	1,331,633,589	18
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 36 and 38)	1,308,701,595	17	1,222,680,832	16
Financial assets measured at amortized cost (Notes 4, 5, 12, 36 and 38)	2,681,488,333	34	2,649,363,807	35
Financial assets for hedging (Notes 4, 5 and 10)	500,642	-	146,959	-
Investments accounted for using the equity method (Notes 4 and 11)	103,702,207	1	89,577,714	1
Investment property (Notes 4, 5, 13 and 33)	472,079,611	6	459,867,936	6
Investment property under construction (Notes 4, 13 and 33)	3,404,613	-	1,528,547	-
Prepayments for buildings and land - investments (Notes 4 and 13)	242,642	-	3,131,915	-
Loans (Notes 4, 5, 14 and 33)	<u>490,205,575</u>	<u>6</u>	<u>491,769,348</u>	<u>6</u>
Total investments	<u>6,599,842,037</u>	<u>83</u>	<u>6,249,700,647</u>	<u>82</u>
REINSURANCE ASSETS (Notes 4, 15 and 22)	2,232,832	-	2,087,931	-
PROPERTY AND EQUIPMENT (Notes 4 and 16)	28,314,253	-	26,750,271	-
RIGHT-OF-USE ASSETS (Notes 4, 17 and 33)	384,896	-	524,444	-
INTANGIBLE ASSETS (Notes 4 and 18)	27,549,955	-	29,509,337	-
DEFERRED TAX ASSETS (Notes 4 and 32)	58,336,053	1	56,453,457	1
OTHER ASSETS (Notes 19, 33 and 36)	28,590,504	-	29,493,153	-
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 34)	<u>724,096,813</u>	<u>9</u>	<u>641,555,694</u>	<u>9</u>
TOTAL	<u>\$ 7,985,611,163</u>	<u>100</u>	<u>\$ 7,604,328,474</u>	<u>100</u>
LIABILITIES AND EQUITY				
PAYABLES (Notes 20 and 33)	\$ 17,099,854	-	\$ 24,648,142	1
CURRENT TAX LIABILITIES (Note 4)	160,141	-	160,145	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	3,050,197	-	11,687,067	-
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	19,034,590	1	18,390,129	-
Loss reserve	11,179,362	-	11,657,638	-
Policy reserve	6,284,636,754	79	5,961,980,645	79
Special reserve	11,085,059	-	11,084,776	-
Premium deficiency reserve	9,808,215	-	13,802,343	-
Other reserve	<u>1,865,925</u>	<u>-</u>	<u>1,876,925</u>	<u>-</u>
Total insurance liabilities	<u>6,337,609,905</u>	<u>80</u>	<u>6,018,792,456</u>	<u>79</u>
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 23)	1,165,040	-	1,010,156	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 24)	9,053,726	-	14,820,865	-
PROVISIONS (Notes 4 and 26)	56,245	-	56,245	-
LEASE LIABILITIES (Notes 4, 17 and 33)	9,160,097	-	9,279,631	-
DEFERRED TAX LIABILITIES (Notes 4 and 32)	52,878,793	1	67,447,866	1
OTHER LIABILITIES (Notes 27 and 33)	16,837,440	-	21,051,872	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 34)	<u>724,096,813</u>	<u>9</u>	<u>641,555,694</u>	<u>9</u>
Total liabilities	<u>7,251,168,251</u>	<u>91</u>	<u>6,890,601,110</u>	<u>91</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>60,594,868</u>	<u>1</u>	<u>60,606,533</u>	<u>1</u>
Retained earnings				
Legal reserve	27,491,929	-	18,834,196	-
Special reserve	390,287,210	5	347,320,212	4
Unappropriated earnings	<u>111,938,770</u>	<u>1</u>	<u>49,938,120</u>	<u>1</u>
Total retained earnings	<u>529,717,909</u>	<u>6</u>	<u>416,092,528</u>	<u>5</u>
Other equity	<u>85,614,861</u>	<u>1</u>	<u>178,513,029</u>	<u>2</u>
Total equity	<u>734,442,912</u>	<u>9</u>	<u>713,727,364</u>	<u>9</u>
TOTAL	<u>\$ 7,985,611,163</u>	<u>100</u>	<u>\$ 7,604,328,474</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Retained earned premium (Notes 4, 25 and 33)				
Written premium	\$484,276,179	53	\$567,886,893	62
Reinsurance premium	<u>102,567</u>	<u>-</u>	<u>110,139</u>	<u>-</u>
Premium income	484,378,746	53	567,997,032	62
Less: Reinsurance expense	(2,442,858)	-	(2,355,053)	-
Net changes in unearned premium reserve (Notes 4 and 22)	<u>(626,199)</u>	<u>-</u>	<u>(667,099)</u>	<u>-</u>
Total retained earned premium	481,309,689	53	564,974,880	62
Reinsurance commission income	387,942	-	533,237	-
Fee income (Notes 33 and 34)	10,714,732	1	8,701,291	1
Net investment incomes (losses)				
Interest income (Notes 4, 31 and 33)	157,312,287	17	157,345,612	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	130,861,920	14	203,100,151	23
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	29,456,079	3	28,187,167	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 12)	38,060,685	4	39,503,872	4
Share of profit (loss) of associates accounted for using the equity method (Notes 4 and 11)	4,240,873	1	(10,303,986)	(1)
Foreign exchange loss	(75,933,535)	(8)	(127,504,372)	(14)
Net changes in reserve for foreign exchange valuation (Notes 4 and 24)	5,767,139	1	3,180,012	-
Gain on investment property (Notes 4, 13 and 33)	11,421,736	1	13,965,497	2
Reversal of expected credit loss (expected credit loss) on investments (Notes 4 and 31)	1,627,302	-	(1,659,048)	-
Other net investment income	840,303	-	240,111	-
Gain (loss) on reclassification using overlay approach (Notes 4 and 8)	40,872,013	5	(47,368,961)	(5)
Separate account insurance product income (Notes 4 and 34)	<u>77,930,828</u>	<u>8</u>	<u>73,364,956</u>	<u>8</u>
Total operating revenue	<u>914,869,993</u>	<u>100</u>	<u>906,260,419</u>	<u>100</u>
OPERATING COSTS				
Retained claims payments (Notes 4 and 25)				
Insurance claims payments	287,145,033	31	272,345,916	30
Less: Claims and payments recovered from reinsurers	<u>(1,803,354)</u>	<u>-</u>	<u>(1,304,635)</u>	<u>-</u>
Total retained claims payments	285,341,679	31	271,041,281	30

(Continued)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Net changes in other insurance liabilities (Notes 4, 5 and 22)				
Net changes in loss reserve	\$ (442,555)	-	\$ 1,050,296	-
Net changes in policy reserve	366,706,312	40	454,320,427	50
Net changes in special reserve	283	-	152	-
Net changes in premium deficiency reserve	(3,863,053)	-	(5,711,343)	(1)
Net changes in other reserve	(11,000)	-	3,784	-
Total net changes in other insurance liabilities	362,389,987	40	449,663,316	49
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 23)	488,088	-	294,427	-
Underwriting expenses (Note 31)	16,441,121	2	17,904,028	2
Commission expenses (Note 31)	15,543,190	2	15,614,892	2
Finance costs (Notes 21 and 33)	2,997,650	-	2,447,944	-
Other operating costs (Note 33)	8,486,248	1	6,997,497	1
Separate account insurance product expenses (Notes 4 and 34)	77,930,828	8	73,364,956	8
Total operating costs	769,618,791	84	837,328,341	92
OPERATING EXPENSES (Notes 31 and 33)				
General expenses	10,227,405	1	8,943,213	1
Administrative expenses	11,921,821	2	11,558,186	1
Employee training expenses	41,770	-	56,364	-
Non-investment expected credit loss (Notes 4 and 31)	24,773	-	6,308	-
Total operating expenses	22,215,769	3	20,564,071	2
OPERATING INCOME	123,035,433	13	48,368,007	6
NON-OPERATING INCOME AND EXPENSES (Notes 31 and 33)	1,563,640	-	1,582,615	-
PROFIT BEFORE INCOME TAX	124,599,073	13	49,950,622	6
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 32)	(12,368,278)	(1)	1,793,972	-
NET INCOME	112,230,795	12	51,744,594	6

(Continued)

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	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	\$ 1,345,381	-	\$ (324,932)	-
Gain on equity instruments at fair value through other comprehensive income	7,308,004	1	3,382,878	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	157,732	-	331,104	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 32)	176,638	-	294,703	-
Items that may be reclassified subsequently to profit or loss:				
(Loss) gain on debt instruments at fair value through other comprehensive income	(73,570,902)	(8)	37,585,249	4
(Loss) gain on hedging instruments	(41,858)	-	33,339	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(1,687,486)	-	(79,433)	-
Other comprehensive (loss) gain reclassified using overlay approach	(40,872,013)	(5)	47,368,961	5
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 32)	<u>15,544,498</u>	<u>2</u>	<u>(11,282,656)</u>	<u>(1)</u>
Total other comprehensive income for the period, net of income tax	<u>(91,640,006)</u>	<u>(10)</u>	<u>77,309,213</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 20,590,789</u>	<u>2</u>	<u>\$129,053,807</u>	<u>14</u>
EARNINGS PER SHARE (Note 30)				
Basic earnings per share	<u>\$ 19.18</u>		<u>\$ 8.84</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

						Other Equity							Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated 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	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) Reclassified Using Overlay Approach	Other	
BALANCE AT JANUARY 1, 2020	\$ 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 deficits	-	-	(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 (loss) income 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
Appropriation of 2020 earnings													
Legal reserve	-	-	10,333,774	-	(10,333,774)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	68,636,191	(68,636,191)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(3,665,312)	3,665,312	-	-	-	-	-	-	-	-
Legal reserve offset deficits	-	-	(1,676,041)	-	1,676,041	-	-	-	-	-	-	-	-
Special reserve offset deficits	-	-	-	(23,690,492)	23,690,492	-	-	-	-	-	-	-	-
Provision of special reserve for catastrophic events and fluctuation of risks	-	-	-	1,678,724	(1,678,724)	-	-	-	-	-	-	-	-
Appropriation of special reserve for personal insures travel insurance	-	-	-	7,887	(7,887)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(11,665)	-	-	(26,903)	-	(2,076)	-	-	-	-	-	(40,644)
Changes in ownership interests in subsidiaries	-	-	-	-	(554,511)	-	-	-	-	-	-	719,914	165,403
Net profit for the year ended December 31, 2021	-	-	-	-	112,230,795	-	-	-	-	-	-	-	112,230,795
Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,413,405)	(52,298,742)	(12,020)	1,109,698	214,555	(38,240,092)	-	(91,640,006)
Total comprehensive income (loss) for year ended December 31, 2021	-	-	-	-	112,230,795	(2,413,405)	(52,298,742)	(12,020)	1,109,698	214,555	(38,240,092)	-	20,590,789
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	1,976,000	-	(1,976,000)	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 58,515,274</u>	<u>\$ 60,594,868</u>	<u>\$ 27,491,929</u>	<u>\$ 390,287,210</u>	<u>\$ 111,938,770</u>	<u>\$ (15,347,517)</u>	<u>\$ 38,259,385</u>	<u>\$ 335,851</u>	<u>\$ 1,336,456</u>	<u>\$ 402,058</u>	<u>\$ 63,853,017</u>	<u>\$ (3,224,389)</u>	<u>\$ 734,442,912</u>

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$124,599,073	\$ 49,950,622
Adjustments for:		
Depreciation expense	828,020	842,667
Amortization expense	2,251,980	2,201,524
Gain on financial assets and liabilities at fair value through profit or loss	(115,927,904)	(188,484,273)
Realized gain on financial assets at fair value through other comprehensive income	(24,399,829)	(25,172,381)
Gain on derecognition of financial assets measured at amortized cost	(38,060,685)	(39,503,872)
Finance costs	3,043,654	2,534,710
Interest income	(157,312,287)	(157,345,612)
Dividend income	(19,990,266)	(17,630,664)
Net changes in insurance liabilities	318,849,993	390,235,144
Net changes in reserve for insurance contracts with the nature of financial products	154,884	8,165
Net changes in reserve for foreign exchange valuation	(5,767,139)	(3,180,012)
(Reversal of expected credit loss) expected credit loss on investments	(1,627,302)	1,659,048
Expected credit loss on non-investments	24,773	6,308
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(4,240,873)	10,303,986
(Gain) loss on reclassification using overlay approach	(40,872,013)	47,368,961
Loss on disposal and retirement of property and equipment	559	60,483
Loss on disposal of investment property	-	480,581
Gain on disposal of investments accounted for using the equity method	(167,748)	-
Gain on changes in fair value of investment property	(899,642)	(3,770,037)
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(30,858,026)	214,058,711
Increase in financial assets at fair value through other comprehensive income	(130,368,058)	(302,562,852)
Decrease in financial assets measured at amortized cost	7,766,319	2,707,206
(Increase) decrease in financial assets for hedging	(157,643)	93,292
Decrease in notes receivable	27,840	412
Decrease in other receivables	4,746,229	2,805,748
Decrease (increase) in prepaid expenses and other prepayments	917,724	(846,962)
Increase in guarantee deposits paid	(419,120)	(4,042,654)
Increase in reinsurance assets	(177,445)	(151,834)

Decrease (increase) in other assets	26,694	(621,520)
Decrease in financial liabilities at fair value through profit or loss	(68,011,438)	(65,127,563)
(Decrease) increase in financial liabilities for hedging	(328,869)	432,134
Decrease in notes payable	(3)	(166)
Decrease in other payables	(1,762,004)	(5,408,566)
	(Continued)	

CATHAY LIFE INSURANCE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in due to reinsurers and ceding companies	\$ 103,934	\$ 286,103
Increase (decrease) in commissions payable	418,692	(1,457,439)
Increase (decrease) in advance receipts	552	(58,912)
(Decrease) increase in guarantee deposits received	(3,958,820)	918,276
Decrease in deferred fee income	(2,151)	(1,662)
(Decrease) increase in other liabilities	<u>(254,013)</u>	<u>1,675,966</u>
Cash used in operations	(181,802,358)	(86,736,934)
Interest received	156,371,542	158,203,871
Dividends received	20,855,433	18,127,171
Interest paid	(2,944,415)	(2,982,724)
Income tax paid	<u>(24,612,622)</u>	<u>(781,850)</u>
Net cash (used in) generated from operating activities	<u>(32,132,420)</u>	<u>85,829,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(12,684,700)	(495,185)
Proceeds from disposal of investments accounted for using the equity method	307,166	-
Proceeds from return of capital on reduction of investments accounted for using the equity method	382,739	241,056
Acquisition of property and equipment	(1,122,489)	(745,804)
Proceeds from disposal of property and equipment	-	3
Acquisition of intangible assets	(292,598)	(232,652)
Decrease in loans	1,013,661	34,393,389
Acquisition of investment property	(11,318,252)	(7,130,742)
Proceeds from disposal of investment property	<u>-</u>	<u>233,825</u>
Net cash (used in) generated from investing activities	<u>(23,714,473)</u>	<u>26,263,890</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principal portion of lease liabilities	<u>(372,112)</u>	<u>(394,379)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(56,219,005)	111,699,045
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>504,040,612</u>	<u>392,341,567</u>

CASH AND CASH EQUIVALENTS AT THE END OF THE
YEAR

\$447,821,607 \$504,040,612

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, 2021 AND 2020

(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 (“R.O.C.”) 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, R.O.C.

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 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 board of directors and authorized for issue on March 11, 2022.

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 material impact on the accounting policies of the Company:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Company elected to apply the practical expedient provided in the amendments to deal

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)
<p>Note 1: The amendments to IFRS 9 are 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” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.</p>	
<p>Note 2: 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.</p>	
<p>Note 3: 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.</p>	
<p>Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.</p>	

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above 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)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

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

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

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

Recognition

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

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

Measurement on initial recognition

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

- 1) The initial recognition of an amount for the fulfilment cash flows;

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

Subsequent measurement

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

Onerous contracts

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

Premium Allocation Approach (PAA)

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

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

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

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

- 1) The premiums received at initial recognition;
- 2) Minus any insurance acquisition cash flows at that date; and

3) Plus or minus any amount arising from the derecognition at that date of:

- a) Any asset for insurance acquisition cash flows; and
- b) Any other asset or liability previously recognized for cash flows related to the group of insurance contracts.

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which had applied IFRS 9 may redesignate the classification of an eligible asset that meets the condition in paragraph C29

of IFRS 17. The entity is not required to restate the comparative information to reflect changes in the classifications of these assets, and any difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets at the date of initial application of IFRS 17 should be recognized in the opening retained earnings (or other component of equity, as appropriate) at the date of initial application. If the entity restates the comparative information, the restated financial statements must reflect all the requirements of IFRS 9 for those affected financial assets.

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the 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 parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the period, other comprehensive income for the period and total equity in the parent company only 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 parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Foreign currencies

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

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

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

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

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

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 its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The 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.

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.

g. 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 measureable or construction is completed (whichever comes earlier).

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

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 assets and 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 assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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 an entity in 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 way purchases or sales 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 assets are 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 Company 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 at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Cash and cash equivalents include cash on hand, cash in banks and time deposits or

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

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

The 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 collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

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

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

c) Derecognition of financial assets

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

2) Equity instruments

Debt 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 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 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.

5) Modification of financial instruments

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

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

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 expires or is sold, terminated or exercised.

2) Cash flow hedges

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

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

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

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 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:

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

Starting from 2003 policy year, for an 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 changed its accounting policy for subsequent measurement of investment property from the cost method to the fair value method starting from 2014. In accordance with Jin Guan Bao Tsai No. 10302501161 issued by the FSC on March 21, 2014, the fair value of insurance liabilities measured did not exceed their book value and no additional insurance liabilities should be provided accordingly.

4) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of Revenue and Expenses related to Participating/Nonparticipating Policy reported to the authority, the Company is required to set aside a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividends 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 policies with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as a premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

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

6) Other reserve

Pursuant to IFRS 3 “Business Combinations”, 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

The 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 the estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

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 only recognized as revenue collection and underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

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

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

s. Classification of insurance products

An insurance contract refers to a contract where the insurer accepts the insurance policyholder's transfer of a significant insurance risk and agrees to compensate the policyholder for any damages caused by a particular uncertain future event (insured event). The 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 an insurance contract in the initial phase, it is treated as an insurance contract before the right of ownership and obligations expired or extinguished, even if the exposure to insurance risk during the policy period has significantly decreased. However, if an insurance contract with features of financial instruments transfers a significant insurance risk to the 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 or not the contracts have discretionary participation feature. Discretionary participation features refer to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

- 1) Additional payments may be a significant portion of total contractual benefits.
- 2) The amounts or timing for additional payments are contractually at the Company's discretion.
- 3) Additional payments are contractually based on one of the following matters:
 - a) The performance on a specified combination of contracts or a specified type of contract.
 - b) The investment returns on a specified combination of assets held by the Company.
 - c) The profit or loss 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 the reinsurer including reinsurance assets, claims and payments recoverable from reinsurers and net due from reinsurers and ceding companies, and regularly assesses if the rights are impaired or unrecoverable. If an objective evidence, which occurred after initial recognition of reinsures assets, shows that the 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 the 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 contract that transfers a significant insurance risk, 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 4 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 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 cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurements recognized in other comprehensive income are reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the 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 (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its 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 taxpayer. 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 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 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 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	
	2021	2020
Cash on hand	\$ 26,320	\$ 262,461
Cash in banks	230,122,026	180,901,384
Time deposits	167,443,400	241,306,544
Cash equivalents	<u>50,229,861</u>	<u>81,570,223</u>
	<u>\$447,821,607</u>	<u>\$504,040,612</u>

7. RECEIVABLES

	December 31	
	2021	2020
Notes receivable	\$ 246,908	\$ 274,650

Other receivables	68,204,853	63,943,754
Overdue receivables	<u>18,909</u>	<u>4,982</u>
	68,470,670	64,223,386
Less: Loss allowance	<u>(28,457)</u>	<u>(10,458)</u>
	<u>\$ 68,442,213</u>	<u>\$ 64,212,928</u>

The movements in the loss allowance are as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 10,458	\$ 14,672
Provision for the current year	24,773	6,308
Amounts written off	<u>(6,774)</u>	<u>(10,522)</u>
Ending balance	<u>\$ 28,457</u>	<u>\$ 10,458</u>

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Domestic stocks	\$ 321,549,940	\$ 296,934,408
Beneficiary certificates	721,367,348	638,761,371
Financial debentures	12,855,988	10,361,868
Overseas stocks	207,367,389	216,738,502
Real estate investment trust	21,695,569	25,103,815
Overseas bonds	232,320,908	97,652,791
Structured time deposits	7,771,014	18,027,331
Derivative financial assets (not under hedge accounting)		
Currency swap contracts ("SWAP")	9,621,851	23,730,446
Foreign exchange forward contacts ("Forward")	2,906,188	3,704,505
Cross currency swap contracts ("CCS")	2,013,271	594,443
Options	26,534	-
Call warrants	<u>20,819</u>	<u>24,109</u>
	<u>\$1,539,516,819</u>	<u>\$1,331,633,589</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
SWAP	\$ 1,327,392	\$ 3,537,918
Forward	1,692,288	8,095,543
CCS	-	53,606
Options	<u>30,517</u>	<u>-</u>
	<u>\$ 3,050,197</u>	<u>\$ 11,687,067</u>

- a. The Company 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 Company for investing activities relating to insurance contracts issued by the Company are as follows:

	December 31	
	2021	2020
<u>Financial assets mandatorily classified as at FVTPL</u>		
Domestic stocks	\$ 321,157,922	\$ 296,934,408
Beneficiary certificates	701,500,071	595,749,818
Financial debentures	12,855,988	10,361,868
Overseas stocks	207,367,389	215,797,943
Real estate investment trust	21,695,569	25,103,815
Overseas bonds	232,320,908	97,652,791
Structured time deposits	<u>7,771,014</u>	<u>18,027,331</u>
	<u>\$1,504,668,861</u>	<u>\$1,259,627,974</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, 2021 and 2020 is as follows:

	For the Year Ended December 31	
	2021	2020
Gain due to the implementation of IFRS 9 to profit or loss	\$109,551,654	\$155,949,864
Gain due to the implementation of IAS 39 to profit or loss (if applicable)	<u>(150,423,667)</u>	<u>(108,580,903)</u>
(Gain) loss reclassified due to application of overlay approach	<u>\$(40,872,013)</u>	<u>\$ 47,368,961</u>

Due to the application of overlay approach, the amounts of gain on financial assets and liabilities at FVTPL for the years ended December 31, 2021 and 2020 increased from \$130,861,920 thousand to \$171,733,933 thousand, and decreased from \$203,100,151 thousand to \$155,731,190 thousand, respectively.

- b. As of December 31, 2021 and 2020, structured notes which were accounted for as financial assets at FVTPL amounted to \$166,150,298 thousand and \$29,048,344 thousand, respectively.
- c. The financial assets at FVTPL held by the Company were not pledged as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic stocks	\$ 135,378,484	\$ 91,718,232
Overseas stocks	<u>9,324,483</u>	<u>7,701,053</u>
	<u>144,702,967</u>	<u>99,419,285</u>
Investments in debt instruments at FVTOCI		
Corporate bonds	2,202,539	2,206,288
Government bonds	43,225,023	43,699,940
Overseas bonds	1,119,667,280	1,078,517,070
Less: Litigation deposits	(43,613)	(46,761)
Less: Deposits to Central Bank	<u>(1,052,601)</u>	<u>(1,114,990)</u>
	<u>1,163,998,628</u>	<u>1,123,261,547</u>
	<u>\$1,308,701,595</u>	<u>\$1,222,680,832</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 Company on the balance sheet date for the years ended December 31, 2021 and 2020 were \$5,056,250 thousand and \$3,014,786 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2021 and 2020 were \$321,221 thousand and \$14,978 thousand, respectively.
- c. In consideration of investment strategies, the Company sold equity instruments at FVTOCI at fair values of \$15,144,411 thousand and \$5,103,571 thousand at the time of sale, and transferred unrealized gain of \$1,976,000 thousand and loss of \$75,723 thousand, from other equity to retained earnings for the years ended December 31, 2021 and 2020, 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	
	2021	2020
<u>Financial assets for hedging</u>		
Interest rate swap contracts ("IRS")	\$ 90,307	\$ 146,959
CCS	202,531	-
Forward	<u>207,804</u>	<u>-</u>

	<u>\$ 500,642</u>	<u>\$ 146,959</u>
<u>Financial liabilities for hedging</u>		
CCS	<u>\$ -</u>	<u>\$ 90,971</u>

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 75,318,035	\$ 60,834,675
Investments in associates	<u>28,384,172</u>	<u>28,743,039</u>
	<u>\$103,702,207</u>	<u>\$ 89,577,714</u>

Refer to Table 1 and Table 4 for the nature of business activities, main operating locations and countries of incorporation of the subsidiaries and associates.

a. Investments in subsidiaries

	December 31	
	2021	2020
Cathay Life Insurance (Vietnam) Co., Ltd.	\$ 22,775,900	\$ 10,981,537
Lin Yuan (Shanghai) Real Estate Co., Ltd.	7,972,675	7,631,432
Cathay Lujiazui Life Insurance Co., Ltd.	6,544,145	6,016,144
Cathay Industrial Research and Design Center Co., Ltd.	907,848	-
Cathay Securities Investment Consulting Co., Ltd.	699,974	637,478
Conning Holdings Limited	14,114,000	12,733,098
Cathay Woolgate Exchange Holding 1 Limited	13,142,589	13,371,694
Cathay Walbrook Holding 1 Limited	8,583,640	8,868,043
Cathay Walbrook Holding 2 Limited	446,820	462,050
Cathay Woolgate Exchange Holding 2 Limited	<u>130,444</u>	<u>133,199</u>
	<u>\$ 75,318,035</u>	<u>\$ 60,834,675</u>

b. Investments in associates

Aggregate information of associates that are not individually material

For the Year Ended December 31	
2021	2020

The Company' share of:

Net income (loss)	\$ 1,458,714	\$(12,552,004)
Other comprehensive (loss) income	<u>(991,854)</u>	<u>134,134</u>
Total comprehensive income (loss) for the period	<u>\$ 466,860</u>	<u>\$(12,417,870)</u>

As the individual associates are not significant, the related financial information is aggregately disclosed. Except for Cathay Venture Inc., the amounts of the share of profit or loss and other comprehensive income of associates were recognized on the basis of the financial statements which have not been reviewed by an independent auditor.

The investments in associates were not pledged as collateral.

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 associate accounted for using the equity method of \$13,980,277 thousand for the years ended December 31, 2020.

12. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31	
	2021	2020
Time deposits	\$ 66,667	\$ -
Financial debentures	25,719,718	41,434,737
Corporate bonds	26,847,429	29,096,122
Government bonds	40,356,915	40,464,412
Overseas bonds	2,597,982,247	2,549,889,678
Asset-backed securities	445,000	445,000
Less: Litigation deposits	(1,151,573)	(1,353,429)
Less: Deposits to Central Bank	(8,033,844)	(8,039,298)
Less: Loss allowance (Note)	<u>(744,226)</u>	<u>(2,573,415)</u>
	<u>\$2,681,488,333</u>	<u>\$2,649,363,807</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2021 and 2020, the amounts were \$286 thousand and \$1,258 thousand, respectively.

- For the years ended December 31, 2021 and 2020, the Company disposed of bonds before maturity due to an increase in credit risk, which resulted in gains (losses) on disposal of \$4,328,088 thousand and \$259,490 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$29,013,762 thousand and \$38,149,433 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of \$4,718,835 thousand and \$1,613,929 thousand, respectively.
- 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		
Balance at 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	792,584	2,977,453	3,770,037	-	-
Balance at 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>
Balance at January 1, 2021	\$ 360,326,589	\$ 99,541,347	\$ 459,867,936	\$ 1,528,547	\$ 3,131,915
Additions	-	-	-	3,633,126	7,685,126
Reclassification	7,139,865	4,172,168	11,312,033	(1,757,060)	(10,574,399)
(Loss) gain on changes in fair value of investment property	(1,432,495)	2,332,137	899,642	-	-
Balance at December 31, 2021	<u>\$ 366,033,959</u>	<u>\$ 106,045,652</u>	<u>\$ 472,079,611</u>	<u>\$ 3,404,613</u>	<u>\$ 242,642</u>

For the Year Ended December 31

	2021	2020
Rental income from investment properties	\$ 10,522,094	\$ 10,676,041
Direct operating expenses of investment properties that generate rental income	(729,421)	(643,982)
Direct operating expenses of investment properties that do not generate rental income	<u>(133,065)</u>	<u>(131,251)</u>
	<u>\$ 9,659,608</u>	<u>\$ 9,900,808</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- 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.
- The ownership of the Company's the investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the 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 on investment property has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at December 31, 2021 and 2020 respectively:

Name of Appraiser Firm	December 31	
	2021	2020
DTZ Real Estate Appraiser Firm	Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai	Chang-da, Yang; Gen-yuan, Li; Chun-chun, Hu; Chia-ho, Tsai
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang;	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang;
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu;	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu;
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin; Xi-Zhong, Wang; Hong-Zhi, Li	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang; Jian-Hao, Huang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-huei Luo	Yu-lin, Chen; Yi-huei Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li
China Credit Information Service Ltd.	Zhi-Hao, Wu; Wei-Ru, Li	-
LinkU Real Estate Appraisal and Consulting Services	Lin-Yu, Lian; Sheng-Feng, Lai	-

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	
	2021	2020
Direct capitalization rates (net)	0.61%-3.31%	0.84%-3.34%
Discount rates	2.35%-4.26%	3.09%-3.94%

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

The Company 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	
	2021	2020
Beginning balance	\$443,472,287	\$433,501,238
Amount recognized in profit or loss		
Gain from investment property	899,642	3,770,037
Disposals	-	(646,500)
Transfers from investment property under construction	1,757,060	6,043,024
Transfers from prepayments for buildings and land	<u>4,606,027</u>	<u>804,488</u>

Ending balance	<u>\$450,735,016</u>	<u>\$443,472,287</u>
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The above amounts did not include those measured at cost.

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

14. LOANS

	December 31	
	2021	2020
Life insurance policy loans (a)	\$156,741,271	\$154,255,383
Premium loans (b)	13,145,619	12,622,690
Secured loans (c)	310,463,414	314,154,457
Non-accrual receivables	2,645,039	2,041,471
Other loans	<u>12,359,723</u>	<u>13,429,063</u>
	495,355,066	496,503,064
Less: Loss allowance	<u>(5,149,491)</u>	<u>(4,733,716)</u>
	<u>\$490,205,575</u>	<u>\$491,769,348</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, 2021 and 2020.

15. REINSURANCE ASSETS

	December 31	
	2021	2020
Due from reinsurers and ceding companies	\$ 687,001	\$ 509,556
Reinsurance reserve assets		
Ceded unearned premium reserve	1,131,321	1,113,039
Ceded loss reserve	39,602	61,357
Ceded policy reserve	<u>374,908</u>	<u>403,979</u>
	<u>\$ 2,232,832</u>	<u>\$ 2,087,931</u>

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 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 reinsurers and commission income

	For the Year Ended December 31	
	2021	2020
Reinsurance expense	\$ -	\$ 550
Claims recovered from reinsurers	38,188	35,314
Reinsurance commission income	1,949	4,029

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

Net gain from reinsurance of \$11,067 thousand was recognized for the year ended December 31, 2021 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission income of \$1,949 thousand + Claims recovered from reinsurers of \$38,188 thousand - Net changes in reinsurance reserve assets of \$25,752 thousand - Foreign exchange losses of \$3,318 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 reinsurance reserve assets including policy reserve and ceded premium deficiency reserve for ceded co-reinsurance business and provides insurance liabilities as direct business. All reinsurance reserve assets should be derecognized when the co-reinsurance contract ceased.

f. Other notes designated by authorities: None.

16. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<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	<u>\$ 17,428,074</u>	<u>\$ 20,354,392</u>	<u>\$ 2,333,980</u>	<u>\$ 7,789</u>	<u>\$ 3,902,783</u>	<u>\$ 611,000</u>	<u>\$ 44,638,018</u>
<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>\$ 7,524</u>	<u>\$ 3,444,522</u>	<u>\$ -</u>	<u>\$ 17,887,747</u>
Carrying amount at December 31, 2020	<u>\$ 17,324,940</u>	<u>\$ 8,100,377</u>	<u>\$ 255,428</u>	<u>\$ 265</u>	<u>\$ 458,261</u>	<u>\$ 611,000</u>	<u>\$ 26,750,271</u>

(Continued)

	Land	Buildings and Construction	Computer Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 17,428,074	\$ 20,354,392	\$ 2,333,980	\$ 7,789	\$ 3,902,783	\$ 611,000	\$ 44,638,018
Additions	-	-	429,375	-	68,195	624,919	1,122,489
Disposals	-	-	(42,596)	(3)	(31,109)	-	(73,708)
Reclassification	1,019,426	47,746	275,652	-	-	(47,746)	1,295,078
Balance at December 31, 2021	<u>\$ 18,447,500</u>	<u>\$ 20,402,138</u>	<u>\$ 2,996,411</u>	<u>\$ 7,786</u>	<u>\$ 3,939,869</u>	<u>\$ 1,188,173</u>	<u>\$ 46,981,877</u>
<u>Depreciation and impairment</u>							
Balance at January 1, 2021	\$ 103,134	\$ 12,254,015	\$ 2,078,552	\$ 7,524	\$ 3,444,522	\$ -	\$ 17,887,747
Depreciation expense	-	329,993	136,111	51	111,219	-	577,374
Disposals	-	-	(42,571)	(2)	(30,576)	-	(73,149)
Reclassification	-	-	275,652	-	-	-	275,652
Balance at December 31, 2021	<u>\$ 103,134</u>	<u>\$ 12,584,008</u>	<u>\$ 2,447,744</u>	<u>\$ 7,573</u>	<u>\$ 3,525,165</u>	<u>\$ -</u>	<u>\$ 18,667,624</u>
Carrying amount at December 31, 2021	<u>\$ 18,344,366</u>	<u>\$ 7,818,130</u>	<u>\$ 548,667</u>	<u>\$ 213</u>	<u>\$ 414,704</u>	<u>\$ 1,188,173</u>	<u>\$ 28,314,253</u>

(Concluded)

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
Transportation equipment	3-5 years
Other equipment	2-22 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Buildings	\$ 358,046	\$ 500,547
Transportation equipment	<u>26,850</u>	<u>23,897</u>
	<u>\$ 384,896</u>	<u>\$ 524,444</u>
Right-of-use assets presented as investment properties	<u>\$ 8,316,218</u>	<u>\$ 8,548,824</u>
For the Year Ended December 31		
	2021	2020
Additions to right-of-use assets	<u>\$ 116,276</u>	<u>\$ 353,648</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 240,960	\$ 262,377
Transportation equipment	<u>9,686</u>	<u>10,143</u>
	<u>\$ 250,646</u>	<u>\$ 272,520</u>

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount	<u>\$ 9,160,097</u>	<u>\$ 9,279,631</u>

Range of discount rates for lease liabilities is as follows:

	December 31	
	2021	2020
Buildings	1.82%-3.04%	1.82%-3.04%
Transportation equipment	2.49%-3.66%	3.25%-3.66%
Investment property - right of superficies	2.82%-3.71%	2.82%-3.71%

18. INTANGIBLE ASSETS

	Computer Software	Franchises	Goodwill	Total
<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>
<u>Cost</u>				
Balance at January 1, 2021	\$ 2,227,629	\$ 37,659,600	\$ 2,918,390	\$ 42,805,619
Additions - acquired separately	<u>292,598</u>	<u>-</u>	<u>-</u>	<u>292,598</u>
Balance at December 31, 2021	<u>\$ 2,520,227</u>	<u>\$ 37,659,600</u>	<u>\$ 2,918,390</u>	<u>\$ 43,098,217</u>
<u>Amortization and impairment</u>				

	Computer Software	Franchises	Goodwill	Total
Balance at January 1, 2021	\$ 1,859,675	\$ 11,436,607	\$ -	\$ 13,296,282
Amortization	<u>172,597</u>	<u>2,079,383</u>	<u>-</u>	<u>2,251,980</u>
Balance at December 31, 2021	<u>\$ 2,032,272</u>	<u>\$ 13,515,990</u>	<u>\$ -</u>	<u>\$ 15,548,262</u>
Carrying amount at December 31, 2021	<u>\$ 487,955</u>	<u>\$ 24,143,610</u>	<u>\$ 2,918,390</u>	<u>\$ 27,549,955</u>

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

Computer software
Franchises

3 years
6.5 or 20 years

- b. As of December 31, 2021 and 2020, 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	
	2021	2020
Insurance Industry Stability Fund (a)	\$ 13,022,786	\$ 12,099,873
Less: Reserve for Insurance Industry Stability Fund (a)	(13,022,786)	(12,099,873)
Guarantee deposits paid (b)	20,041,417	21,345,029
Deferred acquisition costs (c)	1,563	2,596
Prepayments	2,670	992,776
Net defined benefit assets (Note 28)	7,697,991	6,280,228
Others	<u>846,863</u>	<u>872,524</u>
	<u>\$ 28,590,504</u>	<u>\$ 29,493,153</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	
	2021	2020
Insurance operation guarantee deposit	\$ 9,086,216	\$ 9,153,212
Deposit for futures and options trading	7,006,713	6,074,070
Deposit for derivatives trading	2,165,104	4,044,034
Other guarantee deposits	<u>1,783,384</u>	<u>2,073,713</u>
	<u>\$ 20,041,417</u>	<u>\$ 21,345,029</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	
	2021	2020
Beginning balance	\$ 2,596	\$ 3,629
Amortization	<u>(1,033)</u>	<u>(1,033)</u>
Ending balance	<u>\$ 1,563</u>	<u>\$ 2,596</u>

20. PAYABLES

	December 31	
	2021	2020
Notes payable	\$ 399	\$ 402
Commissions payable	2,681,724	2,263,032
Due to reinsurers and ceding companies	967,158	863,224
Other payables	<u>13,450,573</u>	<u>21,521,484</u>
	<u>\$ 17,099,854</u>	<u>\$ 24,648,142</u>

21. BONDS PAYABLE

	December 31	
	2021	2020
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	\$ 35,000,000	\$ 35,000,000
First perpetual cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000
First perpetual 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 of \$1,260,000 thousand was recorded as finance costs for the years ended December 31, 2021 and 2020, respectively.
- 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 of \$1,155,000 thousand and \$1,157,030 thousand was recorded as finance costs for the years ended December 31, 2021 and 2020, respectively.
- c. Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual 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 of \$300,000 thousand and \$300,420 thousand was recorded as finance costs for the years ended December 31, 2021 and 2020, respectively.

22. INSURANCE LIABILITIES

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

a. Unearned premium reserve

	December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 64,522	\$ -	\$ 64,522	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,516,597	-	7,516,597	7,293,363	-	7,293,363
Individual health insurance	10,484,937	-	10,484,937	9,911,436	-	9,911,436
Group insurance	849,693	-	849,693	995,234	-	995,234
Investment-linked insurance	118,841	-	118,841	116,825	-	116,825
	<u>19,034,590</u>	<u>-</u>	<u>19,034,590</u>	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>
Less ceded unearned premium reserve:						
Individual life insurance	880,519	-	880,519	878,870	-	878,870
Individual injury insurance	21,575	-	21,575	25,638	-	25,638
Individual health insurance	229,227	-	229,227	208,531	-	208,531
	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,903,269</u>	<u>\$ -</u>	<u>\$ 17,903,269</u>	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>

The changes in unearned premium reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 18,390,129	\$ -	\$ 18,390,129	\$ 17,504,877	\$ -	\$ 17,504,877
Provision	19,034,610	-	19,034,610	18,390,137	-	18,390,137
Recovery	(18,390,129)	-	(18,390,129)	(17,504,877)	-	(17,504,877)
Foreign exchange	(20)	-	(20)	(8)	-	(8)
Ending balance	<u>19,034,590</u>	<u>-</u>	<u>19,034,590</u>	<u>18,390,129</u>	<u>-</u>	<u>18,390,129</u>
Less ceded unearned premium reserve:						
Beginning balance	1,113,039	-	1,113,039	894,878	-	894,878
Increase	<u>18,282</u>	<u>-</u>	<u>18,282</u>	<u>218,161</u>	<u>-</u>	<u>218,161</u>
Ending balance	<u>1,131,321</u>	<u>-</u>	<u>1,131,321</u>	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
Net ending balance	<u>\$ 17,903,269</u>	<u>\$ -</u>	<u>\$ 17,903,269</u>	<u>\$ 17,277,090</u>	<u>\$ -</u>	<u>\$ 17,277,090</u>

b. Loss reserve

December 31						
	2021			2020		
	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	\$ 2,953,975	\$ 31,747	\$ 2,985,722	\$ 2,994,498	\$ 35,590	\$ 3,030,088
Not yet filed	24,700	-	24,700	26,374	-	26,374
Individual injury insurance						
Filed but not paid	85,959	-	85,959	39,709	-	39,709
Not yet filed	1,969,841	-	1,969,841	1,944,744	-	1,944,744
Individual health insurance						
Filed but not paid	1,505,115	-	1,505,115	1,636,337	-	1,636,337
Not yet filed	3,311,515	-	3,311,515	3,212,273	-	3,212,273
Group insurance						
Filed but not paid	70,387	-	70,387	62,412	-	62,412
Not yet filed	1,028,164	-	1,028,164	1,487,129	-	1,487,129
Investment-linked insurance						
Filed but not paid	197,029	-	197,029	218,021	-	218,021
Not yet filed	930	-	930	551	-	551
	<u>11,147,615</u>	<u>31,747</u>	<u>11,179,362</u>	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>
Less ceded loss reserve						
Individual life insurance	35,496	-	35,496	46,636	-	46,636
Individual health insurance	4,106	-	4,106	14,721	-	14,721
	<u>39,602</u>	<u>-</u>	<u>39,602</u>	<u>61,357</u>	<u>-</u>	<u>61,357</u>
	<u>\$ 11,108,013</u>	<u>\$ 31,747</u>	<u>\$ 11,139,760</u>	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>

The changes of loss reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 11,622,048	\$ 35,590	\$ 11,657,638	\$ 10,533,411	\$ 31,200	\$ 10,564,611
Provision	11,161,581	31,747	11,193,328	11,636,942	35,590	11,672,532
Recovery	(11,622,048)	(35,590)	(11,657,638)	(10,533,411)	(31,200)	(10,564,611)
Foreign exchange	(13,966)	-	(13,966)	(14,894)	-	(14,894)
Ending balance	<u>11,147,615</u>	<u>31,747</u>	<u>11,179,362</u>	<u>11,622,048</u>	<u>35,590</u>	<u>11,657,638</u>
Less ceded loss reserve						
Beginning balance	61,357	-	61,357	3,732	-	3,732
Increase	-	-	-	57,625	-	57,625
Decrease	(21,755)	-	(21,755)	-	-	-
Ending balance	<u>39,602</u>	<u>-</u>	<u>39,602</u>	<u>61,357</u>	<u>-</u>	<u>61,357</u>
Net ending balance	<u>\$ 11,108,013</u>	<u>\$ 31,747</u>	<u>\$ 11,139,760</u>	<u>\$ 11,560,691</u>	<u>\$ 35,590</u>	<u>\$ 11,596,281</u>

c. Policy reserve

	December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	\$5,398,835,257	\$ 3,673	\$5,398,838,930	\$5,144,987,292	\$ 3,810	\$5,144,991,102
Injury insurance	7,497,332	-	7,497,332	7,058,104	-	7,058,104
Health insurance	865,362,488	-	865,362,488	793,400,966	-	793,400,966
Annuity insurance	1,312,175	10,396,632	11,708,807	1,381,226	14,175,381	15,556,607
Investment-linked insurance	<u>743,098</u>	<u>-</u>	<u>743,098</u>	<u>515,821</u>	<u>-</u>	<u>515,821</u>
Total (Note 2)	6,273,750,350	10,400,305	6,284,150,655	5,947,343,409	14,179,191	5,961,522,600
Less ceded policy reserve						
Life insurance	<u>374,908</u>	<u>-</u>	<u>374,908</u>	<u>403,979</u>	<u>-</u>	<u>403,979</u>
	<u>\$6,273,375,442</u>	<u>\$ 10,400,305</u>	<u>\$6,283,775,747</u>	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to \$6,284,636,754 thousand and \$5,961,980,645 thousand as of December 31, 2021 and 2020, respectively.

The changes of policy reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$5,947,343,409	\$ 14,179,191	\$5,961,522,600	\$5,546,639,427	\$ 20,479,782	\$5,567,119,209
Provision	589,916,586	85,175	590,001,761	663,427,493	157,530	663,585,023
Recovery	(219,457,277)	(3,863,924)	(223,321,201)	(202,828,855)	(6,458,184)	(209,287,039)
Foreign exchange	(44,052,368)	(137)	(44,052,505)	(59,894,656)	63	(59,894,593)
Ending balance	<u>6,273,750,350</u>	<u>10,400,305</u>	<u>6,284,150,655</u>	<u>5,947,343,409</u>	<u>14,179,191</u>	<u>5,961,522,600</u>
Less ceded policy reserve						
Beginning balance	403,979	-	403,979	421,465	-	421,465
Decrease	(25,752)	-	(25,752)	(22,443)	-	(22,443)
Foreign exchange	(3,319)	-	(3,319)	4,957	-	4,957
Ending balance	<u>374,908</u>	<u>-</u>	<u>374,908</u>	<u>403,979</u>	<u>-</u>	<u>403,979</u>
Net ending balance	<u>\$6,273,375,442</u>	<u>\$ 10,400,305</u>	<u>\$6,283,775,747</u>	<u>\$5,946,939,430</u>	<u>\$ 14,179,191</u>	<u>\$5,961,118,621</u>

d. Special reserve

December 31							
2021				2020			
Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	\$ (41,854)	\$ -	\$ (41,854)	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	43,589	-	43,589	54,928	-	-	54,928
Special reserve for revaluation increments of property	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	<u>\$ 1,735</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

The changes of special reserve are summarized below:

For the Year Ended December 31							
2021				2020			
Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	\$ 1,452	\$ 11,083,324	\$ 11,084,776	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	22,335	-	22,335	14,694	-	-	14,694
Recovery of participating policies dividends reserve	(10,713)	-	(10,713)	(11,270)	-	-	(11,270)
Recovery of dividend risk reserve	(11,339)	-	(11,339)	(3,272)	-	-	(3,272)
Ending balance	<u>\$ 1,735</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,059</u>	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

e. Premium deficiency reserve

December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 8,570,062	\$ -	\$ 8,570,062	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	3,300	-	3,300	934	-	934
Individual health insurance	1,234,787	-	1,234,787	1,225,954	-	1,225,954
Group insurance	66	-	66	5,713	-	5,713
	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

The changes of premium deficiency reserve are summarized below:

For the Year Ended December 31						
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	-	-	-	5,619	-	5,619
Recovery	(3,863,053)	-	(3,863,053)	(5,716,962)	-	(5,716,962)
Foreign exchange	(131,075)	-	(131,075)	(165,771)	-	(165,771)
Ending balance	<u>\$ 9,808,215</u>	<u>\$ -</u>	<u>\$ 9,808,215</u>	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

f. Other reserve

	December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

The changes of other reserve are summarized below:

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925	\$ 1,873,141	\$ -	\$ 1,873,141
Provision	-	-	-	3,784	-	3,784
Recovery	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,865,925</u>	<u>\$ -</u>	<u>\$ 1,865,925</u>	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

g. Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2021	2020
Unearned premium reserve	\$ 19,034,590	\$ 18,390,129
Policy reserve	6,284,636,754	5,961,980,645
Premium deficiency reserve	9,808,215	13,802,343
Other reserve	<u>1,865,925</u>	<u>1,876,925</u>
Book value of insurance liabilities	<u>\$6,315,345,484</u>	<u>\$5,996,050,042</u>
Estimated present value of cash flows	<u>\$5,567,751,045</u>	<u>\$5,195,570,713</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	
	2021	2020
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	Include insurance contracts and financial instruments with discretionary participation

2) Discount rate	feature as of valuation date. Under assets allocation plan on September 30, 2021, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with neutral assumption for discount rates after 30 years.	feature as of valuation date. 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.
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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, 2021 and 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	December 31	
	2021	2020
Life insurance	\$ 71,548	\$ 72,080
Investment-linked insurance	<u>1,093,492</u>	<u>938,076</u>
	<u>\$ 1,165,040</u>	<u>\$ 1,010,156</u>
	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,010,156	\$ 1,001,991
Claims and payments	(325,919)	(273,584)
Net provision of statutory reserve	488,088	294,427
Foreign exchange	<u>(7,285)</u>	<u>(12,678)</u>
Ending balance	<u>\$ 1,165,040</u>	<u>\$ 1,010,156</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	
2021	2020

Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision		
Compulsory reserve	7,479,726	8,433,364
Additional reserve	<u>2,135,119</u>	<u>11,153,852</u>
	9,614,845	19,587,216
Recovery	<u>(15,381,984)</u>	<u>(22,767,228)</u>
Ending balance	<u>\$ 9,053,726</u>	<u>\$ 14,820,865</u>

c. Effects due to reserve for foreign exchange valuation

Items	For the Year Ended December 31, 2021		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	\$107,617,084	\$112,230,795	\$ 4,613,711
Earnings per share	18.39	19.18	0.79
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Equity	738,082,996	734,442,912	(3,640,084)

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)

25. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	\$ 484,186,521	\$ 89,658	\$ 484,276,179	\$ 567,721,071	\$ 165,822	\$ 567,886,893
Reinsurance premium	102,567	-	102,567	110,139	-	110,139
Premium income	484,289,088	89,658	484,378,746	567,831,210	165,822	567,997,032
Less: Reinsurance expenses	(2,442,858)	-	(2,442,858)	(2,355,053)	-	(2,355,053)
Net changes in unearned premium reserve	(626,199)	-	(626,199)	(667,099)	-	(667,099)
Retained earned premium	<u>\$ 481,220,031</u>	<u>\$ 89,658</u>	<u>\$ 481,309,689</u>	<u>\$ 564,809,058</u>	<u>\$ 165,822</u>	<u>\$ 564,974,880</u>

b. Retained claim payments

	For the Year Ended December 31					
	2021			2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	\$ 283,137,833	\$ 3,952,737	\$ 287,090,570	\$ 265,571,820	\$ 6,731,051	\$ 272,302,871
Reinsurance claim payments	54,463	-	54,463	43,045	-	43,045
Insurance claim payments	283,192,296	3,952,737	287,145,033	265,614,865	6,731,051	272,345,916
Less: Claims recovered from reinsures	(1,803,354)	-	(1,803,354)	(1,304,635)	-	(1,304,635)
Retained claim payments	<u>\$ 281,388,942</u>	<u>\$ 3,952,737</u>	<u>\$ 285,341,679</u>	<u>\$ 264,310,230</u>	<u>\$ 6,731,051</u>	<u>\$ 271,041,281</u>

26. PROVISIONS

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 56,245	\$ 56,245
Changes in the year	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 56,245</u>	<u>\$ 56,245</u>

27. OTHER LIABILITIES

	December 31	
	2021	2020
Advance receipts	\$ 86,315	\$ 85,763
Deferred fee income	3,397	5,548
Guarantee deposits received	10,189,721	14,148,541
Others	<u>6,558,007</u>	<u>6,812,020</u>
	<u>\$ 16,837,440</u>	<u>\$ 21,051,872</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 is reconciled below:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 5,548	\$ 7,210
Amortization	(1,763)	(1,722)
Foreign exchange	<u>(388)</u>	<u>60</u>
Ending balance	<u>\$ 3,397</u>	<u>\$ 5,548</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 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 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the defined benefit plans are as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 12,232,321	\$ 13,423,238
Fair value of plan assets	<u>(19,930,312)</u>	<u>(19,703,466)</u>
Net defined benefit assets	<u>\$ (7,697,991)</u>	<u>\$ (6,280,228)</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, 2020	<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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Service cost			
Current service cost	\$ 250,400	\$ -	\$ 250,400
Interest expense (income)	<u>40,968</u>	<u>(61,940)</u>	<u>(20,972)</u>
Recognized in profit or loss	<u>291,368</u>	<u>(61,940)</u>	<u>229,428</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,018,052)	(1,018,052)
Actuarial loss (gain)			
Changes in demographic assumptions	182,213	-	182,213
Changes in financial assumptions	(307,765)	-	(307,765)
Experience adjustments	<u>(201,777)</u>	<u>-</u>	<u>(201,777)</u>
Recognized in other comprehensive loss	<u>(327,329)</u>	<u>(1,018,052)</u>	<u>(1,345,381)</u>
Contributions from the employer	-	(301,810)	(301,810)
Benefits paid	<u>(1,154,954)</u>	<u>1,154,954</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 12,232,323</u>	<u>\$(19,930,314)</u>	<u>\$ (7,697,991)</u>
		(Concluded)	

Through the defined benefit plan 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 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	
	2021	2020
Discount rate(s)	0.66%	0.32%
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	
	2021	2020
Discount rate(s)		
Increase 0.25%	<u>\$(220,182)</u>	<u>\$(281,888)</u>
Decrease 0.25%	<u>\$ 232,414</u>	<u>\$ 295,311</u>
Expected rate(s) of salary increase		
Increase 0.5%	<u>\$ 440,364</u>	<u>\$ 577,199</u>
Decrease 0.5%	<u>\$(415,899)</u>	<u>\$(550,353)</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	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 300,520</u>	<u>\$ 417,796</u>
Average duration of the defined benefit obligation	7.5 years	8.5 years

29. EQUITY

a. Share capital

	2021	2020
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 right to dividends.

b. Capital surplus

	December 31	
	2021	2020
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	833,127	844,792

Share-based payments granted by the parent company to the Company's employees	<u>182,599</u>	<u>182,599</u>
	<u>\$ 60,594,868</u>	<u>\$ 60,606,533</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.

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 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.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 2020 and 2019 had been approved by the board of directors (on behalf of the shareholders) on April 28, 2021 and April 29, 2020, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 10,333,774	\$ 6,677,339
Special reserve	70,366,942	59,449,742

The Company's board of directors (on behalf of the shareholders) resolved to offset the deficit by legal reserve of \$1,676,041 thousand and special reserve of \$23,690,492 thousand on April 28, 2021. 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 appropriations of earnings for 2021, which were proposed by the Company's board of directors on March 11, 2022, were as follows:

	Appropriation of Earnings
Legal reserve	\$ 22,725,076
Special reserve	72,964,689
Cash dividends	23,918,733
Cash dividends per share (NT\$)	4.09

The appropriation of earnings for 2021 has been reported to and reviewed by authorities, and will be resolved by the Company's board of directors (on behalf of the shareholders) on May 4, 2022.

d. Special reserves

	December 31	
	2021	2020
Special reserve for catastrophic events and fluctuation of risks (1)	\$ 14,869,604	\$ 14,908,281
Special reserve for the foreign exchange valuation reserve (2)	23,277,194	33,677,108
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)	149,344,667	148,125,659
Special reserve for gains or losses on disposal of immature debt instruments (5)	67,293,218	25,491,229
Others (6)	<u>88,174,667</u>	<u>77,790,075</u>
	<u>\$390,287,210</u>	<u>\$347,320,212</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 the 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, 2021			
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance	\$ 108,498	\$ -	\$ 108,498
Injury insurance	4,896,115	-	4,896,115
Health insurance	5,683,756	-	5,683,756
Group insurance	<u>4,181,235</u>	<u>-</u>	<u>4,181,235</u>
	<u>\$ 14,869,604</u>	<u>\$ -</u>	<u>\$ 14,869,604</u>
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>

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 issued on February 7, 2012 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:

- 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, 2021
Accumulated balance at the end of the previous year	\$ 67,293,218
Realized capital gains of \$52,423,678 thousand, net of income tax of \$10,484,736 thousand	41,938,942
Net amortization for the current year	<u>(5,970,935)</u>
Accumulated balance at the end of the year	<u><u>\$103,261,225</u></u>

As of December 31, 2021, the Company has set aside special reserve of \$67,293,218 thousand in accordance with the regulation; in 2022, the board of directors will resolve to set aside special reserve of \$35,968,007 thousand according to the changes in the current year. The accumulated balance of special reserve will be at \$103,261,225 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)
2021	\$ 3,638,518	\$ 2,332,417	\$ 5,970,935
2022	3,630,366	2,328,897	5,959,263
2023	3,587,595	2,311,696	5,899,291
2024	3,390,357	2,244,449	5,634,806
2025	3,379,754	1,979,669	5,359,423
2026	3,245,402	1,822,923	5,068,325
2027	3,154,795	1,777,094	4,931,889
2028	3,043,900	1,691,300	4,735,200
2029	2,860,636	1,656,544	4,517,180
2030	2,713,822	1,605,226	4,319,048
2031 to 2040	22,489,934	14,388,961	36,878,895
2041 to 2050	11,342,393	6,985,677	18,328,070
2051 to 2151	<u>815,746</u>	<u>814,089</u>	<u>1,629,835</u>
Total (Note)	<u>\$ 67,293,218</u>	<u>\$ 41,938,942</u>	<u>\$103,261,225</u>

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2021.

- 6) Other special reserve mainly included the amount of \$34,772,198 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	
	2021	2020
Beginning balance	<u>\$(12,934,112)</u>	<u>\$(11,187,030)</u>
Share of subsidiaries and associates accounted for using the equity method	(2,597,818)	(1,780,005)

Tax effects	<u>184,413</u>	<u>32,923</u>
Other comprehensive loss recognized for the year	<u>(2,413,405)</u>	<u>(1,747,082)</u>
Ending balance	<u><u>\$(15,347,517)</u></u>	<u><u>\$(12,934,112)</u></u>

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 92,536,203</u>	<u>\$ 57,531,736</u>
Recognized for the year	(41,863,069)	66,140,507
Share of subsidiaries and associates accounted for using the equity method	(114,930)	289,947
Reclassification adjustment		
Disposal of investments in debt instruments	(24,399,829)	(25,172,380)
Tax effects	<u>14,079,086</u>	<u>(6,329,330)</u>
Other comprehensive income (loss) recognized for the year	<u>(52,298,742)</u>	<u>34,928,744</u>
Changes in associates accounted for using the equity method	(2,076)	-
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(1,976,000)</u>	<u>75,723</u>
Ending balance	<u>\$ 38,259,385</u>	<u>\$ 92,536,203</u>

3) Gain on hedging instruments

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 347,871</u>	<u>\$ 331,929</u>
Recognized for the year	(114,196)	102,910
Share of subsidiaries and associates accounted for using the equity method	21,467	(10,729)
Reclassification adjustment		
Hedged item that affects profit or loss	72,338	(69,571)
Tax effects	<u>8,371</u>	<u>(6,668)</u>
Other comprehensive (loss) income recognized for the year	<u>(12,020)</u>	<u>15,942</u>
Ending balance	<u>\$ 335,851</u>	<u>\$ 347,871</u>

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$ 226,758</u>	<u>\$ 447,694</u>
Recognized for the year (Note 28)	1,345,381	(324,932)

Share of subsidiaries and associates accounted for using the equity method	41,654	48,958
Tax effects	<u>(277,337)</u>	<u>55,038</u>
Other comprehensive income (loss) recognized for the year	<u>1,109,698</u>	<u>(220,936)</u>
Ending balance	<u>\$1,336,456</u>	<u>\$ 226,758</u>

5) Property revaluation surplus

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 187,503	\$ 187,503
Share of subsidiaries and associates accounted for using the equity method	<u>214,555</u>	<u>-</u>
Ending balance	<u>\$ 402,058</u>	<u>\$ 187,503</u>

6) Other comprehensive income (loss) on reclassification using overlay approach

	For the Year Ended December 31	
	2021	2020
Beginning balance	<u>\$102,093,109</u>	<u>\$ 57,760,564</u>
Recognized for the year	73,123,317	119,978,195
Share of subsidiaries and associates accounted for using the equity method	905,318	1,703,500
Reclassification adjustment		
Disposal of investments in financial instruments	(113,995,330)	(72,609,234)
Tax effects	<u>1,726,603</u>	<u>(4,739,916)</u>
Other comprehensive (loss) income recognized for the year	<u>(38,240,092)</u>	<u>44,332,545</u>
Ending balance	<u>\$ 63,853,017</u>	<u>\$102,093,109</u>

7) Other equity - other

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$(3,944,303)	\$ -
Change in ownership interests in subsidiaries	<u>719,914</u>	<u>(3,944,303)</u>
Ending balance	<u>\$(3,224,389)</u>	<u>\$(3,944,303)</u>

30. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	<u>\$ 19.18</u>	<u>\$ 8.84</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	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$112,230,795</u>	<u>\$ 51,744,594</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>5,851,527</u>	<u>5,851,527</u>

If reserve for foreign exchange valuation was not applicable, basic earnings per share would be \$18.39 and \$8.41 for the years ended December 31, 2021 and 2020, respectively.

31. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Year Ended December 31	
	2021	2020
Financial assets at FVTOCI	\$ 38,715,329	\$ 31,362,610
Financial assets measured at amortized cost	103,228,290	108,727,054
Loans	14,154,268	14,909,572
Others	<u>1,214,400</u>	<u>2,346,376</u>
	<u>\$157,312,287</u>	<u>\$157,345,612</u>

b. Expected credit impairment losses and gains on reversal

	For the Year Ended December 31	
	2021	2020
Operating revenues - expected credit impairment losses and gains on reversal from investments		
Debt instrument investments at FVTOCI	\$ 347,254	\$ (346,403)
Financial assets measured at amortized cost	1,830,160	(1,376,760)
Loans	<u>(550,112)</u>	<u>64,115</u>
	<u>1,627,302</u>	<u>(1,659,048)</u>
Operating expenses - expected credit impairment losses from non-investments		
Receivables	<u>(24,773)</u>	<u>(6,308)</u>
	<u>\$ 1,602,529</u>	<u>\$(1,665,356)</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits		
Salaries	\$ 29,187,108	\$ 30,408,215
Labor and health insurance expenses	2,600,695	2,677,039
Post-employment benefits		
Defined contribution plans	1,119,868	1,272,485
Defined benefit plans (Note 28)	229,428	231,531
Remuneration of directors	66,431	62,665
Other employee benefits	<u>695,543</u>	<u>823,081</u>
	<u>\$ 33,899,073</u>	<u>\$ 35,475,016</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 28,602,166	\$ 30,316,750
Operating expenses	<u>5,296,907</u>	<u>5,158,266</u>
	<u>\$ 33,899,073</u>	<u>\$ 35,475,016</u>

For the years ended December 31, 2021 and 2020, the average numbers of the Company's employees were 32,873 and 33,241, respectively, including 7 non-executive directors in both years.

For the years ended December 31, 2021 and 2020, the average employee benefits expense of the Company was \$1,029 thousand and \$1,066 thousand, respectively. The average salary expense was \$888 thousand and \$915 thousand, respectively, the average salary decreased by 3%.

For the years ended December 31, 2021 and 2020, the remuneration of supervisors amounted to \$6,092 thousand and \$5,384 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 include 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 include 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 are paid according to other guidelines established by the Company.

d. Compensation of employees 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 compensation of employee 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. Compensation of employees 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 compensation of employee and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, respectively, as follows:

	For the Year Ended December 31	
	2021	2020
Compensation of employee	\$ 12,462	\$ 4,996
Remuneration of directors and supervisors	5,400	5,400

If there is a change in the amounts after the annual 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 of employee and remuneration of directors and supervisors for the years ended 2020 and 2019, which were resolved by the board of directors on March 10, 2021 and March 11, 2020, respectively, are as follows:

	For the Year Ended December 31	
	2020	2019
Compensation of employee	\$ 4,996	\$ 3,961
Remuneration of directors and supervisors	5,400	5,700

Information on the compensation of employee 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	
	2021	2020
Property and equipment	\$ 577,374	\$ 570,147
Right-of-use assets	250,646	272,520
Intangible assets	<u>2,251,980</u>	<u>2,201,524</u>
	<u>\$ 3,080,000</u>	<u>\$ 3,044,191</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 828,020</u>	<u>\$ 842,667</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,251,980</u>	<u>\$ 2,201,524</u>

f. Non-operating income and expenses

	For the Year Ended December 31	
	2021	2020
Loss on disposal of property and equipment	\$ (559)	\$ (60,483)
Others	<u>1,564,199</u>	<u>1,643,098</u>
	<u>\$ 1,563,640</u>	<u>\$ 1,582,615</u>

32. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ (8,381,294)	\$(17,011,804)
Adjustments for prior years	36,883	(118,456)
Deferred tax		
In respect of the current year	950,404	18,924,110
Adjustments for prior years	(91,464)	122
Other		
Additional income tax under the Alternative Minimum Tax Act	(5,971,840)	-
Tax effect under integrated income tax system	<u>1,089,033</u>	<u>-</u>
Income tax (expense) benefit recognized in profit or loss	<u>\$(12,368,278)</u>	<u>\$ 1,793,972</u>

A reconciliation of accounting profit and income tax (expense) benefit is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$124,599,073</u>	<u>\$ 49,950,622</u>
Income tax expense calculated at the statutory rate	\$ 24,919,814	\$ 9,990,124
Tax-exempt income	(18,207,668)	(12,392,293)
Nondeductible expenses in determining taxable income	5,941	15,879
Withholding tax on foreign investments	-	3,113
Land value increment tax	728,665	930,091
Corporate income tax in China	522	524
Investment loss	(4,876)	(571)
Additional income tax under the Alternative Minimum Tax Act	5,971,840	-
Tax effect under integrated income tax system	(1,089,033)	-
Unrealized loss carryforwards	(11,508)	(326,228)
Unrealized investment credits	-	(132,945)
Unrealized for prior years' tax	<u>54,581</u>	<u>118,334</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 12,368,278</u>	<u>\$ (1,793,972)</u>

Foreign withholding taxes in the amounts of \$735 thousand and \$3,836 thousand were recognized in current tax expense for the years ended December 31, 2021 and 2020, 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	
	2021	2020
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 137,166	\$ 35,384
Deferred tax		
Derecognition of equity instruments at FVTOCI	(137,166)	(35,384)
Capital surplus	2,033	-
Retain earnings	<u>6,726</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 8,759</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

		For the Year Ended December 31	
		2021	2020
<u>Deferred tax</u>			
Recognized in other comprehensive income			
Gains (losses) on hedging instruments	\$	8,371	\$ (6,668)
Unrealized losses on equity instruments at FVTOCI		438,781	222,081
Unrealized losses (gains) on debt instruments at FVTOCI		13,624,850	(6,566,673)
Remeasurement of defined benefit plans		(269,076)	64,986
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method		191,607	38,237
Other comprehensive loss (income) reclassified using overlay approach		<u>1,726,603</u>	<u>(4,739,916)</u>
Income tax recognized in other comprehensive income		<u>\$ 15,721,136</u>	<u>\$(10,987,953)</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, 2021

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Recognized Directly in Equity</u>	<u>Closing Balance</u>
<u>Deferred tax assets (liabilities)</u>					
Temporary differences					
Property and equipment	\$ 265,651	\$ (10,041)	\$ -	\$ -	\$ 255,610
Investment property	(28,390,607)	(1,942,114)	-	-	(30,332,721)
Financial assets at FVTPL	(5,804,886)	2,327,030	-	-	(3,477,856)
Financial assets at FVTPL applying overlay approach	(13,244,820)	-	749,353	-	(12,495,467)
Equity instruments at FVTOCI	(397,469)	-	328,162	(95,607)	(164,914)
Debt instruments at FVTOCI	(18,109,285)	(68,285)	13,624,850	-	(4,552,720)
Financial assets for hedging	(28,745)	(32,125)	(39,259)	-	(100,129)
Financial assets measured at amortized cost	(86,345)	11,931	-	-	(74,414)
Financial liabilities at FVTPL	2,318,537	(1,733,477)	-	-	585,060
Financial liabilities for hedging	18,194	(65,777)	47,630	-	47
Rent leveling	(129,443)	(11,532)	-	-	(140,975)
Defined benefit assets	(1,256,045)	(14,476)	(269,076)	-	(1,539,597)
Investments accounted for using the equity method	2,302,703	(268,292)	191,607	8,759	2,234,777
Lease liabilities	122,427	28,516	-	-	150,943
Goodwill and franchises	55,532	10,097	-	-	65,629
Unrealized foreign exchange losses (gains)	50,683,048	2,917,757	1,087,869	(41,559)	54,647,115
Allowance for doubtful account	214,211	9,881	-	-	224,092
Other	<u>472,933</u>	<u>(300,153)</u>	<u>-</u>	<u>-</u>	<u>172,780</u>
Net deferred tax assets (liabilities)	<u>\$ (10,994,409)</u>	<u>\$ 858,940</u>	<u>\$ 15,721,136</u>	<u>\$ (128,407)</u>	<u>\$ 5,457,260</u>
Deferred tax assets	<u>\$ 56,453,457</u>				<u>\$ 58,336,053</u>
Deferred tax liabilities	<u>\$ 67,447,866</u>				<u>\$ 52,878,793</u>

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
<u>Deferred tax assets (liabilities)</u>					
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
Financial liabilities for hedging	-	86,422	(68,228)	-	18,194
Rent leveling	(128,645)	(798)	-	-	(129,443)
Defined benefit assets	(1,284,482)	(36,549)	64,986	-	(1,256,045)
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	<u>6,095,218</u>	<u>(6,095,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax assets (liabilities)	<u>\$ (18,895,304)</u>	<u>\$ 18,924,232</u>	<u>\$ (10,987,953)</u>	<u>\$ (35,384)</u>	<u>\$ (10,994,409)</u>
Deferred tax assets	<u>\$ 36,056,344</u>				<u>\$ 56,453,457</u>
Deferred tax liabilities		<u>\$ 54,951,648</u>			<u>\$ 67,447,866</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities:

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$3,154,210 thousand and \$2,298,804 thousand, respectively.

- f. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2015 tax returns and applied for an administrative remedy.

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 Co., Ltd.	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
Cathay Industrial Research and Design Center Co., Ltd.	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
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
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiary
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

Cymlin Co., Ltd.
Cymder Co., Ltd.
Retail Forest Co., Ltd.

Other related party
Other related party
Other related party before July
2021

(Continued)

Related Party Name	Related Party Category
Cathay United Bank Foundation	Other related party
Hsin Chung Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
Hongtai Energy 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 from undertaking contracted projects with related parties are listed below:

Name	For the Year Ended December 31			
	2021		2020	
	Items	Amount	Items	Amount
Associate and its subsidiary				
Lin Yuan Property Management Co., Ltd.	International Tower	\$ 9,771	International Tower	\$ 6,645
Other related party				
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehousing, etc.	1,694,037	Yangmei Logistics Park, etc.	1,142,914
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	1,213,455	THSR Taoyuan Commercial Park, etc.	1,051,289
		2,907,492		2,194,203
		\$ 2,917,263		\$ 2,200,848

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between the Company and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand and \$2,569,290 thousand, respectively.

As of December 31, 2021 and 2020, the total amounts of contracted projects for real estate between the Company and San Ching Engineering Co., Ltd. were \$7,316,509 thousand and \$7,393,657 thousand, respectively.

b) Real-estate rental (the Company as lessor)

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 140,758	\$ 123,238
Subsidiary		
Cathay Securities Investment Consulting Co., Ltd.	9,865	9,728
Associate and its subsidiary		
Symphox Information Co., Ltd.	32,850	38,409
Yua-Yung Marketing (Taiwan) Co., Ltd.	31,546	22,003
Hong-Sui Co., Ltd.	27,467	27,339
Lin Yuan Property Management Co., Ltd.	19,463	19,411
	<u>111,326</u>	<u>107,162</u>
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	727,756	726,237
Cathay Century Insurance Co., Ltd.	112,768	109,922
Cathay Securities Investment Trust Co., Ltd.	57,112	52,898
Cathay Securities Co., Ltd.	53,806	48,817
Cathay Futures Co., Ltd.	6,952	7,423
Cathay Venture Inc.	5,574	5,575
	<u>963,968</u>	<u>950,872</u>
Other related party		
Ally Logistic Property Co., Ltd.	798,609	752,523
Cathay Medical Care Corp.	191,996	191,271
Cathay Hospitality Management Co., Ltd.	157,748	179,016
Cathay Hospitality Consulting Co., Ltd.	140,144	119,033
Cathay Healthcare Management Co., Ltd.	65,679	69,896
Cathay Real Estate Development Co., Ltd.	18,121	19,008
Hsin Chung Co., Ltd.	11,619	3,226
Cymder Co., Ltd.	7,280	692
San Ching engineering Co., Ltd.	6,473	5,908
Cathay United Bank Foundation	4,812	5,249
Hongtai Energy Co., Ltd.	3,442	700
Liang-Ting Co., Ltd.	3,159	3,124
Retail Forest Co., Ltd.	2,028	8,621
	<u>1,411,110</u>	<u>1,358,267</u>
	<u>\$ 2,637,027</u>	<u>\$ 2,549,267</u>

Name	Guarantee Deposits Received	
	December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 33,301	\$ 29,781
Associate and its subsidiary		
Symphox Information Co., Ltd.	8,000	8,000
Hong-Sui Co., Ltd.	4,740	5,145
Yua-Yang Marketing (Taiwan) Co., Ltd.	4,552	3,487
	<u>17,292</u>	<u>16,632</u>
Fellow subsidiary		
Cathay United Bank Co., Ltd.	187,202	186,446
Cathay Century Insurance Co., Ltd.	32,175	26,580
Cathay Securities Corporation	13,087	11,750
Cathay Securities Investment Trust Co., Ltd.	12,931	11,873
	<u>245,395</u>	<u>236,649</u>
Other related parties		
Cathay Hospitality Management Co., Ltd.	188,597	186,584
Cathay Hospitality Consulting Co., Ltd.	182,277	180,473
Ally Logistic Property Co., Ltd.	143,424	142,869
Cathay Healthcare Management Co., Ltd.	21,113	20,384
Cathay Medical Care Corp.	11,447	11,435
Retail Forest Co., Ltd.	5,745	5,745
Cathay Real Estate Development Co., Ltd.	4,215	4,090
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	3,072	3,072
	<u>563,971</u>	<u>558,733</u>
	<u>\$ 859,959</u>	<u>\$ 841,795</u>

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

c) Lease arrangements

Name	Acquisition of Right-of-use Assets	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ -	\$ 58,426
Other related party		
Yi Ru Capital Co., Ltd.	8,402	-
Cathay Real Estate Development Co., Ltd.	-	21,585
	<u>8,402</u>	<u>21,585</u>
	<u>\$ 8,402</u>	<u>\$ 80,011</u>

Name	Lease Liabilities	
	December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 7,433	\$ 42,437
Other related party		
Cathay Real Estate Development Co., Ltd.	9,155	16,478
Yi Ru Capital Co., Ltd.	5,271	-
	<u>14,426</u>	<u>16,478</u>
	<u>\$ 21,859</u>	<u>\$ 58,915</u>

Name	Lease Expense	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 7,061	\$ 704

Name	Guarantee Deposits Paid	
	December 31	
	2021	2020
Fellow subsidiary		
Cathay United Bank Co., Ltd.	\$ 10,087	\$ 12,019

d) Acquisition of equipment - computer equipment and software		
	For the Year Ended December 31	
	2021	2020
	<u>\$ 14,833</u>	<u>\$ 4,625</u>

2) Shares transactions

a) Acquisition of shares issued by the related parties			
Name	Nature of Transaction	For the Year Ended December 31	
		2021	2020
Subsidiary			
Cathay Life Insurance (Vietnam) Co., Ltd.	Ordinary shares	\$ 11,280,200	\$ -
Cathay Industrial Research and Design Center Co., Ltd.	Ordinary shares	990,000	-

Cathay Securities Investment Consulting Co., Ltd.	Ordinary shares	<u>-</u>	<u>230,000</u>
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12,270,200 230,000

(Continued)

**For the Year Ended December
31**

Name	Nature of Transaction	2021	2020
Associate			
TaiYang Solar Power Co., Ltd.	Ordinary shares	\$ 279,500	\$ 118,150
CM Energy Co., Ltd.	Ordinary shares	135,000	45,000
Lin Yuan Property Management Co., Ltd.	Ordinary shares	-	50,649
PSS Co., Ltd.	Ordinary shares	<u>-</u>	<u>51,386</u>
		<u>414,500</u>	<u>265,185</u>
		<u>\$ 12,684,700</u>	<u>\$ 495,185</u>
		(Concluded)	

b) Balance of shares issued by the related parties

Name	Nature of Transaction	December 31	
		2021	2020
Other related party			
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ 1,321,447	\$ 1,436,792
CDIB & PARTNERS Investment	Ordinary shares	880,740	827,820
Daiwa-Cathay Capital Market Co., Ltd.	Ordinary shares	<u>144,600</u>	<u>139,200</u>
		<u>\$ 2,346,787</u>	<u>\$ 2,403,812</u>

Refer to Note 11, Table 1 and Table 4 for the balance of investment in subsidiaries and associates.

3) Cash in banks

Name	Nature of Transaction	December 31	
		2021	2020
Fellow subsidiary			
Cathay United Bank Co., Ltd.	Demand deposit	\$ 41,918,406	\$ 22,885,777
	Checking deposit	209,910	349,239
	Security deposit	<u>6</u>	<u>6</u>
		<u>\$ 42,128,322</u>	<u>\$ 23,235,022</u>

For the years ended December 31, 2021 and 2020, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to \$6,003 thousand and \$14,426 thousand, respectively.

4) Loans

Name	For the Year Ended December 31, 2021		
	Maximum Balance	Rate	Ending Balance
Subsidiary			
Cathay Walbrook Holding 1 Limited	\$ 12,907,959	2.93%-2.97%	\$ 11,741,737
Cathay Walbrook Holding 2 Limited	679,366	2.93%-2.97%	<u>617,986</u>
			<u>12,359,723</u>
Other related party			
Others	999,575	0.75%-3.17%	<u>821,274</u>
			<u>\$ 13,180,997</u>
Name	For the Year Ended December 31, 2020		
	Maximum Balance	Rate	Ending Balance
Subsidiary			
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>
			<u>13,429,063</u>
Other related party			
Others	873,711	0.75%-3.17%	<u>801,894</u>
			<u>\$ 14,230,957</u>

For the years ended December 31, 2021 and 2020, the interest income earned from above loans Cathay Walbrook Holding 1 Limited amounted to \$374,334 thousand and \$405,931 thousand, respectively.

For the years ended December 31, 2021 and 2020, the interest income earned from above loans Cathay Walbrook Holding 2 Limited amounted to \$19,702 thousand and \$21,365 thousand, respectively.

For the years ended December 31, 2021 and 2020, the interest income earned from above loans to other related party amounted to \$10,931 thousand and \$10,951 thousand, respectively.

5) Balance of bonds managed by related parties

Name	December 31	
	2021	2020
Other related party		
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 4,888,088</u>	<u>\$ 5,006,641</u>

6) Balance of funds managed by related parties

Name	Item	December 31	
		2021	2020
Other related party			
Funds managed by Octagon Credit Investors, LLC	Market value	\$ 2,075,270	\$ 870,939
	Cost	\$ 2,041,381	\$ 894,337
Funds managed by Global Evolution Holding ApS	Market value	\$ 2,782,079	\$ 2,864,685
	Cost	\$ 2,440,596	\$ 2,606,653
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Market value	\$ 70,780,361	\$ 68,737,375
	Cost	\$ 71,263,962	\$ 65,853,768
Private Equity Fund managed by Cathay Private Equity	Market value	\$ 1,215,634	\$ 1,034,236
	Cost	\$ 1,190,055	\$ 989,445

7) Balance of discretionary management investments

Name	December 31	
	2021	2020
Subsidiary		
Conning Holdings Limited	\$1,143,347,888	\$1,136,115,298
Global Evolution Holding ApS	19,766,060	21,235,680
	<u>1,163,113,948</u>	<u>1,157,350,978</u>
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	<u>343,737,780</u>	<u>312,835,430</u>
	<u>\$1,506,851,728</u>	<u>\$1,470,186,408</u>

8) Other receivables

Name	December 31	
	2021	2020
Parent company		
Cathay Financial Holdings (Note)	\$ 5,253,915	\$ -
Subsidiary		
Cathay Walbrook Holding 1 Limited	<u>12,364</u>	<u>12,278</u>
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	58,727	58,764
Cathay Securities Investment Trust Co., Ltd.	<u>23,033</u>	<u>18,809</u>
	<u>81,760</u>	<u>77,573</u>
	<u>\$ 5,348,039</u>	<u>\$ 89,851</u>

Note: Refundable income taxes under the integrated income tax system.

9) Guarantee deposits paid (for future transactions)

Name	December 31	
	2021	2020
Subsidiary of fellow subsidiary Cathay Futures Co., Ltd.	\$ 2,234,611	\$ 1,897,019

10) Guarantee deposits received

Name	December 31	
	2021	2020
Associate and its subsidiary Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000
Other related party Ally Logistic Property Co., Ltd.	1,486,507	293,285
San Ching Engineering Co., Ltd.	968,577	979,284
	<u>2,455,084</u>	<u>1,272,569</u>
	\$ 2,460,084	\$ 1,277,569

11) Other payables

Name	December 31	
	2021	2020
Parent company Cathay Financial Holdings (Note)	\$ 70,989	\$ 6,206,423
Subsidiary Conning Holdings Limited	327,992	318,750
Global Evolution Holding Aps.	19,078	-
	<u>347,070</u>	<u>318,750</u>
Associate Symphox Information Co., Ltd.	18,642	2,961
Fellow subsidiary Cathay United Bank Co., Ltd.	185,415	350,640
Cathay Securities Investment Trust Co., Ltd.	18,626	17,273
	<u>204,041</u>	<u>367,913</u>
	\$ 640,742	\$ 6,896,047

Note: The payables are comprised of remuneration of directors and supervisors, accrued interests of bonds payable and income tax payable under the integrated income tax system.

12) Bonds payable

Name	December 31	
	2021	2020
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	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 5,729	\$ 6,393
Fellow subsidiary		
Cathay United Bank Co., Ltd.	112,901	123,336
Cathay Century Insurance Co., Ltd.	28,104	24,567
Cathay Securities Corporation	15,316	11,454
Cathay Securities Investment Trust Co., Ltd.	4,826	4,583
	<u>161,147</u>	<u>163,940</u>
Associate		
Lin Yuan Property Management Co., Ltd.	<u>3,466</u>	<u>3,098</u>
Other related party		
Cathay Medical Care Corp.	58,493	50,858
Cathay Real Estate Development Co., Ltd.	4,110	3,332
San Ching Engineering Co., Ltd.	3,444	3,089
Other	<u>313,907</u>	<u>447,657</u>
	<u>379,954</u>	<u>504,936</u>
	<u>\$ 550,296</u>	<u>\$ 678,367</u>

14) Fee income

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	<u>\$ 75,642</u>	<u>\$ 62,835</u>

15) Insurance expenses

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	<u>\$ 110,131</u>	<u>\$ 115,639</u>

16) Indemnity income

Name	For the Year Ended December 31	
	2021	2020
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	\$ <u>10</u>	\$ <u>7,902</u>

17) Other operating costs

Name	For the Year Ended December 31	
	2021	2020
Subsidiary		
Conning Holdings Limited	\$ 1,306,516	\$ 1,245,469
Global Evolution Holding ApS	<u>75,546</u>	<u>41,003</u>
	<u>1,382,062</u>	<u>1,286,472</u>
Subsidiary's associate		
Global Evolution Holding ApS	<u>-</u>	<u>14,163</u>
Fellow subsidiary		
Cathay United Bank Co., Ltd.	1,100,121	1,070,664
Cathay Securities Investment Trust Co., Ltd.	<u>466,712</u>	<u>288,106</u>
	<u>1,566,833</u>	<u>1,358,770</u>
	<u>\$ 2,948,895</u>	<u>\$ 2,659,405</u>

18) Finance costs

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>

The finance costs were incurred by the bonds payable issued by the Company.

19) Operating expenses

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 5,516	\$ 5,630
Subsidiary		
Conning Holdings Limited	5,931	5,847
Associate and its subsidiary		
Lin Yuan Property Management Co., Ltd.	828,679	798,050
Symphox Information Co., Ltd.	164,179	200,032
Seaward Card Co., Ltd.	69,635	69,173
ThinkPower Information Co., Ltd.	14,550	8,920
	<u>1,077,043</u>	<u>1,076,175</u>
Fellow subsidiary and its subsidiary		
Cathay United Bank Co., Ltd.	6,367,488	5,483,924
Cathay Securities (Hong Kong) Limited	4,663	5,993
Cathay Futures Co., Ltd.	2,036	3,712
	<u>6,374,187</u>	<u>5,493,629</u>
Other related party		
Cathay Medical Care Corp.	10,125	2,573
Cathay Healthcare Management Co., Ltd.	7,352	19,086
San Ching Engineering Co., Ltd.	4,537	3,900
Cathay Real Estate Development Co., Ltd.	4,418	3,861
	<u>26,432</u>	<u>29,420</u>
	<u>\$ 7,489,109</u>	<u>\$ 6,610,701</u>
20) Non-operating income		

Name	For the Year Ended December 31	
	2021	2020
Parent company		
Cathay Financial Holdings	\$ 11,114	\$ 9,756
Fellow subsidiary		
Cathay Century Insurance Co., Ltd.	674,904	671,489
Cathay United Bank Co., Ltd.	189,892	185,220
Cathay Securities Corporation	77,218	44,614
Cathay Securities Investment Trust Co., Ltd.	28,801	23,475
	<u>970,815</u>	<u>924,798</u>
Other related party		
Cathay Hospitality Consulting Co., Ltd.	4,010	995
Cathay Healthcare Management Co., Ltd.	5,564	5,537
Cathay Medical Care Corp.	3,528	3,719
	<u>13,102</u>	<u>10,251</u>
	<u>\$ 995,031</u>	<u>\$ 944,805</u>

The non-operating income was generated from the Company's integrated promotion activities.

21) Other

As of December 31, 2021 and 2020, the nominal amounts of the derivative instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

Name	December 31	
	2021	2020
SWAP	<u>US\$2,885,000</u>	<u>US\$3,498,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ -</u>

c. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 193,646	\$ 176,759
Post-employment benefits	<u>2,660</u>	<u>2,494</u>
	<u>\$ 196,306</u>	<u>\$ 179,253</u>

Key management personnel includes the chairman, directors, president, managing senior executive vice president and senior executive vice president.

34. SEPARATE ACCOUNT INSURANCE PRODUCTS

The related accounts were summarized as follows:

	December 31	
	2021	2020
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 536,869	\$ 447,744
Financial assets at FVTPL	716,214,583	632,843,466
Other receivables	<u>7,345,361</u>	<u>8,264,484</u>
	<u>\$724,096,813</u>	<u>\$641,555,694</u>
<u>Separate account insurance product liabilities</u>		
Other payables	\$ 319,598	\$ 701,555
Reserve for separate account - insurance contracts	306,089,604	277,388,301
Reserve for separate account - investment contracts	<u>417,687,611</u>	<u>363,465,838</u>
	<u>\$724,096,813</u>	<u>\$641,555,694</u>
	For the Year Ended December 31	
	2021	2020
<u>Separate account insurance product income</u>		
Premium income	\$ 62,250,599	\$ 61,477,595
Interest income	1,453	1,558
Gains from financial assets at FVTPL	20,892,861	22,709,729
Foreign exchange gains and losses	<u>(5,214,085)</u>	<u>(10,823,926)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 13,149,183	\$ 8,933,740
Cash surrender value	29,823,154	26,526,902
Provision of separate account reserve	30,342,120	34,035,776
Administrative expenses	4,763,801	4,007,503
Non-operating income and expenses	<u>(147,430)</u>	<u>(138,965)</u>
	<u>\$ 77,930,828</u>	<u>\$ 73,364,956</u>

For the years ended December 31, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products amounted to \$824,512 thousand and \$815,077 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 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	
	2021	2020
Guarantee deposits paid - government bonds	\$ 10,214,705	\$ 10,553,220
Guarantee deposits paid - time deposits	455,640	458,667
Guarantee deposits paid - others	<u>37,397</u>	<u>30,754</u>
	<u>\$ 10,707,742</u>	<u>\$ 11,042,641</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, 2021, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT\$829,500 thousand, US\$4,903,138 thousand, EUR375,770 thousand and GBP1,547 thousand.

38. FINANCIAL INSTRUMENTS

- a. 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 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 liquidity, 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 the 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, 2021

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at amortized cost (Note)	\$ 2,690,673,464	\$ 9,461,195	\$ 2,890,773,050	\$ -	\$ 2,900,234,245

December 31, 2020

	Carrying Amount	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

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, 2021				December 31, 2020			
	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	\$ 528,917,329	\$ 512,933,377	\$ 12,026,990	\$ 3,956,962	\$ 513,672,910	\$ 489,053,961	\$ 20,099,118	\$ 4,519,831
Bonds	245,176,896	-	245,176,896	-	108,014,659	-	108,014,659	-
Other	750,833,931	550,698,619	14,673,834	185,461,478	681,892,517	533,679,632	28,497,420	119,715,465
Financial assets at FVTOCI								
Stocks	144,702,967	141,944,014	-	2,758,953	99,419,285	94,681,296	-	4,737,989
Bonds (Note)	1,165,094,842	14,715,531	1,150,379,311	-	1,124,423,298	62,139,588	1,062,283,710	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	14,588,663	47,352	14,541,311	-	28,053,503	24,109	28,029,394	-
Financial assets for hedging	500,642	-	500,642	-	146,959	-	146,959	-
Liabilities								
Financial liabilities at FVTPL	3,050,197	30,517	3,019,680	-	11,687,067	-	11,687,067	-
Financial liabilities for hedging	-	-	-	-	90,971	-	90,971	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the years ended December 31, 2021 and 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, 2021	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	\$124,235,296	\$ 4,737,989
Recognized in profit or loss		
Gain on financial assets and liabilities at FVTPL	42,716,851	-
Loss on reclassification using the overlay approach	(28,177,683)	-
Recognized in other comprehensive income		
Other comprehensive income reclassified using the overlay approach	28,177,683	-
Gain on equity instruments at FVTOCI	-	932,935
Purchases	53,369,543	175,200
Disposals	(29,897,404)	(3,087,171)
Transfers out of Level 3	<u>(1,005,846)</u>	<u>-</u>
Ending balance	<u>\$189,418,440</u>	<u>\$ 2,758,953</u>

	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		
Gain on financial assets and liabilities at FVTPL	8,249,818	-
Loss on reclassification using the overlay approach	(1,991,773)	-
Recognized in other comprehensive income		
Other comprehensive income reclassified using the overlay approach	1,991,773	-
Loss on equity instruments at 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>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2021 and 2020, unrealized gains of \$2,052,030 thousand and unrealized losses of \$425,289 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 were as follows:

December 31, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-135%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
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

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

Item	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$1,539,516,819	\$1,331,633,589
Financial assets at FVTOCI	1,308,701,595	1,222,680,832
Measured at amortized cost		
Cash and cash equivalents (Note 1)	447,795,287	503,778,151
Receivables (Note 2)	63,186,311	64,212,928
Financial assets measured at amortized cost	2,681,488,333	2,649,363,807
Loans	490,205,575	491,769,348
Guarantee deposits paid	20,041,417	21,345,029
Financial assets for hedging	500,642	146,959
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	3,050,197	11,687,067
Financial liabilities at amortized cost		
Payables (Note 2)	17,099,854	18,381,478
Bonds payable	80,000,000	80,000,000
Lease liabilities	9,160,097	9,279,631
Guarantee deposits received	10,189,721	14,148,541
Financial liabilities for hedging	-	90,971

Note 1: Cash on hand was excluded.

Note 2: Income taxes refundable and payable under the integrated tax system 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 continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing, to completely and effectively measure, monitor, and manage market risk.

a) Value at Risk

VaR is the maximum loss on the investment portfolio due to changes in market risk factors over a given period and at a specified confidence level. Currently, the Company adopts the one-week VaR at 95 % and 99 % confidence levels to measure market risk.

b) Stress testing

In addition to the VaR model, the Company carries out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

The Company performs stress testing on positions regularly by applying the simple sensitivity test and scenario analysis. Such tests cover the losses on positions which resulted from changes in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

The simple sensitivity test is to measure the changes in the value of the investment portfolio caused by changes in specific risk factors.

ii. Scenario analysis

The scenario analysis is to measure the changes in the total value of the investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Company evaluate the losses that would be incurred for the current investment portfolio at the time of the event.

ii) Hypothetical scenario

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

The risk management department regularly performs stress testing with historical and hypothetical scenarios to serve as a basis for risk analysis, early warning for risk and business management.

Table of Stress Testing

**For the Year Ended December
31**

Risk Factor	Variable (+/-)	2021	2020
Equity risk (stock price index)	-10%	\$(64,448,025)	\$(57,825,161)
Interest rate risk (yield curve)	+100bps	(221,598,455)	(148,426,208)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(12,532,342)	(9,747,740)

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

Note 2: Effects of hedging were considered.

c) Sensitivity analysis

Summary of Sensitivity Analysis			
For the Year Ended December 31, 2021			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 6,097,876	\$ 5,535,216
	Appreciation of CNY/USD by 1%	938,508	322,401
	Appreciation of HKD/USD by 1%	261	258,879
	Appreciation of EUR/USD by 1%	(146,356)	312,124
	Appreciation of GBP/USD by 1%	(6,408)	272,827
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,496,723)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(35,531)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(5,463)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,397)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(603,416)
Equity price risk	Increase in equity price by 1%	(96,023)	6,600,666
For the Year Ended December 31, 2020			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,000,932	\$ 4,844,285
	Appreciation of CNY/USD by 1%	1,192,325	316,591
	Appreciation of HKD/USD by 1%	(388)	247,411
	Appreciation of EUR/USD by 1%	(2,740)	210,729
	Appreciation of GBP/USD by 1%	(149)	291,831
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	74	(1,245,536)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(47,559)

	Upward parallel shift of the yield curve (EUR) by 1bp	2,453	(7,561)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,708)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(337,406)
Equity price risk	Increase in equity price by 1%	(105,682)	5,916,482

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

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

Note 4: Provision or reversal of reserve for foreign exchange fluctuations was not considered in profit or loss due to foreign currency risk.

d) Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks will expire on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Company's counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, the Company made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. The Company has

identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, the Company will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As at December 31, 2021, the Company's financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Company's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

	Carrying Amount	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$ 295,966,077	\$ -
Loans	1,585,794	12,359,723

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:

- 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 on agreed conditions due to default, bankruptcy or liquidation.
- 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.
- 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

- Regional distribution of maximum risk exposure for the Company's financial assets:

December 31, 2021						
Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 313,417,908	\$ 5,659,118	\$ 290,130	\$ 107,274,631	\$ 21,153,500	\$ 447,795,287
Financial assets at FVTPL	42,559,418	14,886,965	119,731,982	90,480,654	22,906,893	290,565,912
Financial assets at FVTOCI	45,394,461	42,480,018	161,764,238	466,843,223	447,516,688	1,163,998,628
Financial assets for hedging	46,209	-	340,532	113,901	-	500,642
Financial assets measured at amortized cost	<u>133,223,615</u>	<u>186,812,778</u>	<u>446,310,424</u>	<u>1,306,524,756</u>	<u>608,616,760</u>	<u>2,681,488,333</u>
	<u>\$ 534,641,611</u>	<u>\$ 249,838,879</u>	<u>\$ 728,437,306</u>	<u>\$ 1,971,237,165</u>	<u>\$ 1,100,193,841</u>	<u>\$ 4,584,348,802</u>
Proportion	11.7%	5.4%	15.9%	43.0%	24.0%	100%
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%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

Location of Collateral	December 31, 2021				
	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 204,709,374	\$ 44,281,927	\$ 59,430,029	\$ 2,042,084	\$ 310,463,414
Non-accrual receivables	<u>606,067</u>	<u>25,133</u>	<u>37,039</u>	<u>1,976,800</u>	<u>2,645,039</u>
	<u>\$ 205,315,441</u>	<u>\$ 44,307,060</u>	<u>\$ 59,467,068</u>	<u>\$ 4,018,884</u>	<u>\$ 313,108,453</u>
Proportion	65.6%	14.2%	19.0%	1.2%	100%

Location of Collateral	December 31, 2020				
	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%

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 obligations will be kept and maintained.
 - ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
 - iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
 - iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and 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 collateral of the borrowers had been 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 assumptions applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures the 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

December 31, 2021						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Investment grade						
Debt instruments at FVTOCI	\$ 1,145,257,603	\$ -	\$ -	\$ -	\$ -	\$ 1,145,257,603
Financial assets measured at amortized cost	2,667,830,573	-	-	-	(615,441)	2,667,215,132
Non-investment grade						
Debt instruments at FVTOCI	18,741,025	-	-	-	-	18,741,025
Financial assets measured at amortized cost	12,068,749	2,333,237	-	-	(128,785)	14,273,201
December 31, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
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 ratings of at least BBB-; non-investment grade assets are those with credit ratings lower than BBB-.

ii) Secured loans and overdue receivables of the Company

December 31, 2021						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 304,597,635	\$ 1,762,552	\$ 6,748,266	\$ -	\$ (725,543)	\$ 307,958,962
December 31, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ 311,462,212

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12- month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	395,186	-	-	-	395,186
Financial assets that have been derecognized during the period	(213,220)	(2,852)	-	-	(216,072)
Changes in models/risk parameters	(511,609)	(69)	-	-	(511,678)
Foreign exchange and other movements	(14,677)	(12)	-	-	(14,689)
December 31, 2021	<u>\$ 345,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,894</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred 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>

ii) Financial assets measured at amortized cost

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	162,513	-	-	-	162,513
Financial assets that have been derecognized during the period	(141,715)	(184,099)	-	-	(325,814)
Changes in models/risk parameters	(1,137,103)	(485,774)	-	-	(1,622,877)
Foreign exchange and other movements	(31,840)	(11,171)	-	-	(43,011)
December 31, 2021	<u>\$ 627,027</u>	<u>\$ 117,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,226</u>

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transferred 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	<u>\$ 1,775,172</u>	<u>\$ 798,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,573,415</u>

iii) Secured loans and non-accrual receivables

		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, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3,153)	68,503	(65,350)	-	-	-	-
Transferred to credit-impaired financial assets	(44)	(3)	47	-	-	-	-
Transferred to 12-month expected credit losses	41	(23)	(18)	-	-	-	-
New financial assets originated or purchased	4,639	-	4,783	-	9,422	-	9,422
Financial assets that have been derecognized during the period	(3,570)	(4)	(42,291)	-	(45,865)	-	(45,865)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	330,521	330,521
Changes in models/risk parameters	(4,016)	(64,826)	190,539	-	121,697	-	121,697
December 31, 2021	<u>\$ 27,181</u>	<u>\$ 3,679</u>	<u>\$ 694,683</u>	<u>\$ -</u>	<u>\$ 725,543</u>	<u>\$ 4,423,948</u>	<u>\$ 5,149,491</u>

		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, 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							
Transferred to lifetime expected credit losses	(9)	9	-	-	-	-	-
Transferred to credit-impaired financial assets	(3,194)	(68)	3,262	-	-	-	-
Transferred 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 period	(38,899)	(130)	(298,466)	-	(337,495)	-	(337,495)
Difference from impairment charged 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	<u>\$ 33,284</u>	<u>\$ 32</u>	<u>\$ 606,973</u>	<u>\$ -</u>	<u>\$ 640,289</u>	<u>\$ 4,093,427</u>	<u>\$ 4,733,716</u>

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

iv. 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 the simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2021</u>					
Gross carrying amount (Note)	\$ 17,514,345	\$ 51,473	\$ 13	\$ -	\$ 17,565,831
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,030	1	-	1,031

Note: Notes receivable of \$36,297 thousand and other receivables of \$17,529,534 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, 2020</u>					
Gross carrying amount (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.

The loss allowance was reconciled as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 1,611	\$ 1,541
(Reversal) provision for the period	<u>(580)</u>	<u>70</u>
Ending balance	<u>\$ 1,031</u>	<u>\$ 1,611</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 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 and derivative financial liabilities were based on the agreed repayment dates.

December 31, 2021					
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 17,034,264	\$ 65,589	\$ -	\$ -	\$ -
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	6,885,000	83,315,000
Lease liabilities (Note 3)	177,523	330,492	403,669	1,036,433	17,149,346
<u>Derivative financial liabilities</u>					
SWAP	1,493,936	75,585	-	-	-
Forward	2,110,718	1,032,946	-	-	-
Option	30,517	-	-	-	-
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 payable (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

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date.

Note 3: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 43 years.

f. Hedge accounting disclosures

Cash flow hedges

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

1) Hedging instruments

December 31, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 90,307	\$ -	Financial assets for hedging	\$ (8,497)
December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333

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, 2021</u>						
IRS						
Nominal principal	\$	-	\$ -	\$ -	\$ 4,000,000	\$ -
Average fixed rate		-	-	-	1.7%	-
		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	\$	-	\$ -	\$ -	\$ 4,000,000	\$ -
Average fixed rate		-	-	-	1.7%	-

3) Hedged items

For the Year Ended December 31, 2021								
	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	\$ 8,497	\$ 90,307	N/A	\$ (8,497)	\$ -	\$ -	\$ (48,155)	Finance costs
Discontinued hedge - bond investments	N/A	N/A	\$ (236)	N/A	N/A	N/A	9	Finance costs

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
Discontinued hedge - bond investments	N/A	N/A	\$ (252)	N/A	N/A	N/A	10	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		
	2021	2020
Beginning balance	\$ 117,366	\$ 147,945
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	(8,490)	31,347
Amount reclassified from cash flow hedge reserve to profit or loss	(48,146)	(69,571)
Tax effect	11,327	7,645
Ending balance	<u>\$ 72,057</u>	<u>\$ 117,366</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, 2021			
Nominal Amount of the	Carrying Amount of the Hedging Instrument	Line Items in Balance Sheet Where the Hedging	Changes in Fair Value Used for

Hedging Instrument	Hedging			Instrument Is Included	Calculating Hedge Ineffectiveness for the Year
	Instrument	Assets	Liabilities		
CCS	\$ 4,687,225	\$ 202,531	\$ -	Financial assets for hedging	\$ 418,611
Forward	21,550,450	207,804	-	Financial assets for hedging	188,400

December 31, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount 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 Year
		Assets	Liabilities		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)

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	
December 31, 2021						
CCS						
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,687,225	
Interest rate	-	-	-	-	2.39%	
Exchange rate (EUR/USD)					1.1285	
Forward						
Nominal principal	-	-	-	21,550,450	-	
Exchange rate (USD/TWD)	-	-	-	26.9228	-	
Period Till Maturity						
	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	

3) Hedged items

For the Year Ended December 31, 2021								
	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		Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities		Ineffectiveness Recognized in Profit or Loss		
Overseas bonds	\$ 4,687,225	\$ -	\$ (418,611)	\$ -	Financial assets at amortized cost	\$ (418,611)	\$ -	\$ -
Overseas bonds	21,550,450	-	(188,400)	-	Financial assets at amortized cost	(188,400)	-	-
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		Line Item in Profit or Loss That Includes Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities		Ineffectiveness Recognized in Profit or Loss		
Overseas bonds	\$ 4,825,692	\$ -	\$ 525,402	\$ -	Financial assets at amortized cost	\$ 525,402	\$ -	\$ -

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

	For the Year Ended December 31	
	2021	2020
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	(105,706)	71,563
Amount reclassified to profit or loss	120,484	-
Tax effects	<u>(2,956)</u>	<u>(14,313)</u>
Ending balance	<u>\$ 284,733</u>	<u>\$ 272,911</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, 2021

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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	\$ 15,041,952	\$ -	\$ 15,041,952	\$ 2,978,568	\$ 7,373,362	\$ 4,690,022
Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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	\$ 3,019,680	\$ -	\$ 3,019,680	\$ 2,978,568	\$ 42,919	\$ (1,807)

December 31, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
Item	Gross Amount 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 Amount 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

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, 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 department 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 mitigate 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 implementation status 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, asset and liability matching risk, capital adequacy, information security and personal data management, emerging risk, and ESG and climate risk. 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, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when 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 caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. 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 business continuity management system, 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.

j) Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. The Company conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

k) ESG and climate risks

ESG risks refer to the financial losses directly or indirectly incurred by the Company due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). The Company has established related management measures as a response.

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 for developing insurance risk management strategies.
 - iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of 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 the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
 - ii. 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, equity ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio or equity ratio exceeds the internal risk control 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 countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, 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, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,037,807	Decrease (increase)	\$ 2,430,246
Expense	×1.05 (×0.95)	Decrease (increase)	3,134,316	Decrease (increase)	2,507,453
Surrender rate	×1.05 (×0.95)	Increase (decrease)	227,270	Increase (decrease)	181,816
Rate of return	+0.1%	Increase	6,574,793	Increase	5,259,834
Rate of return	-0.1%	Decrease	6,581,208	Decrease	5,264,967

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

a) Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2021 and 2020. 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 the 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

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

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

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

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

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		
2015	\$ 15,353,566	\$ 18,647,560	\$ 18,975,168	\$ 19,056,336	\$ 19,103,869	\$ 19,131,408	\$ 19,148,667	\$ -	\$ -
2016	15,940,308	19,566,897	19,885,388	19,971,081	20,016,631	20,045,358	20,063,960	18,602	18,640
2017	17,297,974	21,370,269	21,769,245	21,867,634	21,919,866	21,951,128	21,970,727	50,861	50,962
2018	19,438,330	23,925,964	24,359,320	24,481,170	24,542,817	24,577,490	24,599,067	117,897	118,132
2019	21,412,454	26,422,361	26,916,178	27,044,842	27,113,878	27,152,125	27,174,887	258,709	259,226
2020	21,393,621	26,253,941	26,723,177	26,847,005	26,913,444	26,951,728	26,974,764	720,823	722,265
2021	19,906,774	24,391,134	24,813,219	24,922,174	24,980,352	25,016,119	25,038,567	5,131,793	5,142,057
Expected future payments									\$ 6,311,282
Add: Assumed reserve for claims not yet filed									23,868
Reserve for claims not yet filed									6,335,150
Add: Claims filed but not yet paid									4,844,212
Loss reserve balance									<u>\$ 11,179,362</u>

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		
2015	\$ 15,474,235	\$ 18,809,508	\$ 19,140,593	\$ 19,222,947	\$ 19,270,603	\$ 19,298,248	\$ 19,315,628	\$ -	\$ -
2016	16,051,766	19,702,389	20,024,753	20,110,678	20,156,445	20,185,309	20,204,012	18,703	18,740
2017	17,425,760	21,529,927	21,929,989	22,028,646	22,081,037	22,112,477	22,132,235	51,198	51,300
2018	19,559,154	24,057,586	24,492,262	24,614,489	24,676,696	24,711,854	24,733,864	119,375	119,613
2019	21,440,110	26,462,299	26,957,693	27,086,749	27,156,093	27,194,604	27,217,601	259,908	260,429
2020	21,422,045	26,296,684	26,767,453	26,891,722	26,958,513	26,997,100	27,020,408	723,724	725,171
2021	19,944,238	24,442,977	24,866,879	24,976,355	25,034,945	25,071,069	25,093,836	5,149,598	5,159,897
Expected future payments									\$ 6,335,150
Add: Claims filed but not yet paid									4,804,610
Retained loss reserve balance									<u>\$ 11,139,760</u>

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

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

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development

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

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 result and expected amount.

Unit: In 100 of Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
December 31, 2021	\$ 622	\$ 4,829	\$ 175,742
December 31, 2020	(1,025)	4,481	182,228

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 the COVID-19

The Company has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the parent only financial report, there was no significant impact to 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 of the entities in the Company aggregated by the foreign currencies other than the Company's functional currency and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 139,447,050	27.690000	\$3,861,288,805
CNY	22,042,321	4.346666	95,810,606
AUD	5,492,243	20.093249	110,356,998
Non-monetary items			
USD	12,948,901	27.690000	358,555,060
HKD	7,291,008	3.550660	25,887,893
Investments accounted for the using the equity method			
CNY	3,794,820	4.340600	16,471,795
USD	509,715	27.690000	14,114,000
PHP	29,445,445	0.542500	15,974,154
VND	18,761,037,865	0.001214	22,775,900
GBP	597,841	37.306740	22,303,493
<u>Financial liabilities</u>			
Monetary items			
USD	854,568	27.690000	23,662,999

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 the 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

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

December 31, 2021			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	\$ 447,821,607	\$ -	\$ 447,821,607
Receivables	68,429,799	12,414	68,442,213
Investments			
Financial assets at FVTPL	24,951,856	1,514,564,963	1,539,516,819
Financial assets at FVTOCI	11,023,280	1,297,678,315	1,308,701,595
Financial assets measured at amortized cost	20,870,469	2,660,617,864	2,681,488,333
Financial assets for hedging	-	500,642	500,642
Investments accounted for using the equity method	-	103,702,207	103,702,207
Investment property	-	472,079,611	472,079,611
Investment property under construction	-	3,404,613	3,404,613

Items	December 31, 2021		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Prepayments for buildings and land			
- investments	-	242,642	242,642
Loans	5,839,164	484,366,411	490,205,575
Total investments	62,684,769	6,537,157,268	6,599,842,037
Reinsurance assets	687,000	1,545,832	2,232,832
Property and equipment	-	28,314,253	28,314,253
Right-of-use assets	-	384,896	384,896
		(Continued)	

December 31, 2021			
Items	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Intangible assets	\$ -	\$ 27,549,955	\$ 27,549,955
Deferred tax assets	-	58,336,053	58,336,053
Other assets	8,075,661	20,514,843	28,590,504
Separate account insurance product assets	<u>7,882,230</u>	<u>716,214,583</u>	<u>724,096,813</u>
Total assets	<u>\$ 595,581,066</u>	<u>\$7,390,030,097</u>	<u>\$7,985,611,163</u>
Payables	\$ 17,099,854	\$ -	\$ 17,099,854
Current tax liabilities	160,141	-	160,141
Financial liabilities at FVTPL	3,050,197	-	3,050,197
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	19,034,590	19,034,590
Loss reserve	-	11,179,362	11,179,362
Policy reserve	-	6,284,636,754	6,284,636,754
Special reserve	-	11,085,059	11,085,059
Premium deficiency reserve	-	9,808,215	9,808,215
Other reserve	<u>-</u>	<u>1,865,925</u>	<u>1,865,925</u>
Total insurance liabilities	<u>-</u>	<u>6,337,609,905</u>	<u>6,337,609,905</u>
Reserve for insurance contracts with the nature of financial products	-	1,165,040	1,165,040
Reserve for foreign exchange valuation	-	9,053,726	9,053,726
Provisions	-	56,245	56,245
Lease liabilities	508,015	8,652,082	9,160,097
Deferred tax liabilities	-	52,878,793	52,878,793
Other liabilities	-	16,837,440	16,837,440
Separate account insurance product liabilities	<u>319,598</u>	<u>723,777,215</u>	<u>724,096,813</u>
Total liabilities	<u>\$ 21,137,805</u>	<u>\$7,230,030,446</u>	<u>\$7,251,168,251</u>

(Concluded)

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

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
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
		(Continued)	

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
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	<u>5,143,040</u>	<u>486,626,308</u>	<u>491,769,348</u>
Total investments	<u>100,624,404</u>	<u>6,149,076,243</u>	<u>6,249,700,647</u>
Reinsurance assets	509,555	1,578,376	2,087,931
Property and equipment	-	26,750,271	26,750,271
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	-	<u>1,876,925</u>	<u>1,876,925</u>
Total insurance liabilities	-	<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

Items	December 31, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
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)

d. Information on discretionary investments

- 1) As of December 31, 2021 and 2020, 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	
	2021	2020
Domestic stocks	\$194,785,199	\$165,441,030
Overseas stocks	63,875,230	73,520,629
Notes and bonds purchased under resale agreements	22,665,650	20,066,000
Cash in banks	61,954,809	51,308,069
Beneficiary certificates	240,069	1,997,792
Futures and options	216,823	501,910
	<u>\$343,737,780</u>	<u>\$312,835,430</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, 2021 and 2020, the discretionary investment limits are as follows (in thousands of each currency):

	December 31	
	2021	2020
Monetary items		
NTD	\$ 99,779,839	\$ 84,358,163
USD	1,002,600	1,462,200
HKD	2,084	74,084

e. 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, 2021 and 2020, the Company provided loans amounting to GBP331,300 thousand and \$345,000 thousand, respectively, 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 which are 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, 2021 and 2020, the carrying amounts of the Company's assets related to its interests in uncontrolled structured entities are disclosed as follows:

	December 31, 2021	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	\$185,461,478	\$ 34,175,603
Financial assets at FVTOCI	-	41,608,066
Financial assets measured at amortized cost	-	107,111,263
	<u>\$185,461,478</u>	<u>\$182,894,932</u>
	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	-	119,025,227
	<u>\$119,715,465</u>	<u>\$225,310,281</u>

f. Impact of the Russian-Ukrainian War

As of December 31, 2021 and February 28, 2022, Russian bonds held by the Company included financial assets at fair value through other comprehensive income of \$9,328,323 thousand and \$2,948,160 thousand, respectively, and financial assets at amortized cost of \$17,687,512 thousand and \$17,176,719 thousand, respectively. As the Russian-Ukrainian War broke out on

February 24, 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was identified as objective credit-impaired evidence; therefore, Cathay Life transferred the Russian bonds from 12-month expected credit losses to lifetime expected credit losses in February 2022. This condition is a non-adjusting event that happened in the subsequent period and the Company continues assessment and recognizes expected credit losses on those bonds.

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.	N/A
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.	Table 5
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.	Table 3
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.	Table 5
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 4
2	Significant transactions, with investees in mainland China, either 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, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Ratio (%)	Carrying Amount			
The Company	Conning Holdings Limited	UK	Holding company	\$ 15,723,539	\$ 15,723,539	2,029	100.00	\$ 14,114,000	\$ 2,085,827	\$ 1,539,808	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	20,370,930	9,090,730	-	100.00	22,775,900	88,010	88,010	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	13,142,589	338,468	338,468	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	130,444	2,884	2,884	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	8,583,640	87,650	87,650	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	446,820	4,142	4,142	Subsidiary (Note 1)
	Cathay Industrial Research and Design Center Co., Ltd.	Taiwan	Real estate leasing	990,000	-	99,000	99.00	907,848	(82,982)	(82,152)	Subsidiary (Note 2)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	22.19	15,974,154	3,476,742	794,562	Associate (Note 2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	12,504,578	13,317,536	2,389,294	20.19	-	193,898	-	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	300,000	30,000	100.00	699,974	253,987	253,987	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	386,762	(48,747)	(23,945)	Associate (Note 2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	54,186	108,372	5,419	21.43	4,273	(184)	(40)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	425,009	753,562	42,501	25.00	1,023,946	789,868	197,468	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	712,500	712,500	71,250	21.43	1,254,083	55,201	11,829	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	668,836	(13,262)	(5,968)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	663,377	(18,975)	(8,539)	Associate (Note 2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	450,000	315,000	45,000	45.00	487,829	81,207	36,543	Associate (Note 2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	731,593	112,142	50,464	Associate (Note 2)
	Cathay Power Inc. (former Cathay Sunrise Corporation)	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	728,975	130,547	58,746	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	44,538	27.36	855,187	91,423	25,015	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	832,750	14,186	35.61	935,422	156,813	56,137	Associate (Note 2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	469,273	44,701	13,411	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	129,543	25.00	1,775,372	435,636	108,909	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	63,636	1,470	49.00	52,963	57,164	28,010	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Energy technical services	427,500	148,000	42,750	45.00	417,152	(21,333)	(9,138)	Associate (Note 2)

Note 1: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statements which have not been audited by an independent auditor.

Note 3: Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.

TABLE 2**CATHAY LIFE INSURANCE CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(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, 2021				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	\$ 5,869	1.76	\$ 5,869	
Symphox Information Co., Ltd.	<u>Stocks</u> Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	24	187	0.63	187	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	33,497	7.72	33,497	
	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	54,433	100.00	54,433	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	5,975	337,438	71.08	337,438	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	27,702	100.00	27,702	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,530,134	100.00	1,530,134	

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, 2021
(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 Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payments by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, Corp.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Ruixing Section, Daix District, Taoyuan City	2021.05.13	1,500,000	Payments by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Gongyuan Section, Zhongzheng District, Taipei City	2021.11.02	302,218	Payments by installment according to the contract	2 natural people	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Jinzhong Section, Luzhu District, Taoyuan City	2021.11.09	1,687,000	Payments by installment according to the contract	Hua Xian Enterprise Ltd., Xia Xian Enterprise Ltd., and 4 natural people	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun Section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payments by installment according to the contract	ROC. (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	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, 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.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 779,748	50.00	\$ 389,874 (Note 2,b,2)	\$ 6,544,145	\$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	a	2,943,663	-	-	2,943,663	511,226	24.50	125,250 (Note 2,b,3)	1,954,975	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	a	7,223,435	-	-	7,223,435	215,754	100.00	159,488 (Note 2,b,2)	7,972,675	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	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)	\$440,665,747

Note 1: The three 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 company's 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, 2021, 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. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company’s board of directors resolved to suspend capital increase on January 26, 2022. As of December 31, 2021, 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, 2021, the Company’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

- V. 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	2021	2020	Difference	
			Amount	%
Cash and cash equivalents	\$447,821,607	\$504,040,612	(\$56,219,005)	(11.15%)
Receivable	68,442,213	64,212,928	4,229,285	6.59%
Financial assets and loans	6,599,842,037	6,249,700,647	350,141,390	5.60%
Reinsurance assets	2,232,832	2,087,931	144,901	6.94%
Property and equipment	28,314,253	26,750,271	1,563,982	5.85%
Intangible assets	27,549,955	29,509,337	(1,959,382)	(6.64%)
Other assets (Note 1)	811,408,266	728,026,748	83,381,518	11.45%
Total assets	7,985,611,163	7,604,328,474	381,282,689	5.01%
Payables	17,099,854	24,648,142	(7,548,288)	(30.62%)
Financial Liabilities	83,050,197	91,778,038	(8,727,841)	(9.51%)
Insurance liabilities, liability adequacy reserve and foreign exchange volatility reserve	6,347,828,671	6,034,623,477	313,205,194	5.19%
Provisions	56,245	56,245	-	-
Other liabilities (Note 2)	803,133,284	739,495,208	63,638,076	8.61%
Total liabilities	7,251,168,251	6,890,601,110	360,567,141	5.23%
Capital stock	58,515,274	58,515,274	-	-
Capital surplus	60,594,868	60,606,533	(11,665)	(0.02%)
Retained earnings	529,717,909	416,092,528	113,625,381	27.31%
Other equity	85,614,861	178,513,029	(92,898,168)	(52.04%)
Total equity	734,442,912	713,727,364	20,715,548	2.90%
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.				
Analysis of increase (decrease) in proportion:				
1. Mainly due to the decrease in tax payables in 2021.				
2. Mainly due to the increase in net profit in 2021.				
3. Mainly due to the increase in unrealized losses of financial assets in 2021.				

II. Financial Performance

Unit: NT\$ thousand

Item \ Year	2021	2020	Change in amount	Change in proportion (%)	
Operating income	\$914,869,993	\$906,260,419	\$8,609,574	0.95%	
Operating cost	769,618,791	837,328,341	(67,709,550)	(8.09%)	
Operating expenses	22,215,769	20,564,071	1,651,698	8.03%	
Operating benefit	123,035,433	48,368,007	74,667,426	154.37%	3
Non-operating income and expenses	1,563,640	1,582,615	(18,975)	(1.20%)	
Pre-tax net income of the units in continued business operation	124,599,073	49,950,622	74,648,451	149.44%	4
Income tax (expense) benefit	(12,368,278)	1,793,972	(14,162,250)	789.44%	5
Net profit this term of the units in continued business operation	112,230,795	51,744,594	60,486,201	116.89%	6
Analysis of increase (decrease) in proportion:					
1. Mainly due to decrease in operating cost in 2021.					
2. Mainly due to decrease in operating cost in 2021.					
3. Mainly due to increase in taxable income in 2021.					
4. Mainly due to decrease in operating cost in 2021.					

III. Cash flows

(I) Liquidity Analysis

Item \ Year	2021	2020	Increase (decrease) in proportion (%)	
Cash flow ratio (%)	(154.35)	232.15	(166.49%)	1
Cash flow adequacy rate (%)	182.68	174.88	4.46%	
Cash reinvestment ratio (%)	(0.45)	1.25	(135.79%)	1
Analysis of increase (decrease) in proportion:				
1. Mainly due to less cash flows from operating activities in 2021 compared to that in 2020.				

(II) Cash Liquidity Analysis for the Next Year

The balance of cash and cash equivalents at the end of 2021 was NT\$447.822 billion, with sufficient cash liquidity expected for the Coming Year.

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:

- (I) In 2021, the Company increased the capital in Cathay Life (Vietnam) as the Vietnam's market will benefit from the demographic dividend and its economy will grow rapidly, while the insurance market bears long-term development potential. Therefore, we contributed a capital of US\$400 million (around NT\$11.4 billion) to meet its business growth and align its business with the international community. The Company will continue to make strategic overseas investments in alignment with the Group's development strategy and strengthen post-investment management in accordance with applicable regulations, thereby consolidating the foundation for operations, reducing the potential operational risks, and improving the operating performance.
- (II) In response to increasingly stringent capital adequacy requirements and changes in accounting standards, we are still conservative towards relevant investment plans and policies for the next year, dedicating efforts towards the Company's long-term business development and corporate sustainability, and maximize the value and interests of employees and shareholders. In cooperation with the government's promotion of long-term funds to invest in domestic infrastructure projects, we have applied to the Insurance Bureau to increase our shareholding in Cathay Power Inc. in 2022. We will adopt Cathay Power Inc. as a platform to actively expand solar power facilities and establish EPC relations. We will continue to evaluate other renewable energy sources (such as wind power) and seize other opportunities for participation in infrastructure projects on environmental protection, incinerators, or water resources to increase long-term stable income. We will also strengthen and implement the Company's internal control mechanism for post-investment management in accordance with the "Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises".

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 rates: In 2021, with the increasing vaccine coverage and the gradual lifting of COVID restrictions, the central banks of major countries continued to implement their quantitative easing policies, leading to high economic growth rates. The CBC also maintained a discount rate of 1.125% to stabilize economic growth. Looking forward to 2022, the global economic recovery will continue, while inflation may suffer an upward pressure. It is expected that global central banks will tighten monetary policies, while the CBC will raise the interest rate moderately, pushing market interest rates higher, which may affect bond valuations in the short term but improve recurring income in long-term and short-term interest rates, which may affect bond values in the short term but may

improve stable returns in the long term. Furthermore, the world is still confronted with a number of risk events, such as concerns about the outbreak of new coronavirus variants, ongoing continuous supply chain disruptions, labor shortages, and uncertain inflation prospects. The Company will keep monitoring global economic situations and trends in the financial market conditions, evaluate all possible scenarios for interest rate movement, timely adjust investment positions, and formulate corresponding investment strategies to alleviate the negative impacts of interest rate movement.

2. Exchange rates: Looking back on 2021, the global economic activities recovered rapidly due to the increased vaccine coverage in vaccination coverage and the gradual lifting of anti-pandemic and control measures in various countries. However, the rising raw material and salary costs, the labor shortages facilitated by the bottlenecks in the international supply chain, raw material shortages, and the rising global inflation have prompted the central banks in various countries to think about turning the quantitative easing policies to tight monetary ones tightening the monetary policy. Among them, the U.S. Federal Reserve had released a message about a tight monetary policy stance since the middle of the year, and the pace of tightening has exceeded market expectations repeatedly, prompting the USD to appreciate, while most non-USD currencies had depreciated throughout the year. Taiwan's exports had repeatedly hit new highs in the foreign trade boom, so Taiwan's economy was relatively stable, laying a solid foundation for the strong NTD, with a total appreciation of 2.95% throughout the year. Looking ahead to 2022, the global economy is expected to gradually get out of the dark cloud of the pandemic and return to the right track. However, with the tight monetary policy in the macro environment, it is estimated that the foreign exchange market will fluctuate significantly, and making it difficult for the life insurance industry to hedge the currency risk. The Company will still appropriately adjust its risk aversion hedging strategies in accordance with the FX trend to reduce the impact of exchange rate fluctuations and stabilize the company's profits/losses.
 3. Inflation: Looking back on 2021, as inflation was facilitated by the soaring oil and vegetable and fruit prices, the Consumer Price Index surged by 1.96%. Looking ahead to 2022, the bottleneck of the global supply chain will sustain. Due to the impact of the Russia-Ukraine War, international raw material prices will rise, and domestic inflation may rise further. The central bank also estimated that the consumer price index will rise from 1.59% to 2.37% this year. Although the central bank has raised interest rates in the first quarter, we still need to pay close attention to the domestic inflation and the central bank's approach toward the monetary policy. We will adjust the investment allocation strategy depending on the domestic interest rates to improve the capital use efficiency.
- (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 2021, the Company’s relevant response measures are as follows:

1. Relaxed the restrictions on the number of directors and supervisors assigned by an insurance companies for public utilities and social welfare enterprises in which they invest

The Legislative Yuan passed the amendment to Article 146-5 of the Insurance Act to relax the restrictions on the number of directors and supervisors assigned by insurance companies for public utilities and social welfare enterprises in which they invest, with the number of directors and supervisors assigned increasing from no more than one third of the total to two thirds. It also allows insurance companies to assign persons to act as managers of the invested enterprises, while those persons assigned shall not concurrently hold positions in those insurance companies. These amendments will help insurance companies increase their shareholder rights that they can be exercised by an insurance company as an shareholder to ensure that the insurance company can keep abreast of major proposals during voting at a board meeting. It also helps insurance companies manage investment risks more effectively and increase their willingness to invest in infrastructure projects. In the future, the Company will take into account both risks and rewards and continue to evaluate relevant investment opportunities.

2. Expanded the scope of insurance companies’ participation in domestic private equity funds and strengthened the post-investment management mechanism for venture investment enterprises and private equity funds

The Insurance Bureau amended the relevant provisions of the “Regulations Governing Use of Insurer’s funds in Special Projects, Public Utilities and Social Welfare Enterprises” to allow insurance companies to invest in domestic private equity funds with eligibility letters issued by the National Development Council. It also requires insurance companies to enhance the post-investment management mechanism for the investments in venture investment enterprises and private equity funds, which include regularly reviewing whether the actual investment conditions meet the original investment plan and scope, ensuring that

the invested entity does not involve itself in management right disputes of enterprises in which it has direct or indirect investment, and evaluation and plans for the required response measures. Such an amendment has little impact on the Company's overall asset allocation, and the Company will also duly implement a post-investment management mechanism to be in compliance with those requirements.

3. Introduced management mechanism for real estate benchmarked as a group

The Insurance Bureau enacted "the Regulations Governing Real Estate Investment by Insurance Enterprises" to change the management mechanism of the immediate use and derived benefit of real estate investments from being solely on individual basis to the mechanism benchmarked as a group and an individual in parallel. Real estate investments meeting the immediate use and derived benefit benchmarks for 5 consecutive years or longer will be benchmarked as a group. Compared with the previous mechanism only on individual basis, the mechanism benchmarked as a group can avoid the need for an ad-hoc report when a case fails to meet the benchmark, thereby alleviating the supervisory burden and allowing the insurance companies to conduct management more flexibly. The Company will continue to follow the requirements for immediate use and derived benefit for the real estate investments to ensure adequate profitability and comply with all relevant laws and regulations.

- (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 2021 with the outcome as appropriate. Cathay Life has no material information security incidents in 2021.

- (VI) Major impact on the company brought by company image change of and remedial actions:

The Company and our subsidiaries have long been committed to the environmental, social, and governance (ESG) issues at a steady pace and with forward-looking vision to fulfill our social responsibility as a corporate citizen. We will continue to develop the images of our three major brands images, namely corporate sustainability, health promotion, and digital technology in response to the environment and trends. In addition to maintaining high-quality brand images through public relations, we actively monitor the Company's brand image in the market by monitoring the media and investigating brand reputation. The Company also created internal crisis management reporting and management guidelines for the purpose of actively clarifying and responding to incidents that may harm the corporate image at the earliest time possible.

- (VII) Potential effects and risks associated with mergers and acquisitions and remedial action: 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 by Fairfield Sentry Limited (about which the liquidators of Fairfield Sentry Limited have filed an appeal to a U.S. District Court) and the part of the claim that proceeded 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 the above 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 Tsai-Fa Chou (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 NT\$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 the above-mentioned 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
2021

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 2021 (from January 1 to December 31, 2021) 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 declared as above.

Company name: Cathay Life Insurance Co., Ltd.

Chairman: Tiao-Kuei Huang

March 11, 2022

Affiliation Report

To: Cathay Life Insurance Co., Ltd.

We have audited the 2021 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 11, 2022. The purpose of this audit was to express opinions on the fairness of the financial statement preparation. The attached 2021 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 2021 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 11, 2022

Summary of the relationship between the affiliated company and the controlling company

Unit: shares; %

Name of the controlling company	Reason of 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 Tzung-Han Tsai Chung-Yan Tsai John Chung-Chang 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 sale transactions

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 (NTD)	Duration of credit	Price (NTD)	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.	2021.1.1~2021.12.31	Operating lease	Negotiation	Monthly payment	Equivalent with regular rent levels	\$ 140,758	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 superfices, 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
2021

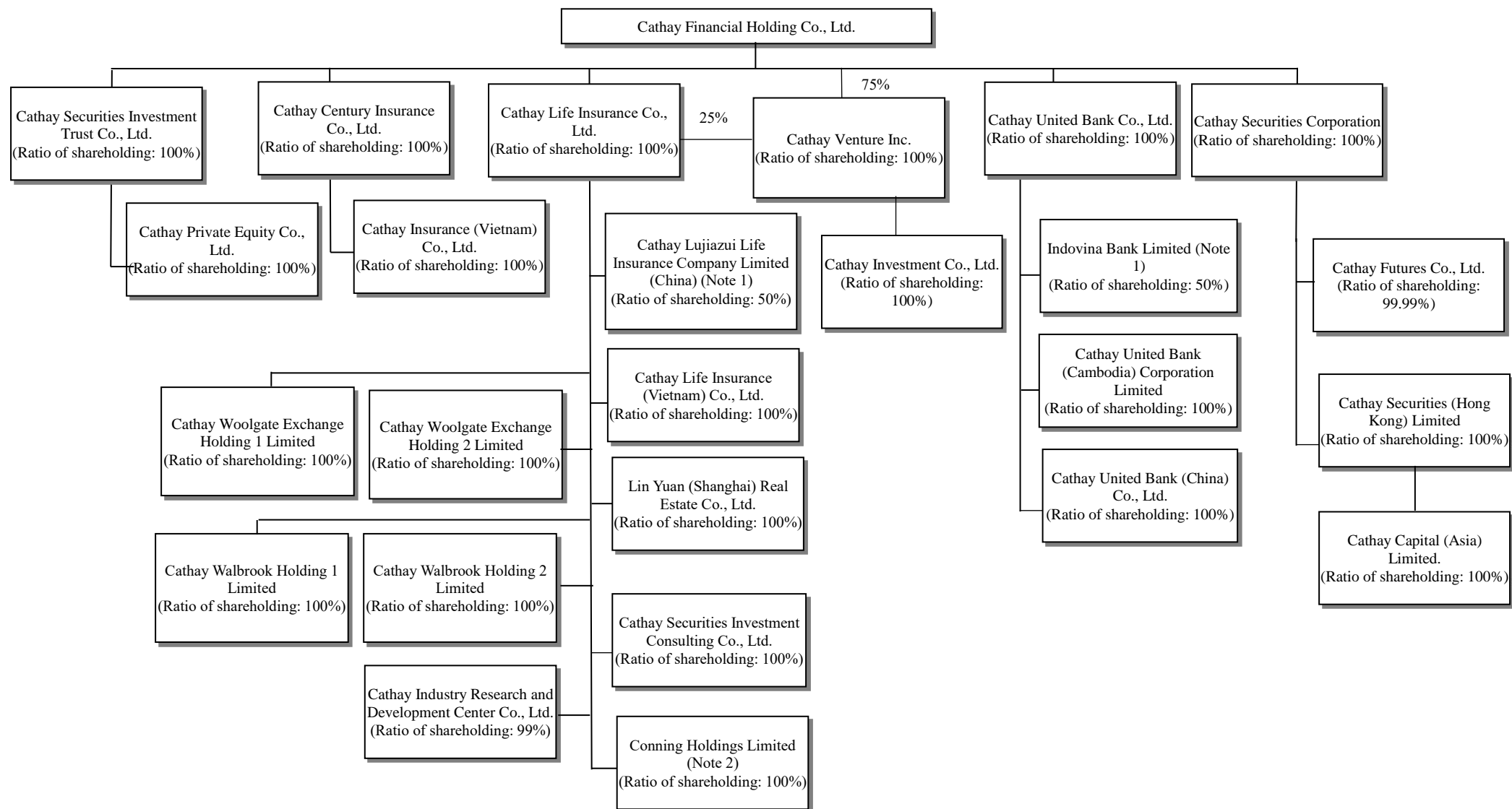
Address: No. 296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: (02)2755-1399

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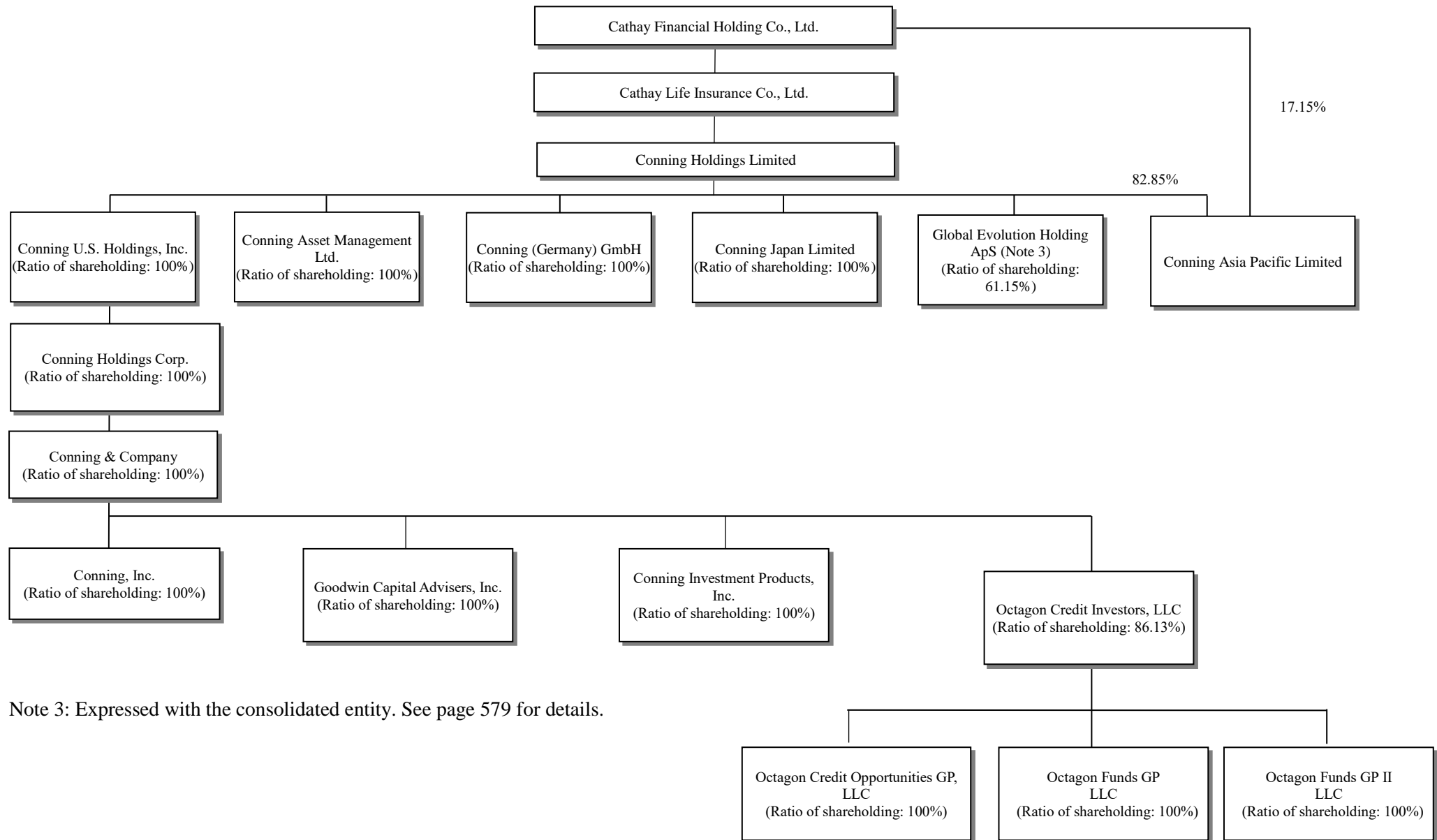
Organizational Structure of Affiliates



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

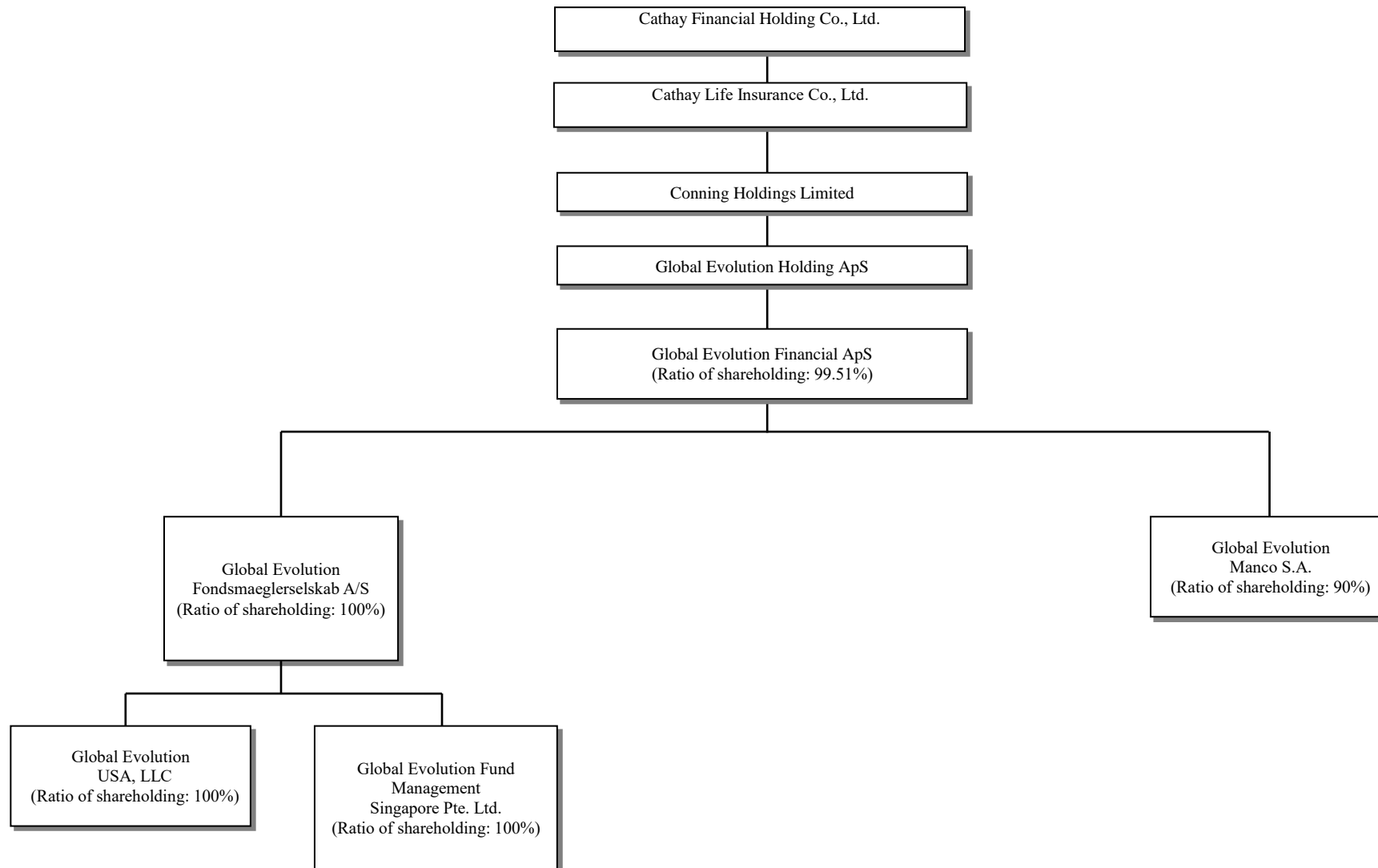
Note 2: Expressed with the consolidated entity. See page 578 for details.

Organizational Structure of Affiliates (Continued)



Note 3: Expressed with the consolidated entity. See page 579 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. and 20F., No. 333, and 6F., 10F., 18F.-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.)	5,181,730	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 Industry Research and Development Center Co., Ltd.	2021.01.08	12F., No. 339, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,000,000	Real estate leasing
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	38F., Qiantan Center, No.588, Dongyu Road/No.555, Haiyang West Road, Pilot Free Trade Zone, Shanghai, China	13,497,155	Life insurance business
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Unit 306, 3F., Dining-2 Department, Huadu Building, No. 828-838 Zhangyang Road, Free Economic Pilot Zone, Shanghai City	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	20,370,930	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	Holdings Company
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings 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 Queen's Road Central, Hong Kong	577,686	Asset Management Business
Conning Japan Limited	2011.9.3	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	127,319	Holdings Company
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings Company
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings Company
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset Management Business
Goodwin Capital Advisers, Inc.	1930.3.14	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, 15 th Floor, New York, NY 10167, U.S.A.	-	Asset Management Business
Octagon Credit Opportunities GP, LLC	2014.6.13	250 Park Avenue, 15 th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15 th Floor, New York, NY 10167, U.S.A.	-	Fund Management Business
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15 th 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 Fondsmæglerselskab A/S	2007.6.4	Kokholm 3A, DK-6000 Kolding, Denmark	-	Asset Management Business
Global Evolution Manco S.A.	2016.8.17	15, Rue d'Epernay, L-1490 Luxembourg, Luxemburg	-	Asset Management Business
Global Evolution USA, LLC	2012.1.27	250 Park Avenue, 15 th 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	6 th 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	Unit 01-03, 8F., and Unit 01 and 04B, 15F., No. 1366, Lujiazui Ring Road, Pudong New District, Shanghai (Foxconn Building)	14,377,562	Banking
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333, and 5F. 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, 17 th 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 of assumption	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: If the subsidiaries share identical shareholders that are corporations, the preparer should fill in the name of the corporations. If the subsidiaries share identical individual shareholders, the preparer should fill in the name of the individuals. Individual shareholders only need to fill in the reason of assumption, the names, and the number of shares held.

Note 2: The shareholders' shareholding information on the controlling company shall be filled in.

Information on directors, supervisors, and presidents of affiliated corporations

Affiliate name	Title	Name and Representative	Unit: shares; %	
			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)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			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	Tzung-Han 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 Chung-Chang 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)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			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	Tzung-Han 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%
	Director	Sophia Cheng (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	Chin-Hua Chiu (Representative of Cathay Financial Holdings)	-	-
	President	Wei-Cheng Lee		

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			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%
	Director	Chuang-Hao Lo (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	Ta-Kun Liu (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)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Grace Chen (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	388,629,745	75%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	388,629,745	75%
	Supervisor	Shun-Yu Chuang	-	-
	President	Jen-Ho Chang	-	-
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-Fang Tsai (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Hung-Ming Lee (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	Yi-Tsung Wang (Representative of Cathay Life)	30,000,000	100%
	Director	Ching-Li Chang (Representative of Cathay Life)	30,000,000	100%
	Director	Linwood (“Woody”) E. Bradford, Jr. (Representative of Cathay Life)	30,000,000	100%
	Director	Hsiang-Sung Chang (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)	30,000,000	100%
	Supervisor	Wei-Chi Li (Representative of Cathay Life)	30,000,000	100%
	President	Ruo-Lan Huang	-	-
Cathay Industry Research and Development Center Co., Ltd.	Chairman	Jen-Ho Chang	-	-
	Director	Wen-Kai Kuo (Representative of Cathay Life)	99,000,000	99%
	Director	Min-Hung Shih	-	-
	Supervisor	Xu-Feng Zheng	-	-
	President	-	-	-
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	Tung-Kai Ou Yang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Shih-Chiao Lin (Representative of Cathay Life)	-	50%
	Director	Chun-Hung Wu (Representative of Cathay Life)	-	50%
	Director	Chih-Jung Kung (Representative of Cathay Life)	-	50%
	Independent Director	Fang-Shu Chan (Representative of Cathay Life)	-	50%
	Independent Director	Chiang-Feng Lin (Representative of Cathay Life)	-	50%
	Independent Director	Chung-Chi Chang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	Independent Director	Tao-Yung Lou (Representative of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.)	-	50%
	President	Chih-Jung Kun	-	-

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	Chun-Hung Wu (Representative of Cathay Life)	-	100%
	Director	Shih-Chiao Lin (Representative of Cathay Life)	-	100%
	Director	Hsun-Yu Li (Representative of Cathay Life)	-	100%
	Supervisor	Ke-Wen Chang (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	-	-	-

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 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	-	-	-
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, Jr. (Representative of Cathay Life)	2,029,287	100%
	Director	Chih-Te Sun (Representative of Cathay Life)	2,029,287	100%
	Director	Tzung-Han 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, Jr. (Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	218	100%
	President	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			Number of shares held	
			Number of shares	Ratio of shareholding
Conning Asset Management Ltd.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (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	-	-	-
Conning (Germany) GmbH	Chairman	Linwood (“Woody”) E. Bradford, Jr. (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, Jr. (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, Jr. (Representative of Conning Holdings Limited)	4,254,102	61.15%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	4,254,102	61.15%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (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	-	-	-

Information on directors, supervisors, and presidents of affiliated corporations (Continued)

Affiliate name	Title	Name and Representative	Unit: shares; %	
			Number of shares held	
			Number of shares	Ratio of shareholding
Conning & Company	Chairman	Linwood (“Woody”) E. Bradford, Jr. (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	-	-	-
Conning, Inc.	Chairman	Linwood (“Woody”) E. Bradford, Jr. (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, Jr. (Representative of Conning & Company)	628,000	100%
	Director	Jung W. Lee (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, Jr. (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, Jr. (Representative of Conning & Company)	-	86.13%
	Director	Jung W. Lee (Representative of Conning & Company)	-	86.13%
	Director	Richard Sega (Representative of Conning & Company)	-	86.13%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	86.13%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	86.13%
	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
Octagon Credit Opportunities GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Global Evolution Financial ApS	N/A	Global Evolution Holding ApS	-	99.51%
Global Evolution Fondsmæglerselskab A/S	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	Ming-Chiao Liang (Representative of Cathay Century Insurance)	-	100%
	President	Yu-Tang Lin	-	-

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
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	-	-
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	Chih-Fong Wang (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	Wei-Hua Chou (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	Francis Peng (Representative of Cathay United Bank)	-	100%
	Director	Chi-Yuan Chien (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	Hsiang-Hsin Tsai (Representative of Cathay United Bank)	-	100%
	President	Francis Peng	-	-

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 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	-	-
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%
	Supervisor	Chang-Hui Hung (Representative of Cathay Venture)	3,500,000	100%
	President	Jen-Ho Chang	-	-
Cathay Private Equity Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Andrew Ming-Jian Kuo (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Chuan-Yen Hu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	Supervisor	Kou-Chung Huang (Representative of Cathay Securities Investment Trust)	15,000,000	100%
	President	Chuan-Yen Hu	--	-

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	\$1,024,772,420	\$ 122,734,274	\$ 902,038,146	Note 1	\$ 142,322,780	\$ 140,556,310	(\$ 1,042,228)	\$ 139,514,082	10.34
Cathay Life Insurance Co., Ltd.	Taiwan	58,515,274	7,985,611,163	7,251,168,251	734,442,912	914,869,993	123,035,433	124,599,073	(12,368,278)	112,230,795	19.18
Cathay United Bank Co., Ltd.	Taiwan	106,985,830	3,380,077,555	3,133,726,443	246,351,112	Note 1	61,210,193	26,716,196	(3,372,000)	23,344,196	2.18
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	49,312,402	34,865,089	14,447,313	21,836,128	2,514,397	2,556,763	(381,465)	2,175,298	7.12
Cathay Securities Corporation	Taiwan	7,300,000	56,869,433	43,824,399	13,045,034	6,840,727	2,666,641	2,720,376	(519,834)	2,200,542	3.01
Cathay Venture Inc.	Taiwan	5,181,730	6,477,090	52,520	6,424,570	518,051	466,237	465,005	(29,369)	435,636	0.84
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	4,540,105	988,137	3,551,968	3,855,397	1,877,684	1,778,571	(376,153)	1,402,418	9.35
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	300,000	924,924	224,950	699,974	941,120	318,187	317,483	(63,496)	253,987	8.47
Cathay Industry Research and Development Center Co., Ltd.	Taiwan	1,000,000	2,388,697	1,471,679	917,018	(33,281)	(95,348)	(95,348)	12,366	(82,982)	(0.83)
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	71,971,070	58,882,780	13,088,290	18,345,788	703,957	696,328	83,420	779,748	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,820,894	672,881	8,148,013	329,311	287,672	287,672	(71,918)	215,754	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	20,370,930	32,411,634	9,635,734	22,775,900	4,409,627	80,884	88,010	-	88,010	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey, C.I.	16,654,013	13,142,740	151	13,142,589	479,060	370,847	370,847	(32,379)	338,468	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey, C.I.	168,222	130,595	151	130,444	4,829	3,049	3,049	(165)	2,884	-
Cathay Walbrook Holding 1 Limited	Jersey, C.I.	10,189,090	20,330,244	11,746,604	8,583,640	578,970	102,463	102,463	(14,813)	87,650	-
Cathay Walbrook Holding 2 Limited	Jersey, C.I.	536,268	1,072,473	625,653	446,820	30,470	4,404	4,404	(262)	4,142	-
Conning Holdings Limited (Note 2)	U.K.	15,723,539	24,855,613	9,605,029	15,250,584	10,453,473	2,627,127	2,627,127	(541,300)	2,085,827	-
Conning U.S. Holdings, Inc.	USA	-	16,074,629	5,423,894	10,650,735	7,422,919	1,289,717	1,289,717	(258,481)	1,031,236	-
Conning Asset Management Ltd.	U.K.	191,303	402,349	136,504	265,845	282,400	37,117	37,117	(5,351)	31,766	-
Conning (Germany) GmbH	Germany	938	46,304	22,022	24,282	13,287	3,583	3,583	(2,118)	1,465	-
Conning Asia Pacific Limited	Hong Kong	577,686	560,888	115,867	445,021	484,926	149,916	149,916	(9,805)	140,111	-

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)
Conning Japan Limited	Japan	-	11	-	11	-	-	-	-	-	-
Global Evolution Holding ApS	Denmark	127,319	2,004,210	782,784	1,221,426	2,309,929	1,283,691	1,283,691	(307,032)	976,659	-

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)
Conning Holdings Corp.	USA	-	11,057,616	4,390,364	6,667,252	7,422,919	1,383,466	1,383,466	(285,971)	1,097,495	-
Conning & Company	USA	4,485	10,359,635	4,402,731	5,956,904	7,422,938	1,386,447	1,386,447	(285,833)	1,100,614	-
Conning, Inc.	USA	329	2,840,592	1,641,565	1,199,027	3,677,383	244,795	244,795	(25,932)	218,863	-
Goodwin Capital Advisers, Inc.	USA	172	63,638	19,313	44,325	84,736	43,946	43,946	(8,096)	35,850	-
Conning Investment Products, Inc.	USA	-	20,773	2,440	18,333	13,084	(2,720)	(2,720)	(98)	(2,818)	-
Octagon Credit Investors, LLC	USA	-	3,709,634	1,210,923	2,498,711	3,783,786	1,304,820	1,304,820	(33,213)	1,271,607	-
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	-	-	-	-	-	-	-	-	-	-
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	1,214,847	587,784	627,063	360,019	38,018	37,177	(10,112)	27,065	-
Indovina Bank Limited	Vietnam	6,094,911	68,528,509	59,776,329	8,752,180	Note 1	2,175,330	1,138,282	(210,046)	928,236	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	12,083,921	9,135,232	2,948,689	Note 1	533,115	117,807	(15,685)	102,122	1.02
Cathay United Bank (China) Co., Ltd.	China	14,377,562	81,801,723	65,217,459	16,584,264	Note 1	1,237,674	311,968	(73,452)	238,516	-
Cathay Futures Co., Ltd.	Taiwan	667,000	14,470,981	12,337,563	2,133,418	373,013	(12,531)	56,615	(7,341)	49,274	0.74
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	1,150,989	617,754	533,235	95,696	(44,118)	(40,735)	-	(40,735)	-
Cathay Capital (Asia) Limited.	Hong Kong	3,875	1,405,235	1,398,834	6,401	24,688	6,332	6,337	(3,029)	3,308	-
Cathay Investment Co., Ltd.	Taiwan	35,000	34,276	39	34,237	54	(156)	(154)	(141)	(295)	(0.08)
Cathay Private Equity Co., Ltd.	Taiwan	150,000	118,338	14,196	104,142	17,504	(24,944)	(28,210)	4,946	(23,264)	(2.19)

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 on a consolidated basis.

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.: Life insurance business.
- (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 Industry Research and Development Center Co., Ltd.: Real estate leasing.
- (10) Cathay Lujiazui Life Insurance Company Limited: Personal Insurance
- (11) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of Proprietary Office Space
- (12) Cathay Life Insurance (Vietnam) Co., Ltd.: Personal insurance representative.
- (13) Cathay Woolgate Exchange Holding 1 Limited: Management of real estate investment.
- (14) Cathay Woolgate Exchange Holding 2 Limited: Management of real estate investment.
- (15) Cathay Walbrook Holding 1 Limited: Management of real estate investment.
- (16) Cathay Walbrook Holding 2 Limited: Management of real estate investment.
- (17) Conning Holdings Limited: Holdings company.
- (18) Conning U.S. Holdings, Inc.: Holdings company.
- (19) Conning Asset Management Ltd.: Asset management business.
- (20) Conning (Germany) GmbH: Risk Management Software Business.
- (21) Conning Asia Pacific Limited: Asset management business.
- (22) Conning Japan Limited: Asset management business.
- (23) Global Evolution Holding ApS: Holdings Company
- (24) Conning Holdings Corp.: Holdings company.

- (25) Conning & Company: Holdings company.
- (26) Conning, Inc.: Asset management business.
- (27) Goodwin Capital Advisers, Inc.: Asset management business.
- (28) Conning Investment Products, Inc.: Securities business.
- (29) Octagon Credit Investors, LLC: Asset management business.
- (30) Octagon Credit Opportunities GP, LLC: Fund Management Business.
- (31) Octagon Funds GP LLC: Fund management business.
- (32) Octagon Funds GP II LLC: Fund management business.
- (33) Global Evolution Financial ApS: Asset Management Business.
- (34) Global Evolution Fondsmæglerselskab A/S: 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.: Financial insurance Business.
- (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 business.

II. Cooperation among all affiliated companies:

(I) Joint business promotion

To improve competitiveness and operational synergy, our Company consolidated diverse financial institutions, including the bank, the insurance Company, and the securities firm, to create an operation platform with comprehensive product lines. By having 667 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 Financial Holdings,” “Joint Marketing Agreement Among Subsidiaries of Cathay Financial Holdings,” “Business and Customer Information Confidentiality Agreement Among Subsidiaries of Cathay Financial Holdings,” “Joint Statement of Confidentiality Measures Among Subsidiaries of Cathay Financial Holdings,” “Regulations Governing Surveillance on Marketing of Subsidiaries by Marketing and Planning Department of Cathay Financial Holdings,” and “Regulations Governing Data Storage Management of Cathay Financial Holdings” pursuant to “Financial Holding Company Act,” “Personal Data 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

To implement “one-stop shopping” financial services, our Company continues to expand joint marketing business within the scope provided by laws and orders.

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 58 customer service locations.
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

1. Down-to-earth business operation and continuous improvement.
2. Attach importance on business ethics and professional conscience.
3. Attach importance to the rights and interests of the insured and implement corporate social responsibility.
4. Improve employee benefits and take into account of shareholders' interests.

Cathay Life Insurance Co., Ltd.

Chairman: Tiao-Kuei Huang