Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2023 and 2022 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. and its subsidiaries (collectively, "the Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34)	$ 247,096,324	3	$ 329,638,342	4	$ 160,059,444	2
RECEIVABLES (Notes 4, 5, 7 and 34)	102,998,383	1	92,183,754	1	90,174,185	1
CURRENT TAX ASSETS (Note 4)	185,528	-	15,472	-	29,263	-
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39)	1,521,321,722	18	1,426,004,992	18	1,361,535,519	17
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39)	540,376,932	6	442,472,396	5	1,289,044,858	16
Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39)	4,231,495,072	49	3,986,581,050	49	3,098,236,326	39
Financial assets for hedging (Notes 4, 5 and 10)	1,750	-	29,891	-	41,599	-
Investments accounted for using the equity method (Notes 4 and 12)	31,032,494	1	29,483,762	-	31,897,429	-
Investment property (Notes 4, 5, 14 and 34)	522,607,457	6	520,893,328	6	519,654,047	6
Investment property under construction (Notes 4, 14 and 34)	10,387,857	-	5,747,767	-	4,565,382	-
Prepayments for buildings and land - investments (Notes 4 and 14)	472,065	-	1,501,343	-	1,613,609	-
Loans (Notes 4, 5, 15 and 34)	410,083,874	5	450,296,409	6	460,888,475	6
Total investments	7,267,779,223	85	6,863,010,938	84	6,767,477,244	84
REINSURANCE ASSETS (Notes 4, 16 and 23)	1,838,637	-	2,309,447	-	1,793,685	-
PROPERTY AND EQUIPMENT (Notes 4 and 17)	41,588,538	1	40,809,699	-	30,334,785	-
RIGHT-OF-USE ASSETS (Notes 4, 18 and 34)	2,187,616	-	2,268,417	-	1,728,643	-
INTANGIBLE ASSETS (Notes 4 and 19)	40,833,355	-	41,380,113	1	41,931,057	1
DEFERRED TAX ASSETS (Note 4)	100,028,292	1	80,501,622	1	166,584,857	2
OTHER ASSETS (Notes 20, 34 and 37)	64,910,202	1	64,885,181	1	136,729,177	2
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35)	714,729,672	8	655,426,996	8	649,359,925	8
TOTAL	$ 8,584,175,770	100	$ 8,172,429,981	100	$ 8,046,202,265	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 21 and 34)	$ 24,202,942	-	$ 22,338,461	-	$ 25,735,225	1
CURRENT TAX LIABILITIES (Note 4)	314,755	-	176,349	-	198,586	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	120,678,715	2	63,669,162	1	181,768,229	2
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	5,675,255	-	3,716,091	-	5,847,890	-
BONDS PAYABLE (Notes 22 and 34)	108,746,284	1	80,000,000	1	80,000,000	1
OTHER FINANCIAL LIABILITIES (Note 39)	7,419,601	-	7,030,535	-	-	-
INSURANCE LIABILITIES (Notes 4, 5 and 23)						
Unearned premium reserve	20,481,496	1	20,547,570	-	19,365,505	-
Loss reserve	13,458,326	-	12,760,061	-	12,625,257	-
Policy reserve	6,850,505,557	80	6,672,193,784	82	6,697,924,809	84
Special reserve	11,088,887	-	11,085,733	-	11,085,556	-
Premium deficiency reserve	7,278,925	-	8,130,466	-	9,099,775	-
Other reserve	1,836,253	-	1,845,253	-	1,857,925	-
Total insurance liabilities	6,904,649,444	81	6,726,562,867	82	6,751,958,827	84
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24)	22,655,076	-	18,495,469	-	17,863,252	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25)	42,166,921	1	49,503,457	1	50,551,042	1
PROVISIONS (Notes 4 and 27)	56,245	-	56,245	-	56,245	-
LEASE LIABILITIES (Notes 4, 18 and 34)	16,627,476	-	16,645,248	-	16,107,707	-
DEFERRED TAX LIABILITIES (Note 4)	80,820,496	1	52,624,428	1	79,503,615	1
OTHER LIABILITIES (Notes 28 and 34)	7,783,439	-	10,395,966	-	11,350,671	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35)	714,729,672	8	655,426,996	8	649,359,925	8
Total liabilities	8,056,526,321	94	7,706,641,274	94	7,870,301,214	98
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)						
Share capital						
Ordinary shares	63,515,274	1	63,515,274	1	58,515,274	-
Capital surplus	91,637,749	1	90,924,478	1	60,472,624	1
Retained earnings						
Legal reserve	55,071,783	1	50,217,005	1	50,217,005	1
Special reserve	476,474,281	5	458,553,415	6	457,055,171	6
Unappropriated earnings	29,418,260	-	22,775,644	-	43,853,211	-
Total retained earnings	560,964,324	6	531,546,064	7	551,125,387	7
Other equity	(198,162,947)	(2)	(229,169,011)	(3)	(501,776,334)	(6)
Total equity attributable to owners of the Company	517,954,400	6	456,816,805	6	168,336,951	2
NON-CONTROLLING INTERESTS (Notes 4 and 30)	9,695,049	-	8,971,902	-	7,564,100	-
Total equity	527,649,449	6	465,788,707	6	175,901,051	2
TOTAL	$ 8,584,175,770	100	$ 8,172,429,981	100	$ 8,046,202,265	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
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Retained earned premium (Notes 4, 26 and 34)								
Written premium	$ 83,548,090	48	$ 94,463,324	54	$ 285,606,175	51	$ 296,750,991	56
Reinsurance premium	23,856	-	28,632	-	82,141	-	95,716	-
Premium income	83,571,946	48	94,491,956	54	285,688,316	51	296,846,707	56
Less: Reinsurance expense	(831,447)	(1)	(756,228)	-	(2,079,918)	-	(1,965,789)	-
Net changes in unearned premium reserve (Notes 4 and 23)	(30,465)	-	(88,692)	-	(23,858)	-	47,057	-
Total retained earned premium	82,710,034	47	93,647,036	54	283,584,540	51	294,927,975	56
Reinsurance commission income	6,398	-	4,913	-	21,358	-	19,585	-
Fee income (Notes 34 and 35)	3,007,037	2	2,696,218	2	8,391,077	2	8,119,106	1
Net investment incomes (losses)								
Interest income (Notes 4, 32 and 34)	50,096,046	29	46,434,014	27	145,984,451	26	130,521,768	25
Loss on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	(127,133,215)	(72)	(211,395,227)	(122)	(80,969,195)	(15)	(557,817,375)	(106)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	2,403,803	1	735,953	-	5,591,962	1	4,456,675	1
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	270,555	-	1,003,825	1	3,232,018	1	11,709,217	2
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	526,130	-	745,874	-	1,889,686	-	1,929,748	1
Foreign exchange gain	114,802,884	65	203,147,416	117	158,815,404	29	401,947,216	76
Net changes in reserve for foreign exchange valuation (Notes 4 and 25)	-	-	(17,530,174)	(10)	7,336,536	1	(41,497,316)	(8)
Gain on investment property (Notes 4 and 34)	3,103,882	2	3,170,587	2	9,586,604	2	11,458,493	2
Expected credit loss on investments (Notes 4 and 32)	(91,575)	-	(758,045)	-	(658,093)	-	(3,998,548)	(1)
Other net investment (loss) income	(309,657)	-	479,415	-	(269,766)	-	3,481,345	1
Gain (loss) on reclassification using overlay approach (Notes 4 and 8)	38,397,147	22	42,465,124	24	(37,452,184)	(7)	268,423,356	51
Other operating revenue (Note 34)	2,806,202	1	2,237,766	1	7,884,764	1	6,372,428	1
Separate account insurance product income (loss) (Notes 4 and 35)	5,001,011	3	6,821,791	4	42,443,582	8	(13,369,513)	(2)
Total operating revenue	175,596,682	100	173,906,486	100	555,412,744	100	526,684,160	100

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING COSTS								
Retained claims payments (Notes 4 and 26)								
Insurance claims payments	$ 108,726,115	62	$ 101,901,262	58	$ 313,852,872	56	$ 265,132,194	50
Less: Claims and payments recovered from reinsurers	(565,535)	(1)	(488,436)	-	(1,494,381)	-	(1,251,873)	-
Total retained claims payments	108,160,580	61	101,412,826	58	312,358,491	56	263,880,321	50
Net changes in other insurance liabilities (Notes 4, 5 and 23)								
Net changes in loss reserve	32,173	-	(169,524)	-	591,451	-	748,675	-
Net changes in policy reserve	20,933,426	12	38,673,238	22	102,778,499	18	164,374,475	31
Net changes in special reserve	3,404	-	361	-	3,154	-	497	-
Net changes in premium deficiency reserve	(325,717)	-	(523,339)	-	(929,253)	-	(1,024,039)	-
Net changes in other reserve	(3,000)	-	(3,000)	-	(9,000)	-	(8,000)	-
Total net changes in other insurance liabilities	20,640,286	12	37,977,736	22	102,434,851	18	164,091,608	31
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24)	443,375	-	270,045	-	1,165,970	-	776,618	-
Underwriting expenses (Note 32)	3,683,243	2	3,738,998	2	11,960,187	2	11,563,562	2
Commission expenses (Note 32)	5,003,487	3	4,436,682	2	14,679,461	3	11,280,762	2
Other operating costs (Note 34)	2,009,867	1	1,754,108	1	5,724,467	1	4,932,141	1
Finance costs (Notes 22 and 34)	1,273,893	1	1,047,495	1	3,458,798	1	2,741,532	1
Separate account insurance product expenses (Notes 4 and 35)	5,001,011	3	6,821,791	4	42,443,582	8	(13,369,513)	(2)
Total operating costs	146,215,742	83	157,459,681	90	494,225,807	89	445,897,031	85
OPERATING EXPENSES (Notes 32 and 34)								
General expenses	3,137,958	2	2,829,334	2	9,501,970	2	8,828,453	1
Administrative expenses	5,834,491	3	5,186,556	3	16,547,923	3	15,302,496	3
Employee training expenses	18,885	-	16,316	-	47,731	-	35,320	-
Expected credit loss (reversal of expected credit loss) on non-investments (Notes 4 and 32)	575	-	4,507	-	(10,063)	-	27,308	-
Total operating expenses	8,991,909	5	8,036,713	5	26,087,561	5	24,193,577	4
OPERATING INCOME	20,389,031	12	8,410,092	5	35,099,376	6	56,593,552	11
NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34)	1,025,721	-	385,393	-	2,114,789	1	1,280,100	-
PROFIT BEFORE INCOME TAX	21,414,752	12	8,795,485	5	37,214,165	7	57,873,652	11
INCOME TAX EXPENSE (Notes 4 and 33)	(3,887,285)	(2)	(2,307,310)	(1)	(6,552,477)	(1)	(10,857,565)	(2)
NET INCOME	17,527,467	10	6,488,175	4	30,661,688	6	47,016,087	9

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 30)								
Items that will not be reclassified subsequently to profit or loss:								
(Loss) gain on equity instruments at fair value through other comprehensive income	$ (153,800)	-	$ (11,531,842)	(7)	$ 13,670,377	2	$ (23,549,939)	(4)
Share of other comprehensive (loss) income of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(256,589)	-	61,967	-	(788,313)	-	(675,357)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	62,139	-	64,618	-	156,179	-	471,102	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of the financial statements of foreign operations	1,352,111	1	1,910,413	1	2,485,962	-	3,856,213	1
Loss on debt instruments at fair value through other comprehensive income	(28,380,350)	(16)	(118,343,808)	(68)	(22,697,522)	(4)	(395,245,125)	(75)
(Loss) gain on hedging instruments	(162,086)	-	(124,319)	-	(673,221)	-	275,504	-
Share of other comprehensive income (loss) of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	292,537	-	(16,666)	-	546,492	-	621,718	-
Other comprehensive (loss) income reclassified using overlay approach	(38,397,147)	(22)	(42,465,124)	(24)	37,452,184	7	(268,423,356)	(51)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33)	6,926,576	4	24,381,153	14	375,601	-	92,615,780	17
Total other comprehensive (loss) income for the period, net of income tax	(58,716,609)	(33)	(146,063,608)	(84)	30,527,739	5	(590,053,460)	(112)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (41,189,142)	(23)	$ (139,575,433)	(80)	$ 61,189,427	11	$ (543,037,373)	(103)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 17,516,501	10	$ 6,432,603	4	$ 30,262,380	6	$ 46,680,636	9
Non-controlling interests	10,966	-	55,572	-	399,308	-	335,451	-
	$ 17,527,467	10	$ 6,488,175	4	$ 30,661,688	6	$ 47,016,087	9

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ (41,214,414)	(23)	$ (139,627,509)	(80)	$ 60,402,249	11	$ (543,647,056)	(103)
Non-controlling interests	25,272	-	52,076	-	787,178	-	609,683	-
	$ (41,189,142)	(23)	$ (139,575,433)	(80)	$ 61,189,427	11	$ (543,037,373)	(103)
EARNINGS PER SHARE (Note 31)								
Basic earnings per share	$ 2.75		$ 1.10		$ 4.76		$ 7.98	

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
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company														
			Retained Earnings			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 (Loss) on Hedging Instruments	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2022	$ 58,515,274	$ 60,594,868	$ 27,491,929	$ 390,287,210	$ 111,938,770	$ (15,347,517)	$ 38,259,385	$ 335,851	$ 1,336,456	$ 402,058	$ 63,853,017	$ (3,224,389)	$ 734,442,912	$ 7,689,899	$ 742,132,811
Appropriation of 2021 earnings															
Legal reserve	-	-	22,725,076	-	(22,725,076)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	72,751,078	(72,751,078)	-	-	-	-	-	-	-	-	-	-
Cash dividend of ordinary share	-	-	-	-	(22,445,733)	-	-	-	-	-	-	-	(22,445,733)	-	(22,445,733)
Reversal of special reserve	-	-	-	(5,983,117)	5,983,117	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(122,244)	-	-	-	-	-	-	-	-	-	-	(122,244)	-	(122,244)
Change in ownership interest in subsidiaries	-	-	-	-	(621,991)	-	-	-	-	-	-	731,063	109,072	(109,072)	-
Net profit for the nine months ended September 30, 2022	-	-	-	-	46,680,636	-	-	-	-	-	-	-	46,680,636	335,451	47,016,087
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	4,185,686	(344,586,360)	224,018	34,120	-	(250,185,156)	-	(590,327,692)	274,232	(590,053,460)
Total comprehensive income (loss) for nine months ended September 30, 2022	-	-	-	-	46,680,636	4,185,686	(344,586,360)	224,018	34,120	-	(250,185,156)	-	(543,647,056)	609,683	(543,037,373)
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(2,205,434)	-	2,205,434	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(626,410)	(626,410)
BALANCE AT SEPTEMBER 30, 2022	$ 58,515,274	$ 60,472,624	$ 50,217,005	$ 457,055,171	$ 43,853,211	$ (11,161,831)	$ (304,121,541)	$ 559,869	$ 1,370,576	$ 402,058	$ (186,332,139)	$ (2,493,326)	$ 168,336,951	$ 7,564,100	$ 175,901,051
BALANCE AT JANUARY 1, 2023	$ 63,515,274	$ 90,924,478	$ 50,217,005	$ 458,553,415	$ 22,775,644	$ (11,365,195)	$ (47,338,891)	$ 950,265	$ 1,464,900	$ 402,058	$ (170,788,822)	$ (2,493,326)	$ 456,816,805	$ 8,971,902	$ 465,788,707
Appropriation of 2022 earnings															
Legal reserve	-	-	4,854,778	-	(4,854,778)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	23,538,110	(23,538,110)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(5,617,244)	5,617,244	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	707,357	-	-	(97,714)	-	97,714	-	-	-	-	-	707,357	-	707,357
Recognition of share-based payments granted by the parent company	-	5,914	-	-	-	-	-	-	-	-	-	-	5,914	-	5,914
Change in ownership interest in subsidiaries	-	-	-	-	(709,227)	-	-	-	-	-	-	731,302	22,075	(22,075)	-
Net profit for the nine months ended September 30, 2023	-	-	-	-	30,262,380	-	-	-	-	-	-	-	30,262,380	399,308	30,661,688
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	2,958,542	(5,146,399)	(540,418)	(115,844)	-	32,983,988	-	30,139,869	387,870	30,527,739
Total comprehensive income (loss) for nine months ended September 30, 2023	-	-	-	-	30,262,380	2,958,542	(5,146,399)	(540,418)	(115,844)	-	32,983,988	-	60,402,249	787,178	61,189,427
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(37,179)	-	37,179	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(41,956)	(41,956)
BALANCE AT SEPTEMBER 30, 2023	$ 63,515,274	$ 91,637,749	$ 55,071,783	$ 476,474,281	$ 29,418,260	$ (8,406,653)	$ (52,350,397)	$ 409,847	$ 1,349,056	$ 402,058	$ (137,804,834)	$ (1,762,024)	$ 517,954,400	$ 9,695,049	$ 527,649,449

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 37,214,165	$ 57,873,652
Adjustments for:		
Depreciation expenses	1,723,639	1,090,774
Amortization expenses	1,790,018	1,766,457
Loss on financial assets and liabilities at fair value through profit or loss	94,435,440	573,830,003
(Gain) loss on financial assets at fair value through other comprehensive income	(224,211)	3,523,974
Gain on derecognition of financial assets measured at amortized cost	(3,232,018)	(11,709,217)
Finance costs	3,575,499	2,836,709
Interest income	(145,984,451)	(130,521,768)
Dividend income	(18,833,996)	(23,993,277)
Net changes in insurance liabilities	178,120,664	363,047,286
Net changes in reserve for insurance contracts with the nature of financial products	4,159,607	2,674,464
Net changes in reserve for foreign exchange valuation	(7,336,536)	41,497,316
Expected credit loss on investments	658,093	3,998,548
Non-investments (reversal of expected credit loss) expected credit loss	(10,063)	27,308
Share of profit of associates accounted for using equity method	(1,889,686)	(1,929,748)
Loss (gain) on reclassification using overlay approach	37,452,184	(268,423,356)
Gain on disposal and retirement of property and equipment	(6,351)	(4,524)
Gain on disposal of subsidiary	(398)	-
Gain on disposal of investment property	(4,926)	(69)
Loss (gain) on disposal of investment accounted for using equity method	280,823	(20,837)
Loss (gain) on changes in fair value of investment property	208,321	(1,891,469)
Compensation costs of share-based payments	5,914	-
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	51,001,519	90,479,903
Increase in financial assets at fair value through other comprehensive income	(106,702,998)	(403,949,674)
Increase in financial assets measured at amortized cost	(241,507,909)	(399,032,608)
(Increase) decrease in financial assets for hedging	(635,515)	708,680
Decrease in notes receivable	82,583	7,087
Increase in other receivables	(3,128,926)	(3,574,390)
(Increase) decrease in prepaid expenses and other prepayments	(1,111,737)	9,223
Decrease (increase) in guarantee deposits paid	1,089,515	(102,941,319)
Decrease in reinsurance assets	447,301	503,564
(Increase) decrease in other assets	(1,357,756)	152,406
Decrease in financial liabilities at fair value through profit or loss	(181,915,119)	(222,446,590)
Increase in financial liabilities for hedging	1,949,599	5,852,801

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
Increase (decrease) in notes payable	$ 142,552	$ (44,911)
Increase (decrease) in claims payable	7,154	(14,086)
Increase in other payables	1,502,833	3,517,615
(Decrease) increase in due to reinsurers and ceding companies	(171,715)	28,898
Decrease in commissions payable	(880,944)	(1,499,701)
Increase in advance receipts	33,530	172,391
Decrease in guarantee deposits received	(518,990)	(7,349,703)
Increase (decrease) in deferred fee income	2,677	(595)
Decrease in other liabilities	(1,505,900)	(1,423,387)
Cash used in operations	(301,076,515)	(427,172,170)
Interest received	139,656,440	121,900,296
Dividends received	19,522,628	24,696,975
Interest paid	(1,871,939)	(1,718,959)
Income tax paid	(217,301)	(5,748,381)
Net cash used in operating activities	(143,986,687)	(288,042,239)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	-	(2,308,500)
Proceeds from disposal of investments accounted for using the equity method	-	29,447
Net cash outflow on acquisition of subsidiary	(238,286)	-
Proceeds from return of capital on reduction of investments accounted for using the equity method	-	57,000
Proceeds from disposal of subsidiary	30,744	-
Acquisition of property and equipment	(2,079,543)	(1,075,971)
Proceeds from disposal of property and equipment	20,813	12,767
Acquisition of intangible assets	(171,492)	(191,809)
Decrease in loans	40,609,443	19,327,165
Acquisition of investment properties	(3,855,432)	(7,174,737)
Proceeds from disposal of investment properties	58,236	91
Net cash generated from investing activities	34,374,483	8,675,453
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in other financial liabilities	389,066	-
Repayments of the principal portion of lease liabilities	(694,713)	(685,716)
Proceeds from issuance of bonds	28,678,710	-
Cash dividends paid	-	(22,445,733)
Acquisition of additional interests in subsidiaries	(667,490)	(911,234)
Changes in non-controlling interests	(118,740)	(626,410)
Net cash generated from (used in) financing activities	27,586,833	(24,669,093)

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ (516,647)	$ (1,660,146)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,542,018)	(305,696,025)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	329,638,342	465,755,469
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 247,096,324	$ 160,059,444

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

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 November 9, 2023.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

     The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group's exposure to Pillar Two income taxes.

The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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

New, Amended and Revised Standards and Interpretations	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

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

New, Amended and Revised Standards and Interpretations	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

- IFRS 17 “Insurance Contracts” and its amendments

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

  Level of aggregation

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

  1) A group of contracts that are onerous at initial recognition;

  2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and

  3) A group of the remaining contracts in the portfolio.

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

  Recognition

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

  1) The beginning of the coverage period of the group of contracts;

  2) The date when the first payment from a policyholder in the group becomes due; and

  3) For a group of onerous contracts, when the group becomes onerous.

  Measurement on initial recognition

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

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

  2) Any cash flows arising from the contracts in the group at that date; and

  3) The derecognition at the date of initial derecognition of:

     a) Any assets for insurance acquisition cash flows;

     b) Any other asset or liability previously recognized for cash flows related to the group of contracts.

Subsequent measurement

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

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contracts, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group should recognize a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group of onerous contracts being equal to the fulfilment cash flows and the contractual service margin of the group being zero. 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 is met.

Transition

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

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

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

Redesignation of financial assets

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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.

Refer to Note 11, Table 1 and Table 6 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, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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 the consolidated financial statements, the financial statements of the Company’s foreign operations (including subsidiaries and associates in other countries or those that use currencies that are different from the Company’s functional currency) that are prepared using functional currencies that 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; 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 and investment properties acquired through leases are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

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

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.

e) Reclassification of financial assets

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

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

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. 11004925801 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.

In accordance with Jin Guan Bao Tsai No. 11004931041 issued on August 24, 2021, starting from the 2003 policy year, 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 dividends should be accounted as special reserve - provisions for risk of dividends.

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

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 features Discretionary participation features refer to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

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 pandemic, and there 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.

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

y. Income tax expense

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

1) Current tax

Income tax payable (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 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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of 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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	$ 26,227	$ 26,273	$ 26,490
Cash in banks	155,849,908	186,815,799	138,475,018
Time deposits	69,269,618	100,502,553	16,245,559
Cash equivalents	21,950,571	42,293,717	5,312,377
	$ 247,096,324	$ 329,638,342	$ 160,059,444

7. RECEIVABLES

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	$ 252,631	$ 335,214	$ 239,821
Other receivables	105,063,319	93,065,026	90,860,729
Overdue receivables	6,163	16,132	20,591
	105,322,113	93,416,372	91,121,141
Less: Loss allowance	(2,323,730)	(1,232,618)	(946,956)
	$ 102,998,383	$ 92,183,754	$ 90,174,185

The movements in the loss allowance are as follows:

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 1,232,618	$ 28,541
Provision for the current period	1,100,354	937,467
Amounts written off	(9,266)	(19,069)
Foreign exchange	24	17
Ending balance	$ 2,323,730	$ 946,956

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2023	December 31, 2022	September 30 2022
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic stocks	$ 281,594,544	$ 252,882,746	$ 237,534,664
Beneficiary certificates	746,247,415	682,930,329	649,834,547
Financial debentures	20,393,717	15,972,188	15,375,097
Overseas stocks	161,195,990	152,440,676	144,812,945
Real estate investment trust	13,553,270	17,729,274	18,441,483
Overseas bonds	280,007,202	268,598,676	272,340,421
Structured time deposits	14,030,884	13,981,139	14,093,709
Derivative financial assets (not under hedge accounting)			
Currency swap contracts (“SWAP”)	2,018,278	13,459,047	6,573,558
Foreign exchange forward contacts (“Forward”)	2,276,330	8,003,557	2,521,089
Call warrants	4,092	7,360	8,006
	$ 1,521,321,722	$ 1,426,004,992	$ 1,361,535,519
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
SWAP	$ 90,142,671	$ 34,041,420	$ 100,311,686
Forward	28,863,836	21,339,449	69,011,756
Cross currency swap contracts (“CCS”)	1,672,208	8,288,293	12,444,787
	$ 120,678,715	$ 63,669,162	$ 181,768,229

a. The Group selects 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily classified as at FVTPL			
Domestic stocks	$ 281,594,544	$ 252,882,746	$ 237,232,014
Beneficiary certificates	730,030,247	641,371,929	631,360,332
Financial debentures	20,393,717	15,972,188	15,375,097
Overseas stocks	161,129,195	152,381,256	144,754,189
Real estate investment trust	13,553,270	17,729,274	18,441,483
Overseas bonds	279,159,346	267,877,938	270,767,478
Structured time deposits	14,030,884	13,981,139	14,093,709
	$ 1,499,891,203	$ 1,362,196,470	$ 1,332,024,302

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the nine months ended September 30, 2023 and 2022 is as follows:

	For the Three Months Ended September 30		For the nine Months Ended September 30	
	2023	2022	2023	2022
(Loss) gain due to application of IFRS 9 to profit or loss	$ (16,713,375)	$ (31,377,421)	$ 103,758,565	$ (210,059,225)
Gain if applying IAS 39 to profit or loss	(21,683,772)	(11,087,703)	(66,306,381)	(58,364,131)
(Gain) loss reclassified due to application of overlay approach	$ (38,397,147)	$ (42,465,124)	$ 37,452,184	$ (268,423,356)

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months and nine months ended September 30, 2023 and 2022 had decreased from loss of $127,133,215 thousand to loss of $88,736,068 thousand, decreased from loss of $211,395,227 thousand to loss of $168,930,103 thousand, increased from loss of $80,969,195 thousand to loss of $118,421,379 thousand and decreased from loss of $557,817,375 thousand to loss of $289,394,019 thousand, respectively.

b. As of September 30, 2023, December 31, 2022 and September 30, 2022, structured notes which were accounted for as financial assets at FVTPL amounted to $153,874,583 thousand, $153,324,805 thousand and $153,717,398 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

	September 30, 2023	December 31, 2022	September 30, 2022
Investments in equity instruments at FVTOCI			
Domestic stocks	$ 130,404,461	$ 94,833,125	$ 149,073,544
Overseas stocks	2,354,776	2,721,257	2,271,620
	132,759,237	97,554,382	151,345,164
Investments in debt instruments at FVTOCI			
Corporate bonds	2,136,420	2,111,778	2,117,331
Government bonds	17,545,447	19,357,027	24,784,766
Overseas bonds	404,688,693	336,802,606	1,124,192,741
Financial bonds	1,531,668	-	-
Less: Litigation deposits	(36,181)	(36,548)	(35,740)
Less: Deposits to Central Bank	(2,097,818)	(2,053,785)	(931,566)
Less: Derivative instrument collateral	(16,150,534)	(11,263,064)	(12,427,838)
	407,617,695	344,918,014	1,137,699,694
	$ 540,376,932	$ 442,472,396	$ 1,289,044,858

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 three months and nine months ended September 30, 2023 and 2022 were $2,641,595 thousand, $4,308,343 thousand, $5,367,751 thousand and $7,980,650 thousand, respectively. Those related to investments derecognized for the three months and nine months ended September 30, 2023 and 2022 were $0 thousand, $704,531 thousand, $0 thousand and $756,722 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instruments at FVTOCI at fair values of $382,075 thousand and $23,670,592 thousand at the time of sale, and transferred unrealized loss of $37,179 thousand and loss of $2,205,434 thousand from other equity to retained earnings for the nine months ended September 30, 2023 and 2022, 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.

f. Refer to Note 39 for information relating to the debt instruments at FVTOCI reclassified to financial assets measured at amortized cost.

10. HEDGING INSTRUMENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets for hedging			
Interest rate swap contracts ("IRS")	$ 1,750	$ 29,891	$ 41,599
Financial liabilities for hedging			
Forward	$ 5,675,255	$ 3,716,091	$ 5,847,890

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

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Ownership Interest (%)			
Investors	**Investees**	**Business**	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**	**Notes**
The Company	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
The Company	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	100.00	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Conning Holdings Limited (“CHL”)	Holding company	100.00	100.00	100.00	Note 7
The Company	Cathay Industrial Research and Design Center Co., Ltd. (“Cathay Industrial R&D Center”)	Real estate investment and management	99.00	99.00	99.00	
The Company	Cathay Power Inc. (“Cathay Power”)	Energy technical services	70.00	70.00	45.00	Note 2
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
CHL	Conning Asia Pacific Ltd.	Asset management services	82.85	82.85	82.85	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	77.89	69.19	69.19	Note 1
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company (“C&C”)	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC (“Octagon”)	Asset management services	86.34	86.34	86.34	
C&C	Pearlmark Real Estate, LLC (“Pearlmark”)	Real estate investment and management	55.50	-	-	Note 5
Pearlmark	Pearlmark Real Estate Services, LLC	Real estate investment and management	100.00	-	-	Note 5
Pearlmark	PREP Investment Advisers, LLC	Real estate investment and management	100.00	-	-	Note 5
Pearlmark	PEP GP II, LLC	Real estate investment and management	52.00	-	-	Note 5
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP III LLC	Fund management services	100.00	-	-	Note 6
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.41	99.77	99.77	
Global Evolution Financial ApS	Global Evolution Fondsmaeglerselskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Cathay Power	Sunrise Pv One Co., Ltd (“Sunrise Pv One”)	Energy technical services	100.00	100.00	-	Note 2
Cathay Power	Cathy Sunrise Two Co., Ltd. (“Cathy Sunrise Two”)	Energy technical services	100.00	100.00	-	Note 2
Cathay Power	Bai Yang Energy Co., Ltd. (“Bai Yang Energy”)	Energy technical services	100.00	100.00	-	Note 2

(Continued)

Investors	Investees	Business	Ownership Interest (%) September 30, 2023	Ownership Interest (%) December 31, 2022	Ownership Interest (%) September 30, 2022	Notes
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. (“Cathy Sunrise Electric Power Two”)	Energy technical services	100.00	100.00	-	Note 2
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. (“Hong Cheng Sing Tech.”)	Energy technical services	100.00	100.00	-	Note 2
Cathay Power	Shen Lyu Co., Ltd. (“Shen Lyu”)	Energy technical services	100.00	100.00	-	Note 2
Cathay Power	Nan Yang Power Co., Ltd. (“Nan Yang Power”)	Energy technical services	80.00	80.00	-	Note 2
Cathay Power	CM Energy, Co., Ltd. (“CM Energy”)	Energy technical services	70.00	70.00	-	Note 3
Cathay Power	Neo Cathay Power Corp. (“Neo Cathay Power”)	Energy technical services	100.00	100.00	-	Note 3
Sunrise PV One	Shu Guang Energy Co., Ltd. (“Shu Guang Energy”)	Energy technical services	70.00	70.00	-	Note 2
CM Energy	Hong Tai Energy Co., Ltd. (“Hong Tai Energy”)	Energy technical services	100.00	100.00	-	Note 3
CM Energy	Tian Ji Energy Co., Ltd. (“Tian Ji Energy”)	Energy technical services	100.00	100.00	-	Note 3
CM Energy	Tian Ji Power Co., Ltd. (“Tian Ji Power”)	Energy technical services	100.00	100.00	-	Note 3
CM Energy	Chen Fong Power Co., Ltd. (“Chen Fong Power”)	Energy technical services and machinery manufacturing of power generation, transmission, and distribution	-	100.00	-	Note 4
Hong Tai Energy	Hong Tai Power Co., Ltd. (“Hong Tai Power”)	Energy technical services	100.00	100.00	-	Note 3
Neo Cathay Power	Si Yi Co., Ltd. (“Si Yi”)	Energy technical services	100.00	100.00	-	Note 3
Neo Cathay Power	Da Li Energy Co., Ltd. (“Da Li”)	Energy technical services	100.00	100.00	-	Note 3
Neo Cathay Power	Yong Han Co., Ltd. (“Yong Han”)	Energy technical services	100.00	100.00	-	Note 3

(Concluded)

Note 1: On June 22, 2022, non-controlling interests executed the put options on the subsidiary’s shares such that CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 61.15% to 69.19%. On March 28, 2023, and June 21, 2023, non-controlling interests executed the put options on the subsidiary’s shares, and its ownership interest increased from 69.19% to 69.44% and from 69.44% to 69.85%, respectively. On September 12, 2023, non-controlling interests executed the put options on the subsidiary’s shares such that CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 69.85% to 77.89%.

Note 2: The Company originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using the equity method. On November 25, 2022, the Company acquired a further share of equity, which increased its ownership interest to 70%, and obtained control of Cathay Power and its subsidiaries. Refer to Note 43 for the description of the business combination.

Note 3: On November 24, 2022, Cathay Power issued ordinary shares to exchange all the shares of Neo Cathay Power and CM Energy that San Ching Engineering Co., Ltd. and the Company originally held, and obtained control of Neo Cathay Power, CM Energy and their subsidiaries.

Note 4: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for $31,000 thousand in cash. Refer to Note 43 for the description of the business combination. On May 2, 2023, CM Energy disposed of Chen Fong Power’s shares. Refer to Note 44 for the description of the disposal of the subsidiaries.

Note 5: On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash and obtained control of Pearlmark and its subsidiaries. Refer to Note 43 for the description of the business combination.

Note 6: On March 15, 2023, Octagon Funds GP III LLC was established.

Note 7: On July 6, 2023, the Company's board of directors resolved to dispose of its 100% equity shares in CHL and subsidiary and exchanged for approximately 16.75% of equity shares in Generali Investments Holding S.p.A. However, the transaction is subject to approval from the domestic and international regulatory authorities.

b. Subsidiaries excluded from the consolidated financial statements

			Ownership Interest (%)			
Investors	**Investees**	**Business**	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**	**Notes**
The Company	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Securities investment consulting services	100.00	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

	September 30, 2023	December 31, 2022	September 30, 2022
Investments in unconsolidated subsidiaries	$ 664,292	$ 687,870	$ 656,989
Investments in associates	30,368,202	28,795,892	31,240,440
	$ 31,032,494	$ 29,483,762	$ 31,897,429

Refer to Table 1 and Table 6 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

	September 30, 2023	December 31, 2022	September 30, 2022
Cathay Securities Investment Consulting	$ 664,292	$ 687,870	$ 656,989

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
The Group's share of:				
Net income	$ 457,981	$ 687,714	$ 1,717,802	$ 1,742,712
Other comprehensive income (loss)	36,648	44,860	(242,220)	(55,141)
Total comprehensive income for the period	$ 494,629	$ 732,574	$ 1,475,582	$ 1,687,571

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.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	$ 13,553,126	$ 10,255,945	$ 10,837,582
Financial debentures	21,447,545	21,954,705	21,958,435
Corporate bonds	20,648,744	23,298,196	24,848,057
Government bonds	26,504,755	33,612,054	39,709,529
Overseas bonds	4,166,280,468	3,911,600,937	3,016,682,381
Asset-backed securities	2,063,335	2,237,000	2,237,000
Less: Litigation deposits	(1,496,664)	(1,527,314)	(1,531,250)
Less: Deposits to Central Bank	(7,164,735)	(6,331,720)	(8,029,715)
Less: Derivative instruments collateral	(6,832,837)	(5,054,740)	(5,491,140)
Less: Loss allowance (Note)	(3,508,665)	(3,464,013)	(2,984,553)
	$ 4,231,495,072	$ 3,986,581,050	$ 3,098,236,326

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amounts were $850 thousand, $754 thousand and $839 thousand, respectively.

a. For the three months and nine months ended September 30, 2023 and 2022, the Group disposed of bonds before the maturity due to increases in credit risk, which resulted in losses on disposal of $0 thousand, $0 thousand, $136,705 thousand and gains on disposal of $443,963 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of $9,530 thousand, $13,143 thousand, $9,530 thousand and gains on disposal of $2,800 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 $294,342 thousand, $1,045,281 thousand, $3,576,680 thousand and $10,955,332 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in losses on disposal of $14,257 thousand, $28,313 thousand, $198,427 thousand and gains on disposal of $307,122 thousand, respectively.

b. Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

c. 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				
	Land	Buildings	Total	Investment Property Under Construction	Prepayments for Buildings and Land - Investments
Balance at January 1, 2022	$ 379,246,002	$ 131,112,269	$ 510,358,271	$ 3,412,376	$ 242,642
Additions	3,995,792	-	3,995,792	2,293,961	4,885,843
Disposals	(22)	-	(22)	-	-
Reclassification	3,563,570	1,131,742	4,695,312	(1,130,678)	(3,454,682)
Gain on changes in fair value of investment property	426,885	1,464,584	1,891,469	-	-
Foreign exchange	(564,460)	(717,248)	(1,281,708)	(10,277)	(60,194)
Others	-	(5,067)	(5,067)	-	-
Balance at September 30, 2022	$ 386,667,767	$ 132,986,280	$ 519,654,047	$ 4,565,382	$ 1,613,609
Balance at January 1, 2023	$ 388,050,348	$ 132,842,980	$ 520,893,328	$ 5,747,767	$ 1,501,343
Additions	-	-	-	3,854,331	1,101
Disposals	(28,998)	(24,312)	(53,310)	-	-
Reclassification	-	358,469	358,469	738,629	(1,097,098)
Gain (loss) on changes in fair value of investment property	591,129	(799,450)	(208,321)	-	-
Foreign exchange	615,261	1,002,030	1,617,291	47,130	66,719
Balance at September 30, 2023	$ 389,227,740	$ 133,379,717	$ 522,607,457	$ 10,387,857	$ 472,065

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Rental income from investment properties	$ 3,269,210	$ 3,183,077	$ 9,789,999	$ 9,566,955
Direct operating expenses of investment properties that generate rental income	(162,376)	(156,792)	(592,312)	(573,935)
Direct operating expenses of investment properties that do not generate rental income	(46,331)	(46,290)	(107,831)	(222,076)
	$ 3,060,503	$ 2,979,995	$ 9,089,856	$ 8,770,944

a. 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.

b. As of September 30, 2023, investment properties of the Company amounted to $487,121,196 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.

c. The ownership of the Group’s investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other’s debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

d. The fair value of the Group's investment property has been carried out by the appraisers of the joint appraisal firms that meet the qualification requirements of real estate appraisers in the R.O.C., and the valuation dates were June 30, 2023, December 31, 2022 and June 30, 2022. The valuation was still valid as of September 30, 2023 and 2022.

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

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", which should be applied in the preparation of the financial report beginning in the first quarter of 2020. However, the 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:

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

External appraisers use 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 Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 496,638,049	$ 487,338,266
Amount recognized in profit or loss		
(Loss) gain from investment property	(208,321)	1,891,469
Amount recognized in other comprehensive income (loss)		
Exchange differences resulting from translation of the financial statements of foreign operations	1,617,291	(1,281,708)
Additions	-	3,995,792
Sales	(53,310)	-
Transfers from investment property under construction	358,220	1,131,015
Transfers from prepayments for buildings and land	249	727
Transfers from investment property measured at cost	-	2,218,659
Transfers from property, plant and equipment	-	109,615
Others	-	(5,067)
Ending balance	$ 498,352,178	$ 495,398,768

The above amounts did not include those measured at cost.

e. Refer to Table 5 for the acquisition of individual real estate at cost or price of at least NT$100 million or 20% of the paid-in capital.

15. LOANS

	September 30, 2023	December 31, 2022	September 30, 2022
Life insurance policy loans (a)	$ 156,648,191	$ 156,111,633	$ 155,931,210
Premium loans (b)	14,295,172	13,930,759	13,972,403
Secured loans (c)	241,112,929	282,671,605	293,340,742
Non-accrual receivables	2,003,510	1,930,779	2,321,744
	414,059,802	454,644,776	465,566,099
Less: Loss allowance	(3,975,928)	(4,348,367)	(4,677,624)
	$ 410,083,874	$ 450,296,409	$ 460,888,475

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 nine months ended September 30, 2023 and 2022.

16. REINSURANCE ASSETS

	September 30, 2023	December 31, 2022	September 30, 2022
Due from reinsurers and ceding companies	$ 191,880	$ 610,530	$ 280,715
Reinsurance reserve assets			
Ceded unearned premium reserve	1,089,328	1,180,752	1,028,661
Ceded loss reserve	193,763	122,896	85,071
Ceded policy reserve	358,956	387,605	397,384
Non-accrual receivables	9,419	22,951	16,784
	1,843,346	2,324,734	1,808,615
Less: Loss allowance	(4,709)	(15,287)	(14,930)
	$ 1,838,637	$ 2,309,447	$ 1,793,685

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. Claims recovered from reinsurers and reinsurance commission income

	For the Nine Months Ended September 30	
	2023	2022
Claims recovered from reinsurers	$ 21,510	$ 23,592
Reinsurance commission income	1,337	1,414

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

   Net income from reinsurance of $11,847 thousand was recognized for the nine months ended September 30, 2023 from CNY co-reinsurance business. The amount was calculated as follows:

   Reinsurance commission income of $1,337 thousand + Claims recovered from reinsurers of $21,510 thousand - Net changes in reinsurance reserve assets of $11,436 thousand + Foreign exchange gains of $436 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 ceded 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, 2022	$ 18,447,500	$ 21,009,718	$ 4,239,087	$ 640,785	$ 11,225	$ 4,034,000	$ 1,188,173	$ 49,570,488
Additions	-	-	269,288	8,179	-	353,452	445,052	1,075,971
Disposals	(4,195)	(8,221)	(41,005)	-	-	(218,213)	-	(271,634)
Reclassification	40,797	1,317,934	(351,397)	-	-	253,570	(1,468,683)	(207,779)
Foreign exchange	-	18,841	150,655	43,562	107	11,003	-	224,168
Balance at September 30, 2022	$ 18,484,102	$ 22,338,272	$ 4,266,628	$ 692,526	$ 11,332	$ 4,433,812	$ 164,542	$ 50,391,214

(Continued)

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvement	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Depreciation and impairment								
Balance at January 1, 2022	$ 103,134	$ 12,737,922	$ 2,815,378	$ 403,797	$ 10,061	$ 3,571,849	$ -	$ 19,642,141
Depreciation expenses	-	286,403	186,071	40,978	192	94,453	-	608,097
Disposals	-	(4,404)	(40,943)	-	-	(218,044)	-	(263,391)
Reclassification	-	-	(17,107)	-	-	17,107	-	-
Foreign exchange	-	4,887	37,354	21,805	80	5,456	-	69,582
Balance at September 30, 2022	$ 103,134	$ 13,024,808	$ 2,980,753	$ 466,580	$ 10,333	$ 3,470,821	$ -	$ 20,056,429
Carrying amount at September 30, 2022	$ 18,380,968	$ 9,313,464	$ 1,285,875	$ 225,946	$ 999	$ 962,991	$ 164,542	$ 30,334,785
Cost								
Balance at January 1, 2023	$ 18,450,902	$ 22,091,077	$ 4,646,783	$ 685,940	$ 11,286	$ 14,908,479	$ 1,826,809	$ 62,621,276
Acquisitions through business combinations (Note 43)	-	-	6,946	-	-	1,077	-	8,023
Additions	-	-	408,298	8,069	-	787,236	875,940	2,079,543
Disposals	(2,980)	(14,697)	(82,650)	(1,294)	-	(8,910)	(130,920)	(241,451)
Disposal of subsidiary (Note 44)	-	-	-	-	-	-	(1,097)	(1,097)
Reclassification	-	38,214	-	-	-	1,606,474	(1,644,688)	-
Foreign exchange	-	377	63,925	15,591	2	5,311	-	85,206
Balance at September 30, 2023	$ 18,447,922	$ 22,114,971	$ 5,043,302	$ 708,306	$ 11,288	$ 17,299,667	$ 926,044	$ 64,551,500
Depreciation and impairment								
Balance at January 1, 2023	$ 98,268	$ 12,979,978	$ 3,003,525	$ 474,602	$ 10,362	$ 5,244,842	$ -	$ 21,811,577
Acquisitions through business combinations (Note 43)	-	-	5,618	-	-	1,043	-	6,661
Depreciation expenses	-	293,869	292,469	36,131	190	586,680	-	1,209,339
Disposals	-	(8,664)	(80,871)	(1,294)	-	(8,746)	-	(99,575)
Foreign exchange	-	1,780	20,645	8,799	3	3,733	-	34,960
Balance at September 30, 2023	$ 98,268	$ 13,266,963	$ 3,241,386	$ 518,238	$ 10,555	$ 5,827,552	$ -	$ 22,962,962
Carrying amount at December 31, 2022 and January 1, 2023	$ 18,352,634	$ 9,111,099	$ 1,643,258	$ 211,338	$ 924	$ 9,663,637	$ 1,826,809	$ 40,809,699
Carrying amount at September 30, 2023	$ 18,349,654	$ 8,848,008	$ 1,801,916	$ 190,068	$ 733	$ 11,472,115	$ 926,044	$ 41,588,538

(Concluded)

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

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

b. Property and equipment pledged as collateral are set out in Note 37.

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount			
Land	$ 247,771	$ 175,445	$ -
Buildings	1,906,877	2,060,486	1,692,237
Office equipment	19,103	14,619	16,468
Transportation equipment	13,865	17,867	19,938
	$ 2,187,616	$ 2,268,417	$ 1,728,643
Right-of-use assets presented as investment properties	$ 13,284,472	$ 13,499,663	$ 13,720,466

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Additions to right-of-use assets	$ 73,178	$ 108,122	$ 447,560	$ 375,994
Depreciation expense for right-of-use assets				
Land	$ 3,478	$ -	$ 10,456	$ -
Buildings	164,272	158,569	491,346	468,548
Office equipment	1,941	2,316	6,381	7,186
Transportation equipment	1,957	2,214	6,117	6,943
	$ 171,648	$ 163,099	$ 514,300	$ 482,677

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount	$ 16,627,476	$ 16,645,248	$ 16,107,707

Range of discount rates for lease liabilities is as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Land	1.24%-2.63%	1.24%-2.63%	-
Buildings	1.11%-8.57%	1.11%-8.57%	1.82%-8.57%
Office equipment	4.67%-4.76%	4.67%-4.76%	4.67%-4.76%
Transportation equipment	2.49%-3.66%	2.49%-3.66%	2.49%-3.66%
Investment property - right of superficies	2.82%-4.24%	2.82%-4.24%	2.82%-4.24%

19. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2022	$ 2,808,262	$ 37,659,600	$ 363,265	$ 5,406,299	$ 13,324,628	$ 193,138	$ 59,755,192
Additions - acquired separately	191,809	-	-	-	-	-	191,809
Disposals	(49)	-	-	-	-	-	(49)
Foreign exchange	12,913	-	53,171	791,323	1,523,167	28,269	2,408,843
Balance at September 30, 2022	$ 3,012,935	$ 37,659,600	$ 416,436	$ 6,197,622	$ 14,847,795	$ 221,407	$ 62,355,795
Amortization and impairment							
Balance at January 1, 2022	$ 2,274,212	$ 13,515,990	$ -	$ 2,279,391	$ -	$ 193,138	$ 18,262,731
Amortizations	147,878	1,341,312	-	277,267	-	-	1,766,457
Disposals	(49)	-	-	-	-	-	(49)
Foreign exchange	10,915	-	-	356,415	-	28,269	395,599
Balance at September 30, 2022	$ 2,432,956	$ 14,857,302	$ -	$ 2,913,073	$ -	$ 221,407	$ 20,424,738
Carrying amount at September 30, 2022	$ 579,979	$ 22,802,298	$ 416,436	$ 3,284,549	$ 14,847,795	$ -	$ 41,931,057
Cost							
Balance at January 1, 2023	$ 3,039,395	$ 37,659,600	$ 402,858	$ 5,995,545	$ 14,978,211	$ 214,188	$ 62,289,797
Acquisitions through business combinations (Note 43)	-	-	62,126	95,930	145,689	-	303,745
Additions - acquired separately	171,492	-	-	-	-	-	171,492
Disposal of subsidiary (Note 44)	-	-	-	-	(961)	-	(961)
Foreign exchange	2,065	-	24,167	310,294	594,945	10,881	942,352
Balance at September 30, 2023	$ 3,212,952	$ 37,659,600	$ 489,151	$ 6,401,769	$ 15,717,884	$ 225,069	$ 63,706,425
Amortization and impairment							
Balance at January 1, 2023	$ 2,476,246	$ 15,304,406	$ -	$ 2,914,844	$ -	$ 214,188	$ 20,909,684
Amortizations	156,116	1,341,311	-	292,591	-	-	1,790,018
Foreign exchange	1,993	-	-	160,494	-	10,881	173,368
Balance at September 30, 2023	$ 2,634,355	$ 16,645,717	$ -	$ 3,367,929	$ -	$ 225,069	$ 22,873,070
Carrying amount at December 31, 2022 and January 1, 2023	$ 563,149	$ 22,355,194	$ 402,858	$ 3,080,701	$ 14,978,211	$ -	$ 41,380,113
Carrying amount at September 30, 2023	$ 578,597	$ 21,013,883	$ 489,151	$ 3,033,840	$ 15,717,884	$ -	$ 40,833,355

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

Computer software	1-10 years
Franchises	20 years
Customer relationships	5-15 years
Others	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) 100% interest in Conning Holdings Limited by the Company on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% by the Company on November 25, 2022; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022 and disposed on May 2, 2023; and (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Group) on March 28, 2023. As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of goodwill were $15,717,884 thousand, $14,978,211 thousand and $14,847,795 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

	September 30, 2023	December 31, 2022	September 30, 2022
Insurance Industry Stability Fund (a)	$ 14,044,741	$ 13,670,579	$ 13,559,946
Less: Reserve for Insurance Industry Stability Fund (a)	(14,044,741)	(13,670,579)	(13,559,946)
Guarantee deposits paid (b)	52,402,858	54,815,576	127,641,409
Deferred acquisition costs (c)	5,389	1,263	1,321
Prepayments	1,938,426	995,564	512,633
Net defined benefit assets	7,975,000	7,841,970	7,771,733
Others	2,588,529	1,230,808	802,081
	$ 64,910,202	$ 64,885,181	$ 136,729,177

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:

	September 30, 2023	December 31, 2022	September 30, 2022
Insurance operation guarantee deposit	$ 11,930,224	$ 11,051,421	$ 11,662,073
Deposit for futures and options trading	5,834,068	7,737,937	5,350,015
Deposit for derivatives trading	32,570,846	33,927,663	108,578,129
Other guarantee deposits	2,067,720	2,098,555	2,051,192
	$ 52,402,858	$ 54,815,576	$ 127,641,409

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 Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 1,263	$ 1,563
Increase during the period	4,346	-
Amortization	(220)	(242)
Ending balance	$ 5,389	$ 1,321

21. PAYABLES

	September 30, 2023	December 31, 2022	September 30, 2022
Notes payable	$ 1,464,583	$ 1,322,031	$ 804,600
Claims payable	1,010,234	1,003,080	997,752
Commissions payable	1,913,084	2,794,028	1,614,467
Due to reinsurers and ceding companies	1,004,957	1,176,672	1,135,887
Other payables	18,810,084	16,042,650	21,182,519
	$ 24,202,942	$ 22,338,461	$ 25,735,225

22. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	$ 35,000,000	$ 35,000,000	$ 35,000,000
First perpetual cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000	35,000,000
First perpetual cumulative subordinated corporate bonds of 2019 (c)	10,000,000	10,000,000	10,000,000
First perpetual unsecured cumulative subordinated corporate bonds of 2023 (d)	25,100,000	-	-
Second perpetual USD-denominated unsecured cumulative subordinated corporate bonds of 2023 (e)	3,646,284	-	-
	$ 108,746,284	$ 80,000,000	$ 80,000,000

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 years 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 ("RBC") 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 $317,589 thousand, $317,589 thousand, $942,411 thousand and $942,411 thousand was recorded as finance costs for the three months and nine months ended September 30, 2023 and 2022, 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 RBC ratio is greater than twice the minimum RBC 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 $290,325 thousand, $291,095 thousand, $862,645 thousand and $863,870 thousand was recorded as finance costs for the three months and nine months ended September 30, 2023 and 2022, 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 RBC ratio is greater than twice the minimum RBC 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 $75,410 thousand, $75,620 thousand, $224,170 thousand and $224,390 thousand was recorded as finance costs for the three months and nine months ended September 30, 2023 and 2022, respectively.

d. Pursuant to Order No. Securities-TPEx-Bond-11200070741 of the Taipei Exchange, the Company issued its first perpetual unsecured cumulative subordinated corporate bonds on August 1, 2023. The key terms and conditions are as follows:

1) Issue amount: $25,100,000 thousand, which is divided into Note A of $17,600,000 thousand and Note B of $7,500,000 thousand by issue periods.

2) Principal amount and issue price: The face value is $1,000 thousand each and is issued at par.

3) Years to maturity: Note A is 10 years, and Note B is 15 years.

4) Coupon rate: Fixed rate of 3.70% for Note A and 3.85% for Note B.

5) Terms of interest payments: The interest payments are calculated and paid at the coupon rate every year from the issue date.

6) Right of early redemption: If the Company's RBC ratio is greater than the minimum RBC ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the Note B bonds in whole after 10 years of their 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 $156,667 thousand for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, respectively.

e. Pursuant to Order No. Securities-TPEx-Bond-11200073801 of the Taipei Exchange, the Company issued second USD-denominated perpetual unsecured cumulative subordinated corporate bonds on August 7, 2023. The key terms and conditions are as follows:

1) Issue amount: US$113,000 thousand.

2) Principal amount and issue price: The face value is US$100 thousand each and is issued at par.

3) Years to maturity: 10 years.

4) Coupon rate: Fixed rate of 6.1%.

5) Terms of interest payments: The interest payments are calculated and paid at the coupon rate every year from the issue date.

6) Right of early redemption: None.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $33,173 thousand for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, 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

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 89,988	$ -	$ 89,988	$ 79,271	$ -	$ 79,271	$ 71,798	$ -	$ 71,798
Individual injury insurance	7,731,917	-	7,731,917	7,803,429	-	7,803,429	7,319,974	-	7,319,974
Individual health insurance	10,900,602	-	10,900,602	11,100,338	-	11,100,338	10,260,427	-	10,260,427
Group insurance	1,104,470	-	1,104,470	954,483	-	954,483	1,040,053	-	1,040,053
Investment-linked insurance	124,766	-	124,766	125,502	-	125,502	124,134	-	124,134
	19,951,743	-	19,951,743	20,063,023	-	20,063,023	18,816,386	-	18,816,386
Less ceded unearned premium reserve:									
Individual life insurance	830,839	-	830,839	906,602	-	906,602	798,642	-	798,642
Individual injury insurance	23,522	-	23,522	20,883	-	20,883	20,089	-	20,089
Individual health insurance	234,575	-	234,575	253,267	-	253,267	209,593	-	209,593
Group insurance	392	-	392	-	-	-	337	-	337
	1,089,328	-	1,089,328	1,180,752	-	1,180,752	1,028,661	-	1,028,661
	$ 18,862,415	$ -	$ 18,862,415	$ 18,882,271	$ -	$ 18,882,271	$ 17,787,725	$ -	$ 17,787,725

The changes in unearned premium reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 20,063,023	$ -	$ 20,063,023	$ 19,034,590	$ -	$ 19,034,590
Provision	19,951,691	-	19,951,691	18,816,302	-	18,816,302
Recovery	(20,063,023)	-	(20,063,023)	(19,034,590)	-	(19,034,590)
Foreign exchange	52	-	52	84	-	84
Ending balance	19,951,743	-	19,951,743	18,816,386	-	18,816,386
Less ceded unearned premium reserve:						
Beginning balance	1,180,752	-	1,180,752	1,131,321	-	1,131,321
Decrease	(91,424)	-	(91,424)	(102,660)	-	(102,660)
Ending balance	1,089,328	-	1,089,328	1,028,661	-	1,028,661
Net ending balance	$ 18,862,415	$ -	$ 18,862,415	$ 17,787,725	$ -	$ 17,787,725

2) Loss reserve

	September 30 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**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	$ 3,782,033	$ 13,353	$ 3,795,386	$ 3,632,013	$ 56,967	$ 3,688,980	$ 3,732,953	$ 30,537	$ 3,763,490
Not yet filed	30,304	-	30,304	64,860	-	64,860	66,776	-	66,776
Individual injury insurance									
Filed but not paid	87,833	-	87,833	97,805	-	97,805	72,877	-	72,877
Not yet filed	2,335,739	-	2,335,739	2,169,522	-	2,169,522	2,116,297	-	2,116,297
Individual health insurance									
Filed but not paid	911,875	-	911,875	1,168,438	-	1,168,438	1,079,758	-	1,079,758
Not yet filed	4,361,784	-	4,361,784	3,764,126	-	3,764,126	3,707,686	-	3,707,686
Group insurance									
Filed but not paid	69,176	-	69,176	60,563	-	60,563	71,683	-	71,683
Not yet filed	960,537	-	960,537	973,994	-	973,994	944,814	-	944,814
Investment-linked insurance									
Filed but not paid	201,570	-	201,570	196,278	-	196,278	185,515	-	185,515
Not yet filed	530	-	530	1,954	-	1,954	2,116	-	2,116
	12,741,381	13,353	12,754,734	12,129,553	56,967	12,186,520	11,980,475	30,537	12,011,012
Less ceded loss reserve									
Individual life insurance	173,700	-	173,700	102,962	-	102,962	67,847	-	67,847
Individual health insurance	8,906	-	8,906	11,306	-	11,306	9,426	-	9,426
	182,606	-	182,606	114,268	-	114,268	77,273	-	77,273
	$ 12,558,775	$ 13,353	$ 12,572,128	$ 12,015,285	$ 56,967	$ 12,072,252	$ 11,903,202	$ 30,537	$ 11,933,739

The changes of loss reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 12,129,553	$ 56,967	$ 12,186,520	$ 11,147,615	$ 31,747	$ 11,179,362
Provision	12,707,290	13,353	12,720,643	11,922,814	30,537	11,953,351
Recovery	(12,129,553)	(56,967)	(12,186,520)	(11,147,616)	(31,747)	(11,179,363)
Foreign exchange	34,091	-	34,091	57,662	-	57,662
Ending balance	12,741,381	13,353	12,754,734	11,980,475	30,537	12,011,012
Less ceded loss reserve						
Beginning balance	114,268	-	114,268	39,602	-	39,602
Increase	68,338	-	68,338	37,671	-	37,671
Ending balance	182,606	-	182,606	77,273	-	77,273
Net ending balance	$ 12,558,775	$ 13,353	$ 12,572,128	$ 11,903,202	$ 30,537	$ 11,933,739

3) Policy reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	$ 5,765,186,998	$ 2,388	$ 5,765,189,386	$ 5,651,086,978	$ 2,609	$ 5,651,089,587	$ 5,697,117,023	$ 3,281	$ 5,697,120,304
Injury insurance	7,589,482	-	7,589,482	7,566,436	-	7,566,436	7,527,150	-	7,527,150
Health insurance	986,473,612	-	986,473,612	936,818,624	-	936,818,624	918,096,023	-	918,096,023
Annuity insurance	1,081,001	6,172,771	7,253,772	1,080,857	7,771,653	8,852,510	1,235,471	8,543,285	9,778,756
Investment-linked insurance	969,050	-	969,050	841,041	-	841,041	853,500	-	853,500
Total (Note 2)	6,761,300,143	6,175,159	6,767,475,302	6,597,393,936	7,774,262	6,605,168,198	6,624,829,167	8,546,566	6,633,375,733
Less ceded policy reserve									
Life insurance	351,294	-	351,294	362,295	-	362,295	373,486	-	373,486
	$ 6,760,948,849	$ 6,175,159	$ 6,767,124,008	$ 6,597,031,641	$ 7,774,262	$ 6,604,805,903	$ 6,624,455,681	$ 8,546,566	$ 6,633,002,247

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 $6,768,006,523 thousand, $6,605,655,261 thousand and $6,633,849,934 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

The changes of policy reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 6,597,393,936	$ 7,774,262	$ 6,605,168,198	$ 6,273,750,350	$ 10,400,305	$ 6,284,150,655
Provision	340,219,398	60,693	340,280,091	363,638,092	60,540	363,698,632
Recovery	(251,571,640)	(1,659,796)	(253,231,436)	(208,920,496)	(1,914,327)	(210,834,823)
Foreign exchange	75,258,449	-	75,258,449	196,361,221	48	196,361,269
Ending balance	6,761,300,143	6,175,159	6,767,475,302	6,624,829,167	8,546,566	6,633,375,733
Less ceded policy reserve						
Beginning balance	362,295	-	362,295	374,908	-	374,908
Decrease	(11,436)	-	(11,436)	(12,180)	-	(12,180)
Foreign exchange	435	-	435	10,758	-	10,758
Ending balance	351,294	-	351,294	373,486	-	373,486
Net ending balance	$ 6,760,948,849	$ 6,175,159	$ 6,767,124,008	$ 6,624,455,681	$ 8,546,566	$ 6,633,002,247

4) Special reserve

	September 30, 2023				December 31, 2022				September 30, 2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	$ 5,563	$ -	$ -	$ 5,563	$ (13,396)	$ -	$ -	$ (13,396)	$ (19,826)	$ -	$ -	$ (19,826)
Dividend risk reserve	-	-	-	-	15,805	-	-	15,805	22,058	-	-	22,058
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	$ 5,563	$	$ 11,083,324	$ 11,088,887	$ 2,409	$ -	$ 11,083,324	$ 11,085,733	$ 2,232	$ -	$ 11,083,324	$ 11,085,556

The changes of special reserve are summarized below:

	For the Nine Months Ended September 30							
	2023				2022			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	$ 2,409	$ -	$ 11,083,324	$ 11,085,733	$ 1,735	$ -	$ 11,083,324	$ 11,085,059
Provision for participating policies dividends reserve	29,176	-	-	29,176	32,874	-	-	32,874
Recovery of participating policies dividends reserve	(10,217)	-	-	(10,217)	(10,846)	-	-	(10,846)
Recovery of dividend risk reserve	(15,805)	-	-	(15,805)	(21,531)	-	-	(21,531)
Ending balance	$ 5,563	$ -	$ 11,083,324	$ 11,088,887	$ 2,232	$ -	$ 11,083,324	$ 11,085,556

5) Premium deficiency reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 5,893,225	$ -	$ 5,893,225	$ 6,802,796	$ -	$ 6,802,796	$ 7,785,590	$ -	$ 7,785,590
Individual injury insurance	4,059	-	4,059	4,495	-	4,495	4,580	-	4,580
Individual health insurance	1,381,612	-	1,381,612	1,323,134	-	1,323,134	1,309,559	-	1,309,559
Group insurance	29	-	29	41	-	41	46	-	46
	$ 7,278,925	$ -	$ 7,278,925	$ 8,130,466	$ -	$ 8,130,466	$ 9,099,775	$ -	$ 9,099,775

The changes of premium deficiency reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 8,130,466	$ -	$ 8,130,466	$ 9,808,215	$ -	$ 9,808,215
Provision	-	-	-	90,249	-	90,249
Recovery	(929,253)	-	(929,253)	(1,114,288)	-	(1,114,288)
Foreign exchange	77,712	-	77,712	315,599	-	315,599
Ending balance	$ 7,278,925	$ -	$ 7,278,925	$ 9,099,775	$ -	$ 9,099,775

6) Other reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	$ 1,836,253	$ -	$ 1,836,253	$ 1,845,253	$ -	$ 1,845,253	$ 1,857,925	$ -	$ 1,857,925

The changes of other reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,845,253	$ -	$ 1,845,253	$ 1,865,925	$ -	$ 1,865,925
Recovery	(9,000)	-	(9,000)	(8,000)	-	(8,000)
Ending balance	$ 1,836,253	$ -	$ 1,836,253	$ 1,857,925	$ -	$ 1,857,925

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Unearned premium reserve	$ 19,951,743	$ 20,063,023	$ 18,816,386
Policy reserve	6,768,006,523	6,605,655,261	6,633,849,934
Premium deficiency reserve	7,278,925	8,130,466	9,099,775
Other reserve	1,836,253	1,845,253	1,857,925
Book value of insurance liabilities	$ 6,797,073,444	$ 6,635,694,003	$ 6,663,624,020
Estimated present value of cash flows	$ 6,366,640,706	$ 5,623,410,666	$ 5,795,937,255
Balance of liability adequacy reserve	$ -	$ -	$ -

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:

	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.

(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
b) Discount rate	Under assets allocation plan on June 30, 2023, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2022, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2022, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on June 30, 2022, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 30 years.

(Concluded)

b. Cathay Lujiazui Life

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

1) Unearned premium reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 4,339	$ -	$ 4,339	$ 4,290	$ -	$ 4,290	$ 4,626	$ -	$ 4,626
Individual health insurance	50,825	-	50,825	54,256	-	54,256	57,112	-	57,112
Group insurance	412,275	-	412,275	360,274	-	360,274	420,098	-	420,098
	$ 467,439	$ -	$ 467,439	$ 418,820	$ -	$ 418,820	$ 481,836	$ -	$ 481,836

The changes of unearned premium reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 418,820	$ -	$ 418,820	$ 399,789	$ -	$ 399,789
Provision	508,246	-	508,246	556,961	-	556,961
Recovery	(460,155)	-	(460,155)	(487,932)	-	(487,932)
Foreign exchange	528	-	528	13,018	-	13,018
Ending balance	$ 467,439	$ -	$ 467,439	$ 481,836	$ -	$ 481,836

2) Loss reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**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	$ -	$ -	$ -	$ 806	$ -	$ 806	$ -	$ -	$ -
Not yet filed	-	-	-	43,055	-	43,055	-	-	-
Individual injury insurance									
Filed but not paid	-	-	-	117	-	117	161	-	161
Not yet filed	3,967	-	3,967	3,638	-	3,638	6,225	-	6,225
Individual health insurance									
Filed but not paid	1,187	-	1,187	5,365	-	5,365	774	-	774
Not yet filed	18,070	-	18,070	305,738	-	305,738	20,546	-	20,546
Group insurance									
Filed but not paid	16,475	-	16,475	4,548	-	4,548	11,027	-	11,027
Not yet filed	603,597	-	603,597	154,092	-	154,092	498,549	-	498,549
	643,296	-	643,296	517,359	-	517,359	537,282	-	537,282
Less ceded loss reserve									
Individual injury insurance	30	-	30	35	-	35	9	-	9
Individual health insurance	4,901	-	4,901	4,323	-	4,323	3,807	-	3,807
Group insurance	6,226	-	6,226	4,270	-	4,270	3,982	-	3,982
	11,157	-	11,157	8,628	-	8,628	7,798	-	7,798
	$ 632,139	$ -	$ 632,139	$ 508,731	$ -	$ 508,731	$ 529,484	$ -	$ 529,484

The changes of loss reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 517,359	$ -	$ 517,359	$ 531,501	$ -	$ 531,501
Provision	1,423,298	-	1,423,298	1,428,694	-	1,428,694
Recovery	(1,298,382)	-	(1,298,382)	(1,439,298)	-	(1,439,298)
Foreign exchange	1,021	-	1,021	16,385	-	16,385
Ending balance	643,296	-	643,296	537,282	-	537,282
Less ceded loss reserve						
Beginning balance	8,628	-	8,628	11,895	-	11,895
Increase	34,115	-	34,115	31,552	-	31,552
Decrease	(31,605)	-	(31,605)	(35,979)	-	(35,979)
Foreign exchange	19	-	19	330	-	330
Ending balance	11,157	-	11,157	7,798	-	7,798
Net ending balance	$ 632,139	$ -	$ 632,139	$ 529,484	$ -	$ 529,484

3) Policy reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 61,933,144	$ -	$ 61,933,144	$ 48,821,991	$ -	$ 48,821,991	$ 46,716,460	$ -	$ 46,716,460
Health insurance	7,449,680	-	7,449,680	6,050,882	-	6,050,882	5,823,751	-	5,823,751
Investment-linked insurance	647	-	647	729	-	729	727	-	727
	69,383,471	-	69,383,471	54,873,602	-	54,873,602	52,540,938	-	52,540,938
Less ceded policy reserve									
Individual life insurance	2,562	-	2,562	5,410	-	5,410	4,454	-	4,454
Health insurance	5,100	-	5,100	19,900	-	19,900	19,444	-	19,444
	7,662	-	7,662	25,310	-	25,310	23,898	-	23,898
	$ 69,375,809	$ -	$ 69,375,809	$ 54,848,292	$ -	$ 54,848,292	$ 52,517,040	$ -	$ 52,517,040

The changes of policy reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 54,873,602	$ -	$ 54,873,602	$ 41,188,616	$ -	$ 41,188,616
Provision	17,865,723	-	17,865,723	11,955,467	-	11,955,467
Recovery	(3,431,866)	-	(3,431,866)	(1,910,881)	-	(1,910,881)
Reclassification	(38,748)	-	(38,748)	(59,331)	-	(59,331)
Foreign exchange	114,760	-	114,760	1,367,067	-	1,367,067
Ending balance	69,383,471	-	69,383,471	52,540,938	-	52,540,938
Less ceded policy reserve						
Beginning balance	25,310	-	25,310	20,207	-	20,207
Increase	23,233	-	23,233	71,259	-	71,259
Decrease	(40,798)	-	(40,798)	(68,221)	-	(68,221)
Foreign exchange	(83)	-	(83)	653	-	653
Ending balance	7,662	-	7,662	23,898	-	23,898
Ending balance	$ 69,375,809	$ -	$ 69,375,809	$ 52,517,040	$ -	$ 52,517,040

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	September 30, 2023	December 31, 2022	September 30, 2022
Unearned premium reserve	$ 467,439	$ 418,820	$ 481,836
Policy reserve	69,383,471	54,873,602	52,540,938
Book value of insurance liabilities	$ 69,850,910	$ 55,292,422	$ 53,022,774
Estimated present value of cash flows	$ 55,880,728	$ 44,233,938	$ 42,418,219
Balance of liability adequacy reserve	$ -	$ -	$ -

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.

Liability adequacy testing methodology is listed as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b) Discount rate	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2022, with neutral assumption for discount rates after 40 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 40 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 40 years.

c. Cathay Life (Vietnam)

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

1) Unearned premium reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 15,677	$ -	$ 15,677	$ 16,851	$ -	$ 16,851	$ 18,620	$ -	$ 18,620
Individual health insurance	46,637	-	46,637	48,876	-	48,876	48,663	-	48,663
	$ 62,314	$ -	$ 62,314	$ 65,727	$ -	$ 65,727	$ 67,283	$ -	$ 67,283

The changes of unearned premium reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 65,727	$ -	$ 65,727	$ 61,852	$ -	$ 61,852
Recovery	(4,325)	-	(4,325)	(458)	-	(458)
Foreign exchange	912	-	912	5,889	-	5,889
Ending balance	$ 62,314	$ -	$ 62,314	$ 67,283	$ -	$ 67,283

2) Loss reserve

	September 30, 2023			December 31, 2022			September 30, 2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	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	$ 9,068	$ -	$ 9,068	$ 7,744	$ -	$ 7,744	$ 8,849	$ -	$ 8,849
Individual injury insurance									
Filed but not paid	2,123	-	2,123	2,024	-	2,024	4,236	-	4,236
Not yet filed	3,197	-	3,197	3,528	-	3,528	3,596	-	3,596
Individual health insurance									
Filed but not paid	18,186	-	18,186	11,585	-	11,585	23,108	-	23,108
Not yet filed	16,994	-	16,994	16,883	-	16,883	16,719	-	16,719
Investment-linked insurance									
Filed but not paid	10,728	-	10,728	14,418	-	14,418	20,455	-	20,455
	$ 60,296	$ -	$ 60,296	$ 56,182	$ -	$ 56,182	$ 76,963	$ -	$ 76,963

The changes of loss reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 56,182	$ -	$ 56,182	$ 52,518	$ -	$ 52,518
Provision	3,260	-	3,260	18,535	-	18,535
Foreign exchange	854	-	854	5,910	-	5,910
Ending balance	$ 60,296	$ -	$ 60,296	$ 76,963	$ -	$ 76,963

3) Policy reserve

	September 30, 2023			December 31, 2022			September 30,2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 11,306,855	$ -	$ 11,306,855	$ 10,265,046	$ -	$ 10,265,046	$ 10,260,221	$ -	$ 10,260,221
Investment-linked insurance	1,808,708	-	1,808,708	1,399,875	-	1,399,875	1,273,716	-	1,273,716
	$ 13,115,563	$ -	$ 13,115,563	$ 11,664,921	$ -	$ 11,664,921	$ 11,533,937	$ -	$ 11,533,937

The changes of policy reserve are summarized below:

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 11,664,921	$ -	$ 11,664,921	$ 9,134,177	$ -	$ 9,134,177
Provision	1,266,986	-	1,266,986	1,456,938	-	1,456,938
Foreign exchange	183,656	-	183,656	942,822	-	942,822
Ending balance	$ 13,115,563	$ -	$ 13,115,563	$ 11,533,937	$ -	$ 11,533,937

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Unearned premium reserve	$ 62,314	$ 65,727	$ 67,283
Policy reserve	13,115,563	11,664,921	11,533,937
Book value of insurance liabilities	$ 13,177,877	$ 11,730,648	$ 11,601,220
Estimated present value of cash flows	$ 5,890,297	$ 5,334,677	$ 4,832,358
Balance of liability adequacy reserve	$ -	$ -	$ -

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.

Liability adequacy testing methodology is listed as follows:

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

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 September 30, 2023, December 31, 2022 and September 30, 2022, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

	September 30, 2023	December 31, 2022	September 30, 2022
Life insurance	$ 68,168	$ 70,368	$ 70,368
Investment-linked insurance	1,088,002	1,125,751	1,149,728
	$ 1,156,170	$ 1,196,119	$ 1,220,096

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 1,196,119	$ 1,165,040
Claims and payments	(631,553)	(283,409)
Net provision of statutory reserve	575,381	294,715
Foreign exchange	16,223	43,750
Ending balance	$ 1,156,170	$ 1,220,096

b. Cathay Lujiazui Life

	September 30, 2023	December 31, 2022	September 30, 2022
Life insurance	$ 21,498,906	$ 17,299,350	$ 16,643,156

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 17,299,350	$ 14,023,748
Premiums received	6,125,060	3,774,791
Claims and payments	(2,550,169)	(2,091,632)
Net provision of statutory reserve	590,589	481,903
Foreign exchange	34,076	454,346
Ending balance	$ 21,498,906	$ 16,643,156

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 Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 49,503,457	$ 9,053,726
Provision		
Compulsory reserve	5,364,468	4,378,076
Additional reserve	5,109,293	39,644,400
	10,473,761	44,022,476
Recovery	(17,810,297)	(2,525,160)
Ending balance	$ 42,166,921	$ 50,551,042

c. Effects due to reserve for foreign exchange valuation

Items	For the Nine Months Ended September 30, 2023		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 24,393,151	$ 30,262,380	$ 5,869,229
Earnings per share	3.84	4.76	0.92
Reserve for foreign exchange valuation	-	42,166,921	42,166,921
Equity attributable to owners of the Company	548,085,040	517,954,400	(30,130,640)

Items	For the Nine Months Ended September 30, 2022		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income attributable to owners of the Company	$ 79,878,489	$ 46,680,636	$ (33,197,853)
Earnings per share	13.65	7.98	(5.67)
Reserve for foreign exchange valuation	-	50,551,042	50,551,042
Equity attributable to owners of the Company	205,174,888	168,336,951	(36,837,937)

26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 75,769,145	$ 22,598	$ 75,791,743	$ 89,152,637	$ 25,546	$ 89,178,183
Reinsurance premium	23,856	-	23,856	28,632	-	28,632
Premium income	75,793,001	22,598	75,815,599	89,181,269	25,546	89,206,815
Less: Reinsurance expenses	(780,628)	-	(780,628)	(696,284)	-	(696,284)
Net changes in unearned premium reserve	92,162	-	92,162	54,585	-	54,585
Retained earned premium	$ 75,104,535	$ 22,598	$ 75,127,133	$ 88,539,570	$ 25,546	$ 88,565,116

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 261,325,958	$ 63,887	$ 261,389,845	$ 281,220,632	$ 63,727	$ 281,284,359
Reinsurance premium	82,141	-	82,141	95,716	-	95,716
Premium income	261,408,099	63,887	261,471,986	281,316,348	63,727	281,380,075
Less: Reinsurance expenses	(1,934,689)	-	(1,934,689)	(1,801,200)	-	(1,801,200)
Net changes in unearned premium reserve	19,908	-	19,908	115,628	-	115,628
Retained earned premium	$ 259,493,318	$ 63,887	$ 259,557,205	$ 279,630,776	$ 63,727	$ 279,694,503

2) Cathay Lujiazui Life

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 6,789,901	$ -	$ 6,789,901	$ 4,253,558	$ -	$ 4,253,558
Reinsurance premium	-	-	-	-	-	-
Premium income	6,789,901	-	6,789,901	4,253,558	-	4,253,558
Less: Reinsurance expenses	(26,554)	-	(26,554)	(39,998)	-	(39,998)
Net changes in unearned premium reserve	(122,850)	-	(122,850)	(143,940)	-	(143,940)
Retained earned premium	$ 6,640,497	$ -	$ 6,640,497	$ 4,069,620	$ -	$ 4,069,620

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 21,395,906	$ -	$ 21,395,906	$ 12,769,178	$ -	$ 12,769,178
Reinsurance premium	-	-	-	-	-	-
Premium income	21,395,906	-	21,395,906	12,769,178	-	12,769,178
Less: Reinsurance expenses	(80,521)	-	(80,521)	(119,057)	-	(119,057)
Net changes in unearned premium reserve	(48,091)	-	(48,091)	(69,029)	-	(69,029)
Retained earned premium	$ 21,267,294	$ -	$ 21,267,294	$ 12,581,092	$ -	$ 12,581,092

3) Cathay Life (Vietnam)

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 966,543	$ -	$ 966,543	$ 1,031,583	$ -	$ 1,031,583
Reinsurance premium	-	-	-	-	-	-
Premium income	966,543	-	966,543	1,031,583	-	1,031,583
Less: Reinsurance expenses	(24,265)	-	(24,265)	(19,946)	-	(19,946)
Net changes in unearned premium reserve	223	-	223	663	-	663
Retained earned premium	$ 942,501	$ -	$ 942,501	$ 1,012,300	$ -	$ 1,012,300

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 2,820,762	$ -	$ 2,820,762	$ 2,697,454	$ -	$ 2,697,454
Reinsurance premium	-	-	-	-	-	-
Premium income	2,820,762	-	2,820,762	2,697,454	-	2,697,454
Less: Reinsurance expenses	(64,708)	-	(64,708)	(45,532)	-	(45,532)
Net changes in unearned premium reserve	4,325	-	4,325	458	-	458
Retained earned premium	$ 2,760,379	$ -	$ 2,760,379	$ 2,652,380	$ -	$ 2,652,380

b. Retained claim payments

1) The Company

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 107,097,138	$ 597,122	$ 107,694,260	$ 100,325,788	$ 774,941	$ 101,100,729
Reinsurance claim payments	5,314	-	5,314	48,941	-	48,941
Insurance claim payments	107,102,452	597,122	107,699,574	100,374,729	774,941	101,149,670
Less: Claims recovered from reinsures	(558,866)	-	(558,866)	(452,558)	-	(452,558)
Retained claim payments	$ 106,543,586	$ 597,122	$ 107,140,708	$ 99,922,171	$ 774,941	$ 100,697,112

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 308,720,896	$ 1,751,513	$ 310,472,409	$ 260,955,409	$ 1,986,955	$ 262,942,364
Reinsurance claim payments	40,198	-	40,198	108,218	-	108,218
Insurance claim payments	308,761,094	1,751,513	310,512,607	261,063,627	1,986,955	263,050,582
Less: Claims recovered from reinsures	(1,429,634)	-	(1,429,634)	(1,145,981)	-	(1,145,981)
Retained claim payments	$ 307,331,460	$ 1,751,513	$ 309,082,973	$ 259,917,646	$ 1,986,955	$ 261,904,601

2) Cathay Lujiazui Life

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 825,173	$ -	$ 825,173	$ 649,284	$ -	$ 649,284
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	825,173	-	825,173	649,284	-	649,284
Less: Claims recovered from reinsures	(6,669)	-	(6,669)	(35,878)	-	(35,878)
Retained claim payments	$ 818,504	$ -	$ 818,504	$ 613,406	$ -	$ 613,406

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 2,790,358	$ -	$ 2,790,358	$ 1,759,825	$ -	$ 1,759,825
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	2,790,358	-	2,790,358	1,759,825	-	1,759,825
Less: Claims recovered from reinsures	(64,747)	-	(64,747)	(105,892)	-	(105,892)
Retained claim payments	$ 2,725,611	$ -	$ 2,725,611	$ 1,653,933	$ -	$ 1,653,933

3) Cathay Life (Vietnam)

	For the Three Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 201,368	$ -	$ 201,368	$ 102,308	$ -	$ 102,308
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	201,368	-	201,368	102,308	-	102,308
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 201,368	$ -	$ 201,368	$ 102,308	$ -	$ 102,308

	For the Nine Months Ended September 30					
	2023			2022		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Direct insurance claim payments	$ 549,907	$ -	$ 549,907	$ 321,787	$ -	$ 321,787
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	549,907	-	549,907	321,787	-	321,787
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 549,907	$ -	$ 549,907	$ 321,787	$ -	$ 321,787

27. PROVISIONS

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 56,245	$ 56,245
Changes in the period	-	-
Ending balance	$ 56,245	$ 56,245

28. OTHER LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
Advance receipts	$ 504,257	$ 470,727	$ 529,011
Deferred fee income	5,542	2,865	2,802
Guarantee deposits received	3,290,547	3,809,537	2,929,713
Others (Note)	3,983,093	6,112,837	7,889,145
	$ 7,783,439	$ 10,395,966	$ 11,350,671

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to $1,758,797 thousand, $2,087,103 thousand and $2,264,651 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, 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 Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 2,865	$ 3,397
Increase	3,141	-
Amortization	(421)	(479)
Foreign exchange	(43)	(116)
Ending balance	$ 5,542	$ 2,802

29. RETIREMENT BENEFIT PLANS

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
General expenses	$ 31,324	$ 47,852	$ 93,971	$ 143,555

30. EQUITY

a. Share capital

	September 30, 2023	December 31, 2022	September 30, 2022
Number of shares authorized (in thousands)	10,000,000	10,000,000	10,000,000
Shares authorized	$ 100,000,000	$ 100,000,000	$ 100,000,000
Number of shares issued and fully paid (in thousands)	6,351,527	6,351,527	5,851,527
Shares issued	$ 63,515,274	$ 63,515,274	$ 58,515,274

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and the right to dividends.

On October 20, 2022, the Company's board of directors (on behalf of the shareholders' meeting) resolved to issue 500,000 thousand ordinary shares with a par of $10; on December 23, 2022, the Company's board of directors resolved to issue the shares for a consideration of $70 per share which increased the share capital issued and fully paid to $63,515,274 thousand. The above transaction was approved by the FSC on December 15, 2022, and the subscription base date was determined by the board of directors to be December 28, 2022.

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital	$ 89,550,000	$ 89,550,000	$ 59,550,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142	29,142
Changes in amount of associates accounted for using the equity method	1,436,334	728,977	710,883
Share-based payments granted by the parent company to the Company's employees	622,273	616,359	182,599
	$ 91,637,749	$ 90,924,478	$ 60,472,624

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.

On November 18, 2022, Cathay Financial Holdings, board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries subscribing. In December 2022 and February 2023, the Company recognized salary expenses and a capital surplus of $433,760 thousand and $5,914 thousand, respectively, for share-based payments at the fair value of the options at the grant date.

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 compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees 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 2022 and 2021 had been approved by the board of directors (on behalf of shareholders) on April 27, 2023 and May 13, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	**2021**
Legal reserve	$ 4,854,778	$ 22,725,076
Special reserve	25,036,354	74,437,689
Cash dividends	-	22,445,733
Cash dividends per share (NT$)	-	3.84

d. Special reserves

	September 30, 2023	December 31, 2022	September 30, 2022
Special reserve for catastrophic events and fluctuation of risks (1)	$ 14,043,862	$ 14,043,862	$ 14,869,604
Special reserve for the foreign exchange valuation reserve (2)	38,731,694	36,304,306	36,304,306
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860	47,327,860
Special reserve for investment properties at fair value model in subsequent measurement (4)	149,796,291	149,344,667	149,344,667
Special reserve for gains or losses on disposal of immature debt instruments (5)	99,537,427	103,261,225	103,261,225
Others (6)	127,037,147	108,271,495	105,947,509
	$ 476,474,281	$ 458,553,415	$ 457,055,171

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:

	September 30, 2023		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 82,281	$ -	$ 82,281
Injury insurance	4,888,144	-	4,888,144
Health insurance	5,865,714	-	5,865,714
Group insurance	3,207,723	-	3,207,723
	$ 14,043,862	$ -	$ 14,043,862

	December 31, 2022		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 82,281	$ -	$ 82,281
Injury insurance	4,888,144	-	4,888,144
Health insurance	5,865,714	-	5,865,714
Group insurance	3,207,723	-	3,207,723
	$ 14,043,862	$ -	$ 14,043,862

	September 30, 2022		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**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	4,181,235	-	4,181,235
	$ 14,869,604	$ -	$ 14,869,604

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 reserve 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. 10904917647, the Company set aside special reserve based on net after-tax effect for the first-time adoption of fair value model in subsequent measurement and the accumulated net after-tax gain on subsequent fair value measurements.

The aforementioned special reserve can only be used to compensate the deficit of insurance liabilities of the insurance contract in accordance with IFRS 17 “Insurance Contracts,” the fair value assessment of insurance contract liabilities in the life insurance industry and other assessment methods specified by the FSC.

When the Company disposes of the investment properties, if the special reserve under the aforementioned regulations is used to replenish the insurance contract liabilities, the percentage of the original special reserve may be reversed with the approval of the FSC. 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.

6) Other special reserve mainly included the amount of $34,764,311 thousand transferred from insurance liabilities in accordance with Jin Guan Bao Tsai No. 10402029590.

e. Other equity

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

	For the Nine Months Ended September 30	
	2023	**2022**
Beginning balance	$ (11,365,195)	$ (15,347,517)
Recognized for the period	2,468,370	3,543,853
Share of associates accounted for using the equity method	601,670	760,548
Tax effects	(111,498)	(118,715)
Other comprehensive income recognized for the period	2,958,542	4,185,686
Ending balance	$ (8,406,653)	$ (11,161,831)

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

	For the Nine Months Ended September 30	
	2023	**2022**
Beginning balance	$ (47,338,891)	$ 38,259,385
Recognized for the period	(8,802,934)	(422,319,038)
Share of associates accounted for using the equity method	(698,686)	(856,836)
Reclassification adjustment		
Disposal of investments in debt instruments	(224,211)	3,523,974
Tax effects	4,579,432	75,065,540
Other comprehensive loss recognized for the period	(5,146,399)	(344,586,360)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	97,714	-
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	37,179	2,205,434
Ending balance	$ (52,350,397)	$(304,121,541)

3) Gain (loss) on hedging instruments

	For the Nine Months Ended September 30	
	2023	**2022**
Beginning balance	$ 950,265	$ 335,851
Recognized for the period	(1,320,705)	12,747
Reclassification adjustment		
Hedged item that affects profit or loss	647,484	262,757
Tax effects	132,803	(51,486)
Other comprehensive (loss) income recognized for the period	(540,418)	224,018
Ending balance	$ 409,847	$ 559,869

4) Remeasurement of defined benefit plans

	For the Nine Months Ended September 30	
	2023	**2022**
Beginning balance	$ 1,464,900	$ 1,336,456
Share of associates accounted for using the equity method	(144,805)	42,649
Tax effects	28,961	(8,529)
Other comprehensive (loss) income recognized for the period	(115,844)	34,120
Ending balance	$ 1,349,056	$ 1,370,576

5) Property revaluation surplus

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 402,058	$ 402,058
Changes in the period	-	-
Ending balance	$ 402,058	$ 402,058

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

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$(170,788,822)	$ 63,853,017
Recognized for the period	68,330,755	(245,481,422)
Reclassification adjustment		
Disposal of investments in financial instruments	(31,248,849)	(22,903,806)
Tax effects	(4,097,918)	18,200,072
Other comprehensive income (loss) recognized for the period	32,983,988	(250,185,156)
Ending balance	$(137,804,834)	$(186,332,139)

7) Other equity - other

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ (2,493,326)	$ (3,224,389)
Actual execution of put options on subsidiaries' share	731,302	731,063
Ending balance	$ (1,762,024)	$ (2,493,326)

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 8,971,902	$ 7,689,899
Net income attributed to non-controlling interests		
Net profit for the period	399,308	335,451
Other comprehensive income (loss) recognized for the period		
Exchange differences on translation of the financial statements of foreign operations	17,592	312,360
Other comprehensive income (loss) reclassified using overlay approach	370,278	(38,128)
Actual acquisition of interests in subsidiaries	(22,075)	(109,072)
Acquisition of non-controlling interests in subsidiaries (Note 43)	76,784	-
Others	(118,740)	(626,410)
Ending balance	$ 9,695,049	$ 7,564,100

31. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Basic earnings per share	$ 2.75	$ 1.10	$ 4.76	$ 7.98

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 Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Earnings used in the computation of basic earnings per share	$ 17,516,501	$ 6,432,603	$ 30,262,380	$ 46,680,636

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	6,351,527	5,851,527	6,351,527	5,851,527

If reserve for foreign exchange valuation was not applicable, earnings per share would be $2.76, $3.50, $3.84 and $13.65 for the three months and nine months ended September 30, 2023 and 2022, respectively.

32. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Financial assets at FVTOCI	$ 4,911,633	$ 13,504,845	$ 13,298,265	$ 35,945,805
Financial assets measured at amortized cost	39,774,952	28,403,443	115,871,482	81,897,963
Loans	3,545,655	3,573,399	10,785,891	10,610,065
Others	1,863,806	952,327	6,028,813	2,067,935
	$ 50,096,046	$ 46,434,014	$ 145,984,451	$ 130,521,768

b. Expected credit impairment losses and gains on reversal

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Operating revenues - expected credit impairment losses and gains on reversal from investments				
Debt instrument investments at FVTOCI	$ 25,400	$ (193,053)	$ 4,309	$ (1,292,494)
Financial assets measured at amortized cost	128,743	(255,457)	40,529	(2,144,278)
Interest receivables	(405,807)	(390,023)	(1,099,839)	(925,089)
Loans	160,089	80,488	396,908	363,313
	(91,575)	(758,045)	(658,093)	(3,998,548)
Operating expenses - expected credit impairment losses and gains on reversal from non-investments				
Receivables	(95)	(1,053)	(515)	(12,378)
Due from reinsurers and ceding companies	(480)	(3,454)	10,578	(14,930)
	(575)	(4,507)	10,063	(27,308)
	$ (92,150)	$ (762,552)	$ (648,030)	$ (4,025,856)

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term benefits				
Salaries	$ 8,999,615	$ 8,982,472	$ 27,433,879	$ 25,480,259
Labor and health insurance expenses	754,590	711,853	2,307,672	2,305,136
Post-employment benefits				
Defined contribution plans	260,233	246,347	773,437	803,650
Defined benefit plans (Note 29)	31,324	47,852	93,971	143,555
Remuneration of directors	23,594	23,218	66,960	69,902
Other employee benefits	154,159	195,925	547,357	570,819
	$ 10,223,515	$ 10,207,667	$ 31,223,276	$ 29,373,321
An analysis of employee benefits expense by function				
Operating costs	$ 6,469,691	$ 6,919,800	$ 20,210,867	$ 19,526,078
Operating expenses	3,753,824	3,287,867	11,012,409	9,847,243
	$ 10,223,515	$ 10,207,667	$ 31,223,276	$ 29,373,321

As of September 30, 2023 and 2022, the total numbers of the Group's employees were 37,720 and 39,406, respectively, including 24 and 24 non-executive directors, respectively.

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 employees 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 employees and remuneration of directors and supervisors for the three months and nine months ended September 30, 2023 and 2022, respectively, as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Compensation of employees	$ 2,081	$ 851	$ 3,597	$ 5,681
Remuneration of directors and supervisors	1,350	1,350	4,050	4,050

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 and remuneration of directors and supervisors for the years ended 2022 and 2021, which were resolved by the board of directors on March 9, 2023 and March 11, 2022, respectively, are as follows:

	For the Year Ended December 31	
	2022	**2021**
Compensation of employees	$ 4,053	$ 12,462
Remuneration of directors and supervisors	5,400	5,400

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

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Property and equipment	$ 416,371	$ 215,509	$ 1,209,339	$ 608,097
Right-of-use assets	171,648	163,099	514,300	482,677
Intangible assets	599,980	593,337	1,790,018	1,766,457
	$ 1,187,999	$ 971,945	$ 3,513,657	$ 2,857,231

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
An analysis of depreciation by function				
Operating expenses	$ 588,019	$ 378,608	$ 1,723,639	$ 1,090,774
An analysis of amortization by function				
Operating expenses	$ 599,980	$ 593,337	$ 1,790,018	$ 1,766,457

(Concluded)

f. Non-operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Gain on disposal of property and equipment	$ 11,555	$ 4,658	$ 6,351	$ 4,524
Others	1,014,166	380,735	2,108,438	1,275,576
	$ 1,025,721	$ 385,393	$ 2,114,789	$ 1,280,100

33. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	$ (1,976,491)	$ 2,096,840	$ (2,740,067)	$ 181,146
Adjustments for prior years	-	1,643	19,156	474,395
Deferred tax				
In respect of the current period	5,891,862	173,472	9,253,250	9,959,417
Adjustments for prior years	-	-	(207,487)	349
Others				
Tax effects under integrated income tax system	(28,086)	35,355	227,625	242,258
Income tax expense recognized in profit or loss	$ 3,887,285	$ 2,307,310	$ 6,552,477	$ 10,857,565

Foreign withholding taxes in the amounts of $319,103 thousand, $313,312 thousand, $1,238,161 thousand and $969,675 thousand were recognized in current tax expense for the three months and nine months ended September 30, 2023 and 2022, 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
Derecognition of equity instruments at FVTOCI	$ 9,883	$ 225,486	$ 37,521	$ 300,266
Deferred tax				
Derecognition of equity instruments at FVTOCI	(9,883)	(225,486)	(37,521)	(300,266)
Capital surplus	(162,964)	-	(162,964)	30,088
Total income tax recognized directly in equity	$ (162,964)	$ -	$ (162,964)	$ 30,088

c. Income tax recognized in other comprehensive income (loss)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Deferred tax				
Recognized in other comprehensive (loss) income				
Exchange differences on translation of the financial statements of foreign operations	$ (52,958)	$ (2,038)	$ (111,498)	$ (118,715)
Gains (losses) on hedging instruments	32,230	25,165	132,803	(51,486)
Unrealized gains on equity instruments at FVTOCI	49,012	71,234	73,329	402,658
Unrealized gains on debt instruments at FVTOCI	5,615,061	22,495,588	4,452,214	74,582,050
Share of other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method	13,127	(6,616)	82,850	72,303
Other comprehensive income (loss) reclassified using overlay approach	1,332,243	1,862,438	(4,097,918)	18,200,072
Total income tax recognized in other comprehensive income	$ 6,988,715	$ 24,445,771	$ 531,780	$ 93,086,882

d. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities. The Company disagreed with the tax authorities’ assessment of its 2015, 2016 and 2017 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
Cathay Power	Subsidiary (Note 1)
Sunrise Pv One	Subsidiary (Note 2)
Cathy Sunrise Two	Subsidiary (Note 2)
Cathy Sunrise Electric Power Two	Subsidiary (Note 2)
Bai Yang Energy	Subsidiary (Note 2)
Hong Cheng Sing Tech.	Subsidiary (Note 2)
Shen Lyu	Subsidiary (Note 2)
Nan Yang Power	Subsidiary (Note 2)
Neo Cathay Power	Subsidiary (Note 1)
CM Energy	Subsidiary (Note 1)
Shu Guang Energy	Subsidiary (Note 2)
Si Yi	Subsidiary (Note 2)
Da Li Energy	Subsidiary (Note 2)
Yong Han	Subsidiary (Note 2)
Hong Tai Energy	Subsidiary (Note 2)
Hong Tai Power	Subsidiary (Note 2)
Tian Ji Energy	Subsidiary (Note 2)
Tian Ji Power	Subsidiary (Note 2)
Chen Fong Power	Subsidiary from December 2022 to April 2023
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate
CMG International One Co., Ltd.	Associate
CMG International Two Co., Ltd.	Associate
ThrivEnergy Co., Ltd.	Associate
Seaward Card Co., Ltd.	Subsidiary of associate
ThinkPower Information Co., Ltd.	Subsidiary of associate

(Continued)

Related Party Name	Related Party Category
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
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 before August 2023
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
Cymbal Medical Network Co., Ltd.	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
Srisawad Corporation Public Company Limited	Other related party
Cathay United Bank Foundation	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)

Note 1: Associate before November 2022.

Note 2: Subsidiary of associate before November 2022.

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:

	For the Nine Months Ended September 30			
	2023		2022	
Name	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Dun-Nan Xin-Yi Building, etc.	$ 10,856	Cathay headquarters building etc.	$ 2,550
PSS Co., Ltd.	-	-	Zhubei Shixing Building etc.	4,307
		10,856		6,857
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	2,353,029	Tucheng East Building, etc.	1,204,832
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehousing, etc.	809,305	Yangmei Erchongxi Warehousing, etc.	540,964
		3,162,334		1,745,796
		$ 3,173,190		$ 1,752,653

As of September 30, 2023, December 31, 2022 and September 30, 2022, the total amounts of contracted projects for real estate between the Group and Lin Yuan Property Management Co., Ltd. were $2,971 thousand, $3,447 thousand and $3,447 thousand, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the total amounts of contracted projects for real estate between the Group and PSS Co., Ltd. were $38,543 thousand, $7,137 thousand and $7,137 thousand, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were $17,652,850 thousand, $15,573,524 thousand and $15,573,524 thousand, respectively.

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

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

	Rental Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Name	2023	2022	2023	2022
Parent company				
Cathay Financial Holdings	$ 39,709	$ 37,655	$ 116,894	$ 110,826
Subsidiary				
Cathay Securities Investment Consulting	2,529	2,529	7,588	7,588
Associate and its subsidiary				
Yua-Yung Marketing (Taiwan) Co., Ltd.	16,570	10,675	45,562	31,150
Hong-Sui Co., Ltd.	8,301	7,106	25,525	21,204

(Continued)

	Rental Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Name	2023	2022	2023	2022
Symphox Information Co., Ltd.	$ 7,850	$ 8,468	$ 23,975	$ 25,061
Lin Yuan Property Management Co., Ltd.	5,547	5,405	17,172	15,271
	38,268	31,654	112,234	92,686
Fellow subsidiary and its subsidiary				
Cathay United Bank Co., Ltd.	199,367	197,035	551,083	546,038
Cathay Century Insurance Co., Ltd.	33,426	32,322	101,142	95,915
Cathay Securities Corporation	15,682	15,628	47,045	45,841
Cathay Securities Investment Trust Co., Ltd.	14,748	14,768	44,320	44,302
Cathay Venture Inc.	2,285	2,136	6,855	5,923
Cathay Futures Co., Ltd.	1,835	1,819	5,507	5,456
	267,343	263,708	755,952	743,475
Other related party				
Ally Logistic Property Co., Ltd.	170,888	248,853	673,821	715,850
Cathay Hospitality Management Co., Ltd.	50,607	42,841	151,543	137,482
Cathay Hospitality Consulting Co., Ltd.	50,050	40,821	146,833	130,730
Cathay Medical Care Corp.	49,152	48,856	150,909	150,400
Cathay Healthcare Management Co., Ltd.	23,759	22,430	69,622	66,686
Cathay Real Estate Development Co., Ltd.	4,615	4,466	13,647	13,231
Cymlin Co., Ltd.	2,143	2,143	6,428	6,428
Cymder Co., Ltd.	2,076	2,076	5,535	5,535
San Ching Engineering Co., Ltd.	1,487	1,502	4,414	4,695
Cathay United Bank Foundation	1,312	1,750	3,937	4,374
Cymbal Medical Network Co., Ltd.	1,162	1,609	4,082	2,502
Hsin Chung Co., Ltd.	-	1,076	-	7,527
	357,251	418,423	1,230,771	1,245,440
	$ 705,100	$ 753,969	$ 2,223,439	$ 2,200,015

(Concluded)

Name	Guarantee Deposits Received September 30, 2023	December 31, 2022	September 30, 2022
Parent company			
Cathay Financial Holdings	$ 38,585	$ 33,709	$ 33,633
Associate and its subsidiary			
Yua-Yang Marketing (Taiwan) Co., Ltd.	9,178	5,370	4,552
Symphox Information Co., Ltd.	7,723	11,708	11,679
Hong-Sui Co., Ltd.	5,612	4,740	4,740
	22,513	21,818	20,971
Fellow subsidiary			
Cathay United Bank Co., Ltd.	192,838	191,579	191,579
Cathay Century Insurance Co., Ltd.	35,012	33,772	33,772
Cathay Securities Corporation	14,725	14,719	14,719
Cathay Securities Investment Trust Co., Ltd.	13,293	13,293	13,275
	255,868	253,363	253,345
Other related party			
Cathay Hospitality Management Co., Ltd.	192,132	190,582	190,230
Cathay Hospitality Consulting Co., Ltd.	185,651	184,100	182,996
Cathay Medical Care Corp.	61,482	61,208	61,208
Cathay Healthcare Management Co., Ltd.	26,556	21,113	21,113
Cathay Real Estate Development Co., Ltd.	4,264	4,086	4,215
Cymlin Co., Ltd.	4,081	4,081	4,081
Ally Logistic Property Co., Ltd.	-	210,782	210,626
Hsin Chung Co., Ltd.	-	3,072	3,072
	474,166	679,024	677,541
	$ 791,132	$ 987,914	$ 985,490

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

c) Lease arrangements

i. Acquisition of right-of-use assets

Name	For the Nine Months Ended September 30 2023	2022
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ -	$ 61,248
Other related party		
Yi Ru Capital Co., Ltd.	5,035	-
	$ 5,035	$ 61,248

ii. Lease liabilities

Name	September 30, 2023	December 31, 2022	September 30, 2022
Fellow subsidiary			
Cathay United Bank Co., Ltd.	$ 14,137	$ 38,541	$ 46,144
Other related party			
Yi Ru Capital Co., Ltd.	3,026	1,064	2,123
Cathay Real Estate Development Co., Ltd.	-	1,762	3,559
	3,026	2,826	5,682
	$ 17,163	$ 41,367	$ 51,826

iii. Lease expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Other related party				
Cathay Real Estate Development Co., Ltd.	$ 1,853	$ -	$ 3,706	$ -

iv. Guarantee deposits paid

Name	September 30, 2023	December 31, 2022	September 30, 2022
Fellow subsidiary			
Cathay United Bank Co., Ltd.	$ 7,694	$ 7,694	$ 7,694

d) Acquisition of equipment from related parties - computer equipment and software

Name	For the Nine Months Ended September 30	
	2023	2022
Subsidiary of associate		
ThinkPower Information Co., Ltd.	$ 7,599	$ 20,888

2) Shares transactions

a) Acquisition of shares issued by the related parties

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

b) Balance of shares issued by the related parties

Name	Nature of Transaction	September 30, 2023	December 31, 2022	September 30, 2022
Other related party				
Srisawad Corporation Public Company	Ordinary shares	$ 2,351,379	$ 2,718,023	$ 2,264,891
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,033,131	1,046,860	1,101,778
CDIB&PARTNERS Investment Holding Corporation	Ordinary shares	839,700	694,980	682,020
Daiwa-Cathay Capital Markets Co., Ltd.	Ordinary shares	145,800	143,800	144,200
		$ 4,370,010	$ 4,603,663	$ 4,192,889

Refer to Note 12, Table 1 and Table 6 for the balance of investment in associates.

3) Cash in banks

Name	Nature of Transaction	September 30, 2023	December 31, 2022	September 30, 2022
Fellow subsidiary				
Cathay United Bank Co., Ltd.	Time deposit	$ 1,929,883	$ 1,867,186	$ 1,567,585
	Demand deposit	41,819,870	43,913,419	36,955,314
	Checking deposit	194,141	197,778	190,014
	Security deposit	988,927	1,409,644	288,689
		44,932,821	47,388,027	39,001,602
Subsidiary of fellow subsidiary				
Indovina Bank Limited	Time deposit	$ 3,311,213	$ 3,045,564	$ 3,128,991
	Demand deposit	755,687	17,002	24,898
		4,066,900	3,062,566	3,153,889
		$ 48,999,721	$ 50,450,593	$ 42,155,491

For the three months and nine months ended September 30, 2023 and 2022, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to $111,060 thousand, $56,998 thousand, $325,003 thousand and $94,866 thousand, respectively.

For the three months and nine months ended September 30, 2023 and 2022, the interest income earned from above bank deposits in Indovina Bank Limited amounted to $53,819 thousand, $41,636 thousand, $155,762 thousand and $103,531 thousand, respectively.

4) Loans

	For the Nine Months Ended September 30, 2023		
Name	Maximum Balance	Rate	Ending Balance
Other related party	$ 868,299	1.57%-7.94%	$ 819,239

	For the Nine Months Ended September 30, 2022		
Name	Maximum Balance	Rate	Ending Balance
Other related party	$ 931,831	1.19%-4.31%	$ 878,487

For the three months and nine months ended September 30, 2023 and 2022, the interest income earned from above loans to other related party amounted to $4,586 thousand, $3,656 thousand, $13,340 thousand and $9,597 thousand, respectively.

5) Balance of bonds managed by related parties

Name	September 30, 2023	December 31, 2022	September 30, 2022
Other related party			
Bonds managed by Octagon Credit Investors, LLC	$ 5,546,019	$ 5,309,027	$ 5,520,958

6) Balance of funds managed by related parties

Name	Item	September 30, 2023	December 31, 2022	September 30, 2022
Other related party				
Funds managed by Octagon Credit Investors, LLC	Market value	$ 2,537,773	$ 2,218,342	$ 2,295,598
	Cost	$ 2,497,535	$ 2,336,430	$ 2,404,654
Funds managed by Global Evolution Holding ApS	Market value	$ 2,905,555	$ 2,657,844	$ 2,518,241
	Cost	$ 2,729,002	$ 2,611,516	$ 2,614,160
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Market value	$ 75,974,655	$ 62,661,305	$ 62,703,489
	Cost	$ 90,834,376	$ 76,547,914	$ 77,704,682
Private Equity Funds managed by Cathay Private Equity	Market value	$ 1,660,598	$ 1,380,514	$ 1,178,703
	Cost	$ 1,469,983	$ 1,389,261	$ 1,190,055

7) Balance of discretionary management investments

Name	September 30, 2023	December 31, 2022	September 30, 2022
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 262,201,218	$ 202,504,395	$ 200,323,606

8) Other receivables

Name	September 30, 2023	December 31, 2022	September 30, 2022
Parent company			
Cathay Financial Holdings (Note)	$ 16,927,566	$ 14,465,582	$ 10,296,662
Fellow subsidiary and its subsidiary			
Indovina Bank Limited	107,215	111,737	80,332
Cathay United Bank Co., Ltd.	72,840	57,872	47,407
Cathay Century Insurance Co., Ltd.	53,304	131,089	93,179
Cathay Securities Investment Trust Co., Ltd.	35,015	32,547	43,312
Cathay Venture Inc.	-	961,728	-
	268,374	1,294,973	264,230
	$ 17,195,940	$ 15,760,555	$ 10,560,892

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

9) Guarantee deposits paid (for future transactions)

Name	September 30, 2023	December 31, 2022	September 30, 2022
Subsidiary of fellow subsidiary			
Cathay Futures Co., Ltd.	$ 2,390,698	$ 3,390,281	$ 1,948,714

For the nine months ended September 30, 2023 and 2022, the interest income earned from the above guarantee deposits paid in Cathay Futures Co., Ltd. amounted to $8,732 thousand and $536 thousand, respectively.

10) Guarantee deposits received

Name	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Lin Yuan Property Management Co., Ltd.	$ 5,000	$ 5,000	$ 5,000
Other related party			
San Ching Engineering Co., Ltd.	1,710,647	1,638,378	1,641,898
Ally Logistic Property Co., Ltd.	-	1,458,873	1,486,507
	1,710,647	3,097,251	3,128,405
	$ 1,715,647	$ 3,102,251	$ 3,133,405

11) Other payables

Name	September 30, 2023	December 31, 2022	September 30, 2022
Parent company			
Cathay Financial Holdings (Note)	$ 1,008,000	$ 70,989	$ 1,008,000
Subsidiary			
Cathay Securities Investment Consulting	28,718	25,883	30,625
Associate			
Lin Yuan Property Management Co., Ltd.	55,703	2,610	20,499
Symphox Information Co., Ltd.	28,863	6,296	19,820
	84,566	8,906	40,319
Fellow subsidiary			
Cathay United Bank Co., Ltd.	417,862	303,859	401,042
Cathay Securities Investment Trust Co., Ltd.	14,446	12,549	12,704
	432,308	316,408	413,746
	$ 1,553,592	$ 422,186	$ 1,492,690

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

12) Bonds payable

Name	September 30, 2023	December 31, 2022	September 30, 2022
Parent company			
Cathay Financial Holdings	$ 35,000,000	$ 35,000,000	$ 35,000,000

13) Premium income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Parent company				
Cathay Financial Holdings	$ 1,320	$ 1,724	$ 5,225	$ 4,527
Fellow subsidiary				
Cathay United Bank Co., Ltd.	43,265	41,825	101,392	110,135
Cathay Century Insurance Co., Ltd.	7,419	7,406	19,789	19,565
Cathay Securities Corporation	4,483	4,457	13,249	13,151
Cathay Securities Investment Trust Co., Ltd.	846	1,205	3,342	2,886
	56,013	54,893	137,772	145,737
Associate				
Lin Yuan Property Management Co., Ltd.	2,087	1,018	4,461	2,676
Other related party				
Cathay Medical Care Corp.	20,471	9,684	45,115	35,122
San Ching Engineering Co., Ltd.	748	1,405	3,331	2,987
Others	84,794	63,381	115,774	102,260
	106,013	74,470	164,220	140,369
	$ 165,433	$ 132,105	$ 311,678	$ 293,309

14) Fee income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Fellow subsidiary				
Cathay Securities Investment Trust Co., Ltd.	$ 18,603	$ 15,506	$ 51,329	$ 51,517

15) Insurance expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Fellow subsidiary				
Cathay Century Insurance Co., Ltd.	$ 11,943	$ 3,740	$ 137,678	$ 110,189

16) Other operating revenue

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Fellow subsidiary				
Cathay Securities Investment Trust Co., Ltd.	$ 16,245	$ 28,471	$ 43,014	$ 100,064

17) Other operating costs

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Fellow subsidiary				
Cathay United Bank	$ 257,409	$ 232,223	$ 707,347	$ 707,850
Cathay Securities Investment Trust Co., Ltd.	44,587	101,784	126,777	321,727
	301,996	334,007	834,124	1,029,577
Other related party				
Private Equity Fund managed by Cathay Private Equity	-	-	3,234	-
	$ 301,996	$ 334,007	$ 837,358	$ 1,029,577

18) Finance costs

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Parent company				
Cathay Financial Holdings	$ 317,589	$ 317,589	$ 942,411	$ 942,411

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

19) Operating expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Subsidiary				
Cathay Securities Investment Consulting	$ 28,354	$ 29,470	$ 82,768	$ 89,148
Associate and its subsidiary				
Lin Yuan Property Management Co., Ltd.	247,578	230,567	727,438	691,885
Symphox Information Co., Ltd.	47,175	42,340	132,233	122,770

(Continued)

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Seaward Card Co., Ltd.	$ 18,882	$ 17,174	$ 57,587	$ 53,606
ThinkPower Information Co., Ltd.	9,053	4,746	27,117	15,493
	322,688	294,827	944,375	883,754
Fellow subsidiary				
Cathay United Bank Co., Ltd.	1,491,325	1,253,446	4,709,845	4,479,784
Cathay Securities Corporation	5,802	-	5,802	-
	1,497,127	1,253,446	4,715,647	4,479,784
Other related party				
Cathay Healthcare Management Co., Ltd.	1,677	635	4,091	4,621
San Ching Engineering Co., Ltd.	1,675	975	3,625	3,858
	3,352	1,610	7,716	8,479
	$ 1,851,521	$ 1,579,353	$ 5,750,506	$ 5,461,165

(Concluded)

20) Non-operating income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Parent company				
Cathay Financial Holdings	$ 1,921	$ 2,518	$ 19,655	$ 7,556
Fellow subsidiary and its subsidiary				
Cathay Century Insurance Co., Ltd.	210,233	189,153	637,042	524,419
Cathay United Bank Co., Ltd.	51,853	58,742	134,767	166,112
Cathay Securities Co., Ltd.	70,916	17,552	165,431	56,245
Cathay Securities Investment Trust Co., Ltd.	9,338	7,272	26,769	22,548
Cathay Futures Co., Ltd.	2,065	435	8,956	864
Cathay Insurance (Vietnam) Co., Ltd.	4,705	1,831	6,765	6,131
	349,110	274,985	979,730	776,319
Other related party				
Cathay Hospitality Consulting Co., Ltd.	1,146	1,146	4,583	4,583
Cathay Healthcare Management Co., Ltd.	1,002	976	3,947	3,900
	2,148	2,122	8,530	8,483
	$ 353,179	$ 279,625	$ 1,007,915	$ 792,358

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

21) Others

As of September 30, 2023, December 31, 2022 and September 30, 2022, the nominal amounts of the derivative instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

	September 30, 2023	December 31, 2022	September 30, 2022
SWAP	US$ 2,246,000	US$ 4,340,000	US$ 4,273,000
CCS	US$ -	US$ 100,000	US$ 100,000

c. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	$ 14,409	$ 15,296	$ 51,732	$ 57,865
Post-employment benefits	657	711	2,071	2,132
	$ 15,066	$ 16,007	$ 53,803	$ 59,997

Key management personnel include 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Separate account insurance product assets			
Cash in bank	$ 1,445,078	$ 1,635,905	$ 1,757,102
Financial assets at FVTPL	710,525,720	649,304,281	641,765,012
Other receivables	2,664,087	4,379,432	5,729,157
	$ 714,634,885	$ 655,319,618	$ 649,251,271
Separate account insurance product liabilities			
Other payables	$ 841,471	$ 599,679	$ 387,740
Reserve for separate account - insurance contracts	269,352,570	257,742,323	257,666,185
Reserve for separate account - investment contracts	444,440,844	396,977,616	391,197,346
	$ 714,634,885	$ 655,319,618	$ 649,251,271

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Separate account insurance product income				
Premium income	$ 5,881,653	$ 6,823,426	$ 20,467,365	$ 21,777,713
Interest income	5,152	1,441	17,562	2,748
Losses (gains) from financial assets at FVTPL	(8,451,830)	(14,231,988)	11,693,427	(63,766,223)
Foreign exchange gains	7,572,901	14,235,314	10,270,687	28,623,238
	$ 5,007,876	$ 6,828,193	$ 42,449,041	$ (13,362,524)
Separate account insurance product expenses				
Claims and payments	$ 3,618,503	$ 5,891,789	$ 13,024,948	$ 25,641,373
Cash surrender value	7,592,938	4,089,539	17,140,769	12,634,912
(Recovery) provision of separate account reserve	(7,183,458)	(4,236,497)	9,315,152	(54,883,250)
Administrative expenses	1,022,979	1,128,175	3,089,131	3,365,847
Non-operating income and expenses	(43,086)	(44,813)	(120,959)	(121,406)
	$ 5,007,876	$ 6,828,193	$ 42,449,041	$ (13,362,524)

For the three months and nine months ended September 30, 2023 and 2022, the rebates earned from counterparties due to the business of separate account insurance products amounted to $170,137 thousand, $184,129 thousand, $535,298 thousand and $587,821 thousand, respectively, which were recorded under fee income.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Separate account insurance product assets			
Cash in bank	$ 11,573	$ 4,944	$ 5,343
Financial assets at FVTPL	83,193	102,417	103,298
Other	21	17	13
	$ 94,787	$ 107,378	$ 108,654
Separate account insurance product liabilities			
Reserve for separate account	$ 94,787	$ 107,378	$ 108,654

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Separate account insurance product income				
Premium income	$ 12	$ 13	$ 38	$ 39
Losses from financial assets at FVTPL	(6,891)	(6,418)	(5,517)	(7,055)
Interest income	14	3	20	27
	$ (6,865)	$ (6,402)	$ (5,459)	$ (6,989)
Separate account insurance product expenses				
Recovery of separate account reserve	$ (7,187)	$ (6,757)	$ (6,462)	$ (8,061)
Other	322	355	1,003	1,072
	$ (6,865)	$ (6,402)	$ (5,459)	$ (6,989)

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:

	September 30, 2023	December 31, 2022	September 30, 2022
Guarantee deposits paid - government bonds	$ 10,103,383	$ 9,257,450	$ 9,836,287
Guarantee deposits paid - time deposits	705,313	705,252	705,243
Guarantee deposits paid - others	27,413	42,400	46,400
	$ 10,836,109	$ 10,005,102	$ 10,587,930

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):

	September 30, 2023	December 31, 2022	September 30, 2022
Guarantee deposits paid - time deposits	CNY 600,000	CNY 600,000	CNY 600,000

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):

	September 30, 2023	December 31, 2022	September 30, 2022
Guarantee deposits paid - time deposits	VND12,000,000	VND12,000,000	VND12,000,000

d. Cathay Power

The following assets have been provided as collateral for loans and guarantees:

Item of Asset	September 30, 2023	December 31, 2022	Use of Guarantee
Demand deposits	$ 242,817	$ 333,803	Reserve accounts
Time deposits	193,003	192,434	Performance securities
Other equipments	8,436,156	7,707,466	Pledge for borrowings
	$ 8,871,976	$ 8,233,703	

38. 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 September 30, 2023, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT$445,015 thousand, US$3,734,289 thousand, EUR409,259 thousand and GBP1,518 thousand.

c. As of September 30, 2023, December 31, and September 30, 2022, the Company has entered into irrevocable corporate finance and consumer lending loans with the amounts were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
NTD	$ 8,690,925	$ 11,025,641	$ 12,509,917

39. FINANCIAL INSTRUMENTS

a. 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:

September 30, 2023

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial asset					
Financial assets measured at amortized cost (Note)	$ 4,246,988,458	$ 22,725,294	$ 3,135,006,760	$ -	$ 3,157,732,054

December 31, 2022

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial asset					
Financial assets measured at amortized cost (Note)	$ 3,999,494,070	$ 16,759,166	$ 3,180,937,193	$ -	$ 3,197,696,359

September 30, 2022

	Carrying Amount	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial asset					
Financial assets measured at amortized cost (Note)	$ 3,113,287,592	$ 20,836,162	$ 2,481,930,655	$ -	$ 2,502,766,817

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	September 30, 2023				December 31, 2022				September 30, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative instruments												
Assets												
Financial assets at FVTPL												
Stocks	$ 442,790,534	$ 439,243,277	$ 388,151	$ 3,159,106	$ 405,323,422	$ 401,237,827	$ 568,290	$ 3,517,305	$ 382,347,609	$ 377,848,318	$ 1,058,054	$ 3,441,237
Bonds	300,400,919	2,622,985	289,546,708	8,231,226	284,570,864	29,599,270	252,328,931	2,642,663	287,715,518	3,637,021	281,123,756	2,954,741
Other	773,831,569	532,255,575	33,815,806	207,760,188	714,640,742	491,981,343	19,959,144	202,700,255	682,369,739	430,225,521	35,162,205	216,982,013
Financial assets at FVTOCI												
Stocks	132,759,237	130,770,699	-	1,988,538	97,554,382	95,915,184	-	1,639,198	151,345,164	149,105,268	-	2,239,896
Bonds (Note)	425,902,228	51,794,180	374,108,048	-	358,271,411	20,408,431	337,862,980	-	1,151,094,838	21,266,109	1,129,828,729	-
Derivative instruments												
Assets												
Financial assets at FVTPL	4,298,700	4,092	4,294,608	-	21,469,964	7,360	21,462,604	-	9,102,653	8,006	9,094,647	-
Financial assets for hedging	1,750	-	1,750	-	29,891	-	29,891	-	41,599	-	41,599	-
Liabilities												
Financial liabilities at FVTPL	120,678,715	-	120,678,715	-	63,669,162	-	63,669,162	-	181,768,229	-	181,768,229	-
Financial liabilities for hedging	5,675,255	-	5,675,255	-	3,716,091	-	3,716,091	-	5,847,890	-	5,847,890	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the nine months ended September 30, 2023 and 2022, the equity investments at FVTPL of $308,578 thousand and $43,424 thousand were transferred from Level 2 to Level 1 due to available market quotes.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Nine Months Ended September 30, 2023	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	$ 208,860,223	$ 1,639,198
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	15,327,910	-
Losses on reclassification using overlay approach	(8,034,497)	-
Recognized in other comprehensive income		
Exchange differences on translation of the financial statements of foreign operations	126,868	163
Other comprehensive income reclassified using the overlay approach	8,034,497	-
Gain on equity instruments at FVTOCI	-	349,177
Purchases	27,417,383	-
Disposals	(32,165,207)	-
Transfers out of Level 3	(416,657)	-
Ending balance	$ 219,150,520	$ 1,988,538

	For the Nine Months Ended September 30, 2022	
	Financial Assets at FVTPL	Financial Assets at FVTOCI
Beginning balance	$ 192,296,192	$ 2,764,822
Recognized in profit or loss		
Gains on financial assets and liabilities at FVTPL	32,996,949	-
Losses on reclassification using overlay approach	(18,102,340)	-
Recognized in other comprehensive income		
Exchange differences on translation of the financial statements of foreign operations	298,977	860
Other comprehensive income reclassified using the overlay approach	18,038,890	-
Gain (Loss) on equity instruments at FVTOCI	63,450	(390,176)
Purchases	31,556,357	-
Disposals	(33,608,351)	(135,610)
Transfers in of Level 3	280,635	-
Transfers out of Level 3	(442,768)	-
Ending balance	$ 223,377,991	$ 2,239,896

Regarding the above amounts recognized in profit or loss for the nine months ended September 30, 2023 and 2022, unrealized gains of $1,305 thousand and $634,370 thousand were related to financial assets held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement are as follows:

	September 30, 2023			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-0%	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 and discount for minority interest etc.	14%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax the higher the fair value estimates
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

	December 31, 2022			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity and discount for minority interest, etc.	10%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates

	September 30, 2022			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity and discount for minority interest etc.	16%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax the higher the fair value estimates
		Dividend payout ratio	58%-140%	The higher the dividend payout ratio, the higher the fair value estimates

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

	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Financial assets			
Financial assets at FVTPL	$ 1,521,321,722	$ 1,426,004,992	$ 1,361,535,519
Financial assets at FVTOCI	540,376,932	442,472,396	1,289,044,858
Measured at amortized cost			
Cash and cash equivalents (Note 1)	247,070,097	329,612,069	160,032,954
Receivables (Note 2)	86,070,817	77,718,172	79,877,523
Financial assets measured at amortized cost	4,231,495,072	3,986,581,050	3,098,236,326
Loans	410,083,874	450,296,409	460,888,475
Guarantee deposits paid	52,402,858	54,815,576	127,641,409
Financial assets for hedging	1,750	29,891	41,599

(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities			
Financial liabilities at FVTPL	$ 120,678,715	$ 63,669,162	$ 181,768,229
Financial liabilities at amortized cost			
Payables	24,202,942	22,338,461	25,735,225
Bonds payable	108,746,284	80,000,000	80,000,000
Other financial liabilities	7,419,601	7,030,535	-
Lease liabilities	16,627,476	16,645,248	16,107,707
Guarantee deposits received	3,290,547	3,809,537	2,929,713
Financial liabilities for hedging	5,675,255	3,716,091	5,847,890

(Concluded)

Note 1: Cash on hand was excluded.

Note 2: Income tax receivables 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) 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 utilizes 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 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

		Changes in Equity for the Nine Months Ended September 30	
Risk Factor	**Variable (+/-)**	**2023**	**2022**
Equity risk (stock price index)	-10%	$ (83,403,382)	$ (74,385,963)
Interest rate risk (yield curve)	+100bps	(120,252,259)	(193,248,147)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(16,567,114)	(14,335,107)

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserves for foreign exchange fluctuations was not considered in profit or loss due to foreign currency risk.

Note 4: Change in equity was included in the impact on the change in profit or loss.

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

c) Sensitivity analysis

Summary of Sensitivity Analysis

	For the Nine Months Ended September 30, 2023		
Risk Factor	**Variable (+/-)**	**Change in Profit or Loss**	**Change in Equity**
Foreign currency risk	Appreciation of USD/NTD by 1%	$ 8,351,461	$ 5,025,668
	Appreciation of CNY/USD by 1%	(45,487)	311,509
	Appreciation of HKD/USD by 1%	4,360	233,935
	Appreciation of EUR/USD by 1%	169,196	200,780
	Appreciation of GBP/USD by 1%	147,048	202,119
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1 bp	-	(1,117,611)
	Upward parallel shift of the yield curve (CNY) by 1 bp	-	(1,692)
	Upward parallel shift of the yield curve (EUR) by 1 bp	-	(7,519)
	Upward parallel shift of the yield curve (GBP) by 1 bp	-	(3,205)
	Upward parallel shift of the yield curve (NTD) by 1 bp	-	(62,123)
Equity price risk	Increase in equity price by 1%	105,366	8,234,973

	For the Nine Months Ended September 30, 2022		
Risk Factor	**Variable (+/-)**	**Change in Profit or Loss**	**Change in Equity**
Foreign currency risk	Appreciation of USD/NTD by 1%	$ 7,193,962	$ 5,398,829
	Appreciation of CNY/USD by 1%	(64,093)	319,519
	Appreciation of HKD/USD by 1%	3,326	271,061
	Appreciation of EUR/USD by 1%	(39,676)	307,621
	Appreciation of GBP/USD by 1%	(94,101)	218,587
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1 bp	-	(1,838,512)
	Upward parallel shift of the yield curve (CNY) by 1 bp	-	(3,130)
	Upward parallel shift of the yield curve (EUR) by 1 bp	-	(4,715)
	Upward parallel shift of the yield curve (GBP) by 1 bp	-	(2,539)
	Upward parallel shift of the yield curve (NTD) by 1 bp	-	(71,084)
Equity price risk	Increase in equity price by 1%	181,015	7,257,581

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserves for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 4: Change in equity was not included in the impact on the change in profit or loss.

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

Note 6: Since the fourth quarter of 2022, the major investment of New Taiwan dollar bond-linked ETFs has been foreign bonds. The Company adjusted the sensitivity disclosure of interest rate and its disclosure for a comparable period accordingly.

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:

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

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

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

b) Concentration of credit risk

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

	September 30, 2023					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 150,969,245	$ 14,572,789	$ 65,788	$ 55,036,481	$ 11,750,000	$ 232,394,303
Financial assets at FVTPL	50,177,461	3,979,708	92,696,166	85,254,781	11,451,738	243,559,854
Financial assets at FVTOCI	7,843,110	23,391,686	45,277,740	222,656,948	108,448,211	407,617,695
Financial assets for hedging	609	-	-	1,141	-	1,750
Financial assets measured at amortized cost	121,018,998	244,324,777	635,255,391	2,146,634,855	1,071,399,592	4,218,633,613
	$ 330,009,423	$ 286,268,960	$ 773,295,085	$ 2,509,584,206	$ 1,203,049,541	$ 5,102,207,215
Proportion	6.5%	5.6%	15.2%	49.1%	23.6%	100%

	December 31, 2022					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 222,557,044	$ 8,118,563	$ 152,250	$ 67,519,659	$ 14,713,280	$ 313,060,796
Financial assets at FVTPL	53,064,453	11,994,548	96,520,732	88,419,141	11,507,321	261,506,195
Financial assets at FVTOCI	12,849,696	20,985,346	44,478,922	162,192,932	104,411,118	344,918,014
Financial assets for hedging	10,544	-	-	8,649	-	19,193
Financial assets measured at amortized cost	129,720,872	229,815,612	607,127,824	1,999,938,066	1,010,414,398	3,977,016,772
	$ 418,202,609	$ 270,914,069	$ 748,279,728	$ 2,318,078,447	$ 1,141,046,117	$ 4,896,520,970
Proportion	8.5%	5.5%	15.3%	47.4%	23.3%	100%

	September 30, 2022					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 75,191,215	$ 3,571,221	$ 107,675	$ 64,104,944	$ 1,000,000	$ 143,975,055
Financial assets at FVTPL	48,853,822	11,354,231	95,379,631	86,454,216	11,366,861	253,408,761
Financial assets at FVTOCI	21,294,119	48,730,301	142,158,323	541,648,966	383,867,985	1,137,699,694
Financial assets for hedging	15,141	-	-	14,897	-	30,038
Financial assets measured at amortized cost	132,133,109	203,261,837	506,533,370	1,564,903,523	681,258,572	3,088,090,411
	$ 277,487,406	$ 266,917,590	$ 744,178,999	$ 2,257,126,546	$ 1,077,493,418	$ 4,623,203,959
Proportion	6.0%	5.8%	16.1%	48.8%	23.3%	100%

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

	September 30, 2023				
Location of Collateral	**Northern and Eastern Areas**	**Central Area**	**Southern Area**	**Overseas**	**Total**
Secured loans	$ 155,061,747	$ 36,374,527	$ 48,773,923	$ 902,732	$ 241,112,929
Non-accrual receivables	515,376	15,739	22,821	1,449,574	2,003,510
	$ 155,577,123	$ 36,390,266	$ 48,796,744	$ 2,352,306	$ 243,116,439
Proportion	64.0%	15.0%	20.0%	1.0%	100%

	December 31, 2022				
Location of Collateral	**Northern and Eastern Areas**	**Central Area**	**Southern Area**	**Overseas**	**Total**
Secured loans	$ 183,312,721	$ 42,186,493	$ 55,912,566	$ 1,259,825	$ 282,671,605
Non-accrual receivables	520,568	12,562	18,155	1,379,494	1,930,779
	$ 183,833,289	$ 42,199,055	$ 55,930,721	$ 2,639,319	$ 284,602,384
Proportion	64.6%	14.8%	19.7%	0.9%	100%

	September 30, 2022				
Location of Collateral	**Northern and Eastern Areas**	**Central Area**	**Southern Area**	**Overseas**	**Total**
Secured loans	$ 190,674,862	$ 43,384,122	$ 57,951,964	$ 1,329,794	$ 293,340,742
Non-accrual receivables	578,045	22,862	33,116	1,687,721	2,321,744
	$ 191,252,907	$ 43,406,984	$ 57,985,080	$ 3,017,515	$ 295,662,486
Proportion	64.7%	14.7%	19.6%	1.0%	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 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 that 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

	September 30, 2023					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 396,690,901	$ -	$ -	$ -	$ -	$ 396,690,901
Financial assets measured at amortized cost	4,196,143,537	-	-	-	(1,558,838)	4,194,584,699
Non-investment grade						
Debt instruments at FVTOCI	6,988,057	305,170	3,633,567	-	-	10,926,794
Financial assets measured at amortized cost	4,714,199	1,567,085	19,717,457	-	(1,949,827)	24,048,914

	December 31, 2022					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 334,627,073	$ -	$ -	$ -	$ -	$ 334,627,073
Financial assets measured at amortized cost	3,947,124,047	-	-	-	(1,466,690)	3,945,657,357
Non-investment grade						
Debt instruments at FVTOCI	6,389,795	186,515	3,714,631	-	-	10,290,941
Financial assets measured at amortized cost	12,233,358	2,330,571	18,792,809	-	(1,997,323)	31,359,415

	September 30, 2022					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 1,123,629,508	$ -	$ -	$ -	$ -	$ 1,123,629,508
Financial assets measured at amortized cost	3,061,506,448	-	-	-	(1,111,150)	3,060,395,298
Non-investment grade						
Debt instruments at FVTOCI	9,099,434	670,455	4,300,297	-	-	14,070,186
Financial assets measured at amortized cost	8,601,177	1,531,243	19,436,096	-	(1,873,403)	27,695,113

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

ii) Secured loans and non-accrual receivables of the Company

	September 30, 2023						
	Stage 1	Stage 2	Stage 3				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivables	$ 236,980,082	$ 363,425	$ 5,772,932	$ -	$ (1,588,204)	$ (2,387,724)	$ 239,140,511

	December 31, 2022						
	Stage 1	Stage 2	Stage 3				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivables	$ 277,691,739	$ 1,306,065	$ 5,604,580	$ -	$ (1,200,475)	$ (3,147,892)	$ 280,254,017

	September 30, 2022						
	Stage 1	Stage 2	Stage 3				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivables	$ 288,202,538	$ 1,371,952	$ 6,087,996	$ -	$ (1,098,342)	$ (3,579,282)	$ 290,984,862

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2023	$ 144,268	$ 33,000	$ 917,054	$ -	$ 1,094,322
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(30)	30	-	-	-
New financial assets originated or purchased	29,330	-	-	-	29,330
Financial assets that have been derecognized during the period	(26,358)	(2,455)	-	-	(28,813)
Changes in models/risk parameters	10,237	30,348	(51,985)	-	(11,400)
Foreign exchange and other movements	7,677	1,140	29,944	-	38,761
September 30, 2023	$ 165,124	$ 62,063	$ 895,013	$ -	$ 1,122,200

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2022	$ 345,894	$ -	$ -	$ -	$ 345,894
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,066)	1,066	-	-	-
Transferred to credit-impaired financial assets	(2,270)	-	2,270	-	-
New financial assets originated or purchased	151,910	-	95	-	152,005
Financial assets that have been derecognized during the period	(100,849)	(3,361)	-	-	(104,210)
Changes in models/risk parameters	182,255	140,370	865,492	-	1,188,117
Foreign exchange and other movements	69,795	5,691	24,403	-	99,889
September 30, 2022	$ 645,669	$ 143,766	$ 892,260	$ -	$ 1,681,695

ii) Financial assets measured at amortized cost

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2023	$ 1,489,750	$ 215,409	$ 1,758,854	$ -	$ 3,464,013
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(48)	48	-	-	-
Transferred to 12-month expected credit losses	75,463	(75,463)	-	-	-
New financial assets originated or purchased	61,091	-	-	-	61,091
Financial assets that have been derecognized during the period	(54,738)	(45)	-	-	(54,783)
Changes in models/risk parameters	(72,668)	(10,280)	(48,895)	-	(131,843)
Foreign exchange and other movements	74,022	6,814	89,351	-	170,187
September 30, 2023	$ 1,572,872	$ 136,483	$ 1,799,310	$ -	$ 3,508,665

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2022	$ 627,027	$ 117,199	$ -	$ -	$ 744,226
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(288)	288	-	-	-
Transferred to credit-impaired financial assets	(4,064)	-	4,064	-	-
Transferred to 12-month expected credit losses	24,139	(24,139)	-	-	-
New financial assets originated or purchased	67,370	-	49	-	67,419
Financial assets that have been derecognized during the period	(62,698)	(71,281)	-	-	(133,979)
Changes in models/risk parameters	354,218	105,427	1,578,147	-	2,037,792
Foreign exchange and other movements	117,501	11,602	139,992	-	269,095
September 30, 2022	$ 1,123,205	$ 139,096	$ 1,722,252	$ -	$ 2,984,553

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, the Company transferred the 12-month expected credit losses to lifetime expected credit losses when assessing the loss allowance as the Russian-Ukrainian War broke out in February 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was evaluated as a credit-impaired event.

iii) Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2023	$ 125,823	$ 5,008	$ 1,069,644	$ -	$ 1,200,475	$ 3,147,892	$ 4,348,367
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(23)	23	-	-	-	-	-
Transferred to credit-impaired financial assets	(98)	(1,376)	1,474	-	-	-	-
Transferred to 12-month expected credit losses	1,790	(35)	(1,755)	-	-	-	-
New financial assets originated or purchased	4,417	-	4,437	-	8,854	-	8,854
Financial assets that have been derecognized during the period	(12,762)	(935)	(83,777)	-	(97,474)	-	(97,474)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(760,168)	(760,168)
Changes in models/risk parameters	175,115	490	300,744	-	476,349	-	476,349
September 30, 2023	$ 294,262	$ 3,175	$ 1,290,767	$ -	$ 1,588,204	$ 2,387,724	$ 3,975,928

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2022	$ 27,181	$ 3,679	$ 694,683	$ -	$ 725,543	$ 4,423,948	$ 5,149,491
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(2)	71,310	(71,308)	-	-	-	-
Transferred to credit-impaired financial assets	(21)	(4)	25	-	-	-	-
Transferred to 12-month expected credit losses	99	(15)	(84)	-	-	-	-
New financial assets originated or purchased	5,302	-	7,764	-	13,066	-	13,066
Financial assets that have been derecognized during the period	(3,449)	(2,028)	(17,820)	-	(23,297)	-	(23,297)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(844,666)	(844,666)
Changes in models/risk parameters	37,915	(66,460)	411,575	-	383,030	-	383,030
September 30, 2022	$ 67,025	$ 6,482	$ 1,024,835	$ -	$ 1,098,342	$ 3,579,282	$ 4,677,624

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

ix. 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
September 30, 2023					
Gross carrying amount (Note)	$ 32,240,724	$ 81,800	$ 394	$ -	$ 32,322,918
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,636	39	-	1,675

Note: Notes receivable of $7,092 thousand and other receivables of $32,315,826 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
December 31, 2022					
Gross carrying amount (Note)	$ 24,167,420	$ 63,738	$ 175	$ -	$ 24,231,333
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,275	17	-	1,292

Note: Notes receivable of $84,290 thousand and other receivables of $24,147,043 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
September 30, 2022					
Gross carrying amount (Note)	$ 23,969,098	$ 60,014	$ 307	$ -	$ 24,029,419
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,200	31	-	1,231

Note: Notes receivable of $6,471 thousand and other receivables of $24,022,948 thousand were included.

The loss allowance was reconciled as follows:

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 1,292	$ 1,031
Provision for the period	383	200
Ending balance	$ 1,675	$ 1,231

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the 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.

	September 30, 2023				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
Non-derivative financial liabilities					
Payables	$ 21,726,310	$ 1,193,395	$ 913,461	$ 369,776	$ -
Other financial liabilities	851,892	1,434,273	2,111,109	2,076,953	1,488,175
Bonds payable (Note 1)	252,000	1,898,503	3,877,373	9,217,120	116,301,901
Lease liabilities (Note 2)	514,878	212,736	728,514	2,555,719	33,519,011
Derivative financial liabilities					
SWAP	105,410,524	7,077,295	-	-	-
Forward	32,816,990	5,337,900	2,174,700	-	-
CCS	575,599	1,096,610	-	-	-

	December 31, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
Non-derivative financial liabilities					
Payables	$ 21,112,481	$ 773,900	$ 257,959	$ 194,121	$ -
Other financial liabilities	684,274	508,721	3,111,951	2,130,410	1,086,821
Bonds payable (Note 1)	559,620	1,194,411	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	365,854	603,735	693,767	2,362,748	34,174,095
Derivative financial liabilities					
SWAP	40,838,254	5,746,330	-	-	-
Forward	22,292,640	4,562,550	3,104,900	-	-
CCS	1,644,997	5,797,653	845,644	-	-

	September 30, 2022				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
Non-derivative financial liabilities					
Payables	$ 23,759,689	$ 1,495,104	$ 301,620	$ 178,812	$ -
Bonds payable (Note 1)	252,000	926,160	2,715,000	8,145,000	80,600,000
Lease liabilities (Note 2)	491,032	358,705	678,057	2,274,822	33,723,476
Derivative financial liabilities					
SWAP	95,701,652	20,985,576	-	-	-
Forward	65,710,396	9,741,250	6,043,500	-	-
CCS	1,463,326	9,831,099	1,150,361	-	-

Note 1: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date. For the bonds payable with maturity dates, the contractual cash flows were calculated on the basis of the issuance interval (10 or 15 years) starting from the issuance date.

Note 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 years.

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

	September 30, 2023				
	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 Current Period
Hedging Instrument		Assets	Liabilities		
IRS	$ 4,000,000	$ 1,750	$ -	Financial assets for hedging	$ (9,626)
IRS	-	-	-	Financial liabilities for hedging	(9,565)

	December 31, 2022				
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 Current Period
		Assets	Liabilities		
IRS	$ 4,000,000	$ 19,193	$ -	Financial assets for hedging	$ (31,937)
IRS	729,315	10,698	-	Financial assets for hedging	24,519

	September 30, 2022				
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 Current Period
		Assets	Liabilities		
IRS	$ 4,813,414	$ 41,599	$ -	Financial assets for hedging	$ (2,825)

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
September 30, 2023					
IRS					
Nominal principal	$ -	$ 1,000,000	$ 3,000,000	$ -	$ -
Average fixed rate	-	1.7%	1.7%	-	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2022					
IRS					
Nominal principal	$ -	$ -	$ 1,729,315	$ 3,000,000	$ -
Average fixed rate	-	-	1.7%-2.5%	1.7%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
September 30, 2022					
IRS					
Nominal principal	$ -	$ -	$ 813,414	$ 4,000,000	$ -
Average fixed rate	-	-	2.5%	1.7%	-

3) Hedged items

	For the Nine Months Ended September 30, 2023							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	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	$ 9,626	$ 1,750	N/A	$ (9,626)	$ -	$ -	$ (7,818)	Finance costs
Payables	9,565	-	N/A	(9,565)	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	-	Finance costs

	For the Nine Months Ended September 30, 2022							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	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	$ 28,692	$ 30,038	N/A	$ (28,692)	$ -	$ -	$ (31,577)	Finance costs
Payables	(25,867)	11,561	N/A	25,867	-	-	-	Finance costs
Discontinued hedge - bond investments	N/A	N/A	(263)	N/A	N/A	N/A	7	Finance costs

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

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	$ 18,799	$ 51,118
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive loss	(19,191)	(2,859)
Amount reclassified from cash flow hedge reserve to profit or loss	(7,818)	(31,570)
Tax effect	3,561	10,501
Ending balance	$ (4,649)	$ 27,190

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

	September 30, 2023				
		Carrying Amount of the Hedging Instrument			
Hedging Instrument	Nominal Amount of the Hedging Instrument	Assets	Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
Forward	$ 38,396,700	$ -	$ 5,675,255	Financial liabilities for hedging	$ (2,677,364)

	December 31, 2022				
		Carrying Amount of the Hedging Instrument			
Hedging Instrument	Nominal Amount of the Hedging Instrument	Assets	Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
Forward	$ 49,153,550	$ -	$ 3,716,091	Financial liabilities for hedging	$ (4,208,300)

	September 30, 2022				
		Carrying Amount of the Hedging Instrument			
Hedging Instrument	Nominal Amount of the Hedging Instrument	Assets	Liabilities	Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
Forward	$ 49,153,550	$ -	$ 5,847,890	Financial liabilities for hedging	$ (6,071,300)

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
September 30, 2023					
Forward					
Nominal principal	$ 10,793,600	$ -	$ 13,643,800	$ 13,959,300	$ -
Exchange rate (USD/TWD)	26.984	-	27.2876	27.9502	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2022					
Forward					
Nominal principal	$ -	$ -	$ -	$ 49,153,550	$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
September 30, 2022					
Forward					
Nominal principal	$ -	$ -	$ -	$ 49,153,550	$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-

3) Hedged items

	For the Nine Months Ended September 30, 2023							
	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	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	Hedged items	for the Period	Profit or Loss	Ineffectiveness
Oversea bonds	$ 38,396,700	$ -	$ 2,677,364	$ -	Financial assets measured at amortized cost	$ 2,677,364	$ -	$ -

	For the Nine Months Ended September 30, 2022							
	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	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	Hedged items	for the Period	Profit or Loss	Ineffectiveness
Oversea bonds	$ 49,153,550	$ -	$ 6,071,300	$ -	Financial assets measured at amortized cost	$ 6,071,300	$ -	$ -

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

	For the Nine Months Ended September 30	
	2023	2022
Foreign currency basis-related period		
Beginning balance	$ 931,466	$ 284,733
Gross amount recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive (loss) income	(1,301,514)	15,606
Amount reclassified to profit or loss	655,302	294,327
Tax effects	129,242	(61,987)
Ending balance	$ 414,496	$ 532,679

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:

September 30, 2023

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	$ 4,296,358	$ -	$ 4,296,358	$ 3,957,335	$ 319,664	$ 19,359

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	$ 126,353,970	$ -	$ 126,353,970	$ 3,957,335	$ 29,058,719	$ 93,337,916

December 31, 2022

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	$ 21,481,797	$ -	$ 21,481,797	$ 17,230,342	$ 2,081,387	$ 2,170,068

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	$ 67,385,253	$ -	$ 67,385,253	$ 17,230,342	$ 31,313,555	$ 18,841,356

September 30, 2022

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	$ 9,124,685	$ -	$ 9,124,685	$ 8,920,718	$ -	$ 203,967

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	$ 187,616,119	$ -	$ 187,616,119	$ 8,920,718	$ 105,390,231	$ 73,305,170

h. Other financial liabilities

Item	**September 30, 2023**	**December 31, 2022**
Secured borrowings		
Bank loans	$ 7,289,489	$ 6,905,210
Unsecured borrowings		
Bank loans	130,112	125,325
	$ 7,419,601	$ 7,030,535
Borrowing rate	1.99%-2.95%	1.98%-3.08%

The amount of capitalized borrowing costs was $20,876 thousand in September 30, 2023, and the rate for the amount of borrowing costs that meet the capitalized conditions was determined to be 2.08% to 2.95%.

The secured borrowings of Cathay Power and its subsidiaries were secured by time deposits, NTD demand deposits and other equipment. Refer to Note 37.

Neo Cathay Power and its subsidiaries entered into a syndicated loan agreement with First Commercial Bank. According to the loan agreement, Si Yi, Da Li and Yong Han are obligated to maintain the financial ratios in the annual audited financial statements and the tangible equity (total equity - intangible assets) should not be negative within the contract period.

As a joint guarantor, Neo Cathay Power Corp. is required to maintain the following financial ratios and requirements in its annual audited consolidated financial statements:

1) The current ratio (current assets/current liabilities) should not be lower than 100%.

2) The debt ratio (total liabilities/tangible equity) should not exceed 350%.

3) The principal and interest coverage ratio [(profit before income tax + Interest expense + Depreciation + Amortization)/(Bank Loan repayments within 1 year under the agreement + Interest expense)] should not be lower than 110%.

4) The tangible equity (total equity - intangible asset) should not be lower than NTD 1.3 billion.

As of December 31, 2022, Neo Cathay Power Corp. and its subsidiaries met the aforementioned financial ratios and requirements.

i. Reclassification

Section 4.4 of IFRS 9, “Financial Instruments,” provides the principles and regulations for reclassification of financial assets. For practical application, the Accounting Research and Development Foundation of the Republic of China (ARDF) provided a reference guideline on October 7, 2022 on the “Financial Asset Reclassification Concerns of an insurer arising from Changes in the Business Model for Managing Financial Assets due to Drastic Changes in the International Economic Situation”. According to the press release of the FSC, if an insurer intends to reclassify financial assets, it should follow IFRS 9 regulations and the reference guideline of the ARDF.

In 2022, the global financial situation has been in full turmoil, especially after late August to late September in 2022. The stock, bond and foreign exchange markets have experienced drastic changes that are rare in history. Changes are not for single market risk or specific financial asset price fluctuations, but interest rates have risen to an extreme level as defined by the International Insurance Capital Standards (ICS). The Company’s senior management adjusted its investment strategy, performance evaluation and risk management activities in relation to financial assets by September 30, 2022, in order to ensure the Company’s solvency and stable operation. The aforementioned adjustments indicate that the Company’s business model, which was to generate cash flows by both collecting contractual cash flows and selling financial assets, has been changed to a model whose objective is to hold financial assets in order to collect contractual cash flows. Therefore, on October 1, 2022, the Company reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1.

Due to the change in business model, the Company reclassified part of the financial assets at FVTOCI to financial assets measured at amortized cost on October 1, 2022. After the reclassification, other equity increased by $242,647,172 thousand, financial assets measured at amortized cost increased by $1,054,624,855 thousand, financial assets at FVTOCI decreased by $755,311,088 thousand and deferred income tax assets decreased by $56,666,595 thousand as of October 1, 2022.

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 reviews risk appetite on a yearly basis and makes adjustments as deemed appropriate.

iv. 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.

v. 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 assist in the review of the risk limit development process.

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

vi. 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 summit risk management information regularly to the risk management department.

f) Audit department

The department is responsible for the audit of each department’s implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of 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 the RBC ratio and the net worth ratio as management indicators 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 net worth 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

The risk of information security refers to the damage resulted from the confidentiality, completeness and availability of information assets, or damage caused by stealing, tampering, damaging, losing or leaking information asset. The Company has a security management policy to reduce the impact of information security incidents and report to the Board regularly on the overall implementation of information security and the trend of information security risks.

j) Risk of personal data management

The risk of information security refers to the damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a personal data management policy to reduce the impact of information security incidents and personal data damages.

k) 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.

l) ESG and climate risks

ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate change, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technological and market change risks) and physical risk (the risk of financial losses due to immediate extreme weather events or long-term climate pattern change). The Company has established related management measures as a response.

m) Reputation risks

Reputation risks refer to risks caused by misconduct or negative reports from the media, leading to the damage to brands and shareholders’ equity and potentially having adverse effects on the Company’s reputation. The Company has reputation risk management policies, assesses the risk, takes relevant measures, and implements procedures such as stakeholder communication 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 high-value policies to enhance risk management over high-value 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 division 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 department of the Company and the risk management division 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 net worth 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 the net worth 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 the net worth ratio.

iv. Regularly review the RBC ratio, the net worth ratio and related control standards to ensure solid capital adequacy management.

b) Exception management process

When the RBC ratio or the net worth ratio exceeds the internal risk control criteria or other exceptions occur, the Company is required to notify the risk management department, the finance department and the risk management division of Cathay Financial Holdings and submit the capital adequacy or the net worth ratio 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, individual stock futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from 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 Nine Months Ended September 30, 2023					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 2,685,530	Decrease (increase)	$ 2,148,424
Expense	×1.05 (×0.95)	Decrease (increase)	2,170,698	Decrease (increase)	1,736,558
Surrender rate	×1.05 (×0.95)	Increase (decrease)	328,776	Increase (decrease)	263,020
Rate of return	+0.1%	Increase	5,301,386	Increase	4,241,109
Rate of return	-0.1%	Decrease	5,305,307	Decrease	4,244,246

For the Nine Months Ended September 30, 2022					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 2,532,889	Decrease (increase)	$ 2,026,312
Expense	×1.05 (×0.95)	Decrease (increase)	2,113,748	Decrease (increase)	1,690,999
Surrender rate	×1.05 (×0.95)	Increase (decrease)	199,290	Increase (decrease)	159,432
Rate of return	+0.1%	Increase	5,077,687	Increase	4,062,150
Rate of return	-0.1%	Decrease	5,081,436	Decrease	4,065,149

b) Cathay Lujiazui Life

For the Nine Months Ended September 30, 2023					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 120,573	Decrease (increase)	$ 90,430
Expense	×1.05 (×0.95)	Decrease (increase)	77,547	Decrease (increase)	58,160
Surrender rate	×1.10 (×0.90)	Increase (decrease)	52,586	Increase (decrease)	39,439
Rate of return	+0.25%	Increase	238,000	Increase	178,500
Rate of return	-0.25%	Decrease	238,585	Decrease	178,939

For the Nine Months Ended September 30, 2022					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 121,668	Decrease (increase)	$ 91,251
Expense	×1.05 (×0.95)	Decrease (increase)	78,251	Decrease (increase)	58,688
Surrender rate	×1.10 (×0.90)	Increase (decrease)	53,063	Increase (decrease)	39,797
Rate of return	+0.25%	Increase	191,503	Increase	143,627
Rate of return	-0.25%	Decrease	191,973	Decrease	143,980

c) Cathay Life (Vietnam)

For the Nine Months Ended September 30, 2023					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 7,475	Decrease (increase)	$ 5,980
Expense	×1.05 (×0.95)	Decrease (increase)	60,337	Decrease (increase)	48,269
Surrender rate	×1.05 (×0.95)	Increase (decrease)	25,602	Increase (decrease)	20,482
Rate of return	+0.1%	Increase	25,682	Increase	20,546
Rate of return	-0.1%	Decrease	25,701	Decrease	20,561

For the Nine Months Ended September 30, 2022					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 4,824	Decrease (increase)	$ 3,859
Expense	×1.05 (×0.95)	Decrease (increase)	58,816	Decrease (increase)	47,053
Surrender rate	×1.05 (×0.95)	Increase (decrease)	14,675	Increase (decrease)	11,740
Rate of return	+0.1%	Increase	24,485	Increase	19,588
Rate of return	-0.1%	Decrease	24,503	Decrease	19,603

i. Changes in income before tax listed above referred to the effects of income before tax for the nine months ended September 30, 2023 and 2022. 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 × (Net incomes or losses on investment - Finance costs) ÷ (The beginning balance of available funds + The ending balance of available funds - Net incomes or losses on investment + 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**		
2016Q4-2017Q3	16,765,820	20,661,204	21,052,044	21,146,191	21,191,801	21,221,070	21,245,248	-	-
2017Q4-2018Q3	18,893,765	23,395,979	23,834,220	23,947,776	24,031,365	24,073,714	24,099,909	26,195	26,248
2018Q4-2019Q3	20,940,466	25,823,425	26,285,316	26,410,425	26,495,201	26,538,382	26,566,603	71,402	71,545
2019Q4-2020Q3	21,411,548	26,321,210	26,850,168	26,976,673	27,058,815	27,102,329	27,131,309	154,636	154,946
2020Q4-2021Q3	20,005,194	24,835,362	25,352,141	25,463,035	25,531,878	25,570,953	25,599,322	247,181	247,676
2021Q4-2022Q3	21,104,749	26,535,072	27,029,575	27,145,756	27,217,613	27,259,398	27,290,293	755,221	756,732
2022Q4-2023Q3	23,832,617	29,398,956	29,939,403	30,066,741	30,144,940	30,190,749	30,224,470	6,391,853	6,404,637

Expected future payments	$ 7,661,784
Add: Inwards reinsurance assumed reserve for claims not yet filed	27,077
Reserve for claims not yet filed	7,688,861
Add: Claims of pandemic insurance not yet filed	33
Add: Claims filed but not yet paid	5,065,840
Loss reserve balance	$ 12,754,734

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		
2016Q4-2017Q3	16,845,296	20,797,318	21,191,020	21,285,444	21,331,236	21,360,792	21,385,081	-	-
2017Q4-2018Q3	19,016,850	23,550,400	23,989,761	24,103,680	24,187,758	24,230,241	24,256,751	26,510	26,564
2018Q4-2019Q3	20,986,589	25,877,600	26,340,845	26,466,418	26,551,444	26,594,898	26,623,401	71,957	72,101
2019Q4-2020Q3	21,442,280	26,362,749	26,894,461	27,021,288	27,103,737	27,147,479	27,176,695	155,407	155,718
2020Q4-2021Q3	20,049,967	24,894,455	25,412,923	25,524,312	25,593,579	25,632,967	25,661,662	248,739	249,236
2021Q4-2022Q3	21,197,795	26,643,469	27,142,460	27,259,526	27,332,142	27,374,488	27,405,966	762,497	764,022
2022Q4-2023Q3	23,869,628	29,449,071	29,991,644	30,119,401	30,197,959	30,244,034	30,278,031	6,408,403	6,421,220

Expected future payments	$ 7,688,861
Add: Claims of pandemic insurance not yet filed	33
Add: Claims filed but not yet paid	4,883,234
Loss reserve balance less ceded loss reserve	$ 12,572,128

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

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserves for claims not yet filed are provided as claims filed and adjusted for related expenses. Regarding the reserve for products of statutory infectious disease monthly loss triangle estimations were used, and the reserve for claims filed but not yet paid was provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of the 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 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 on the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

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

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q4-2017Q3	267,630	484,604	529,284	529,284	529,284	529,284	529,284	-
2017Q4-2018Q3	286,425	326,034	459,206	459,206	459,206	459,206	459,206	-
2018Q4-2019Q3	365,648	518,003	700,005	700,005	700,005	700,005	700,005	-
2019Q4-2020Q3	382,524	541,908	785,372	785,372	785,372	785,372	785,372	-
2020Q4-2021Q3	428,348	606,827	847,895	847,895	847,895	847,895	847,895	-
2021Q4-2022Q3	419,565	601,377	806,350	806,350	806,350	806,350	806,350	204,973
2022Q4-2023Q3	671,297	961,221	1,288,842	1,288,842	1,288,842	1,288,842	1,288,842	617,545

Expected future payments	$ 822,518
Less: Expected claims filed but not yet paid	(196,884)
Reserve for claims not yet filed	625,634
Add: Claims filed but not yet paid	17,662
Loss reserve balance	$ 643,296

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2016Q4-2017Q3	281,691	452,310	480,361	485,913	485,913	485,913	485,913	-
2017Q4-2018Q3	337,876	363,531	440,331	440,331	440,331	440,331	440,331	-
2018Q4-2019Q3	403,551	744,711	1,048,887	1,048,887	1,048,887	1,048,887	1,048,887	-
2019Q4-2020Q3	395,254	559,947	823,452	823,452	823,452	823,452	823,452	-
2020Q4-2021Q3	445,684	601,673	813,072	814,688	814,688	814,688	814,688	1,616
2021Q4-2022Q3	438,395	589,318	780,679	782,231	782,231	782,231	782,231	192,913
2022Q4-2023Q3	682,915	982,200	1,301,136	1,303,722	1,303,722	1,303,722	1,303,722	620,807

Expected future payments	$ 815,336
Less: Expected claims filed but not yet paid	(196,884)
Add: Claims filed but not yet paid	13,687
Loss reserve balance less ceded reserve	$ 632,139

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
2018Q4-2019Q3	124,590	144,081	144,495	144,495	144,495
2019Q4-2020Q3	226,652	271,917	271,917	271,917	271,917
2020Q4-2021Q3	411,834	506,573	507,040	507,165	507,165
2021Q4-2022Q3	861,132	969,756	970,618	970,858	970,858
2022Q4-2023Q3	999,940	1,166,076	1,167,113	1,167,401	1,167,401

ii. Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2018Q4-2019Q3	124,590	144,081	144,495	144,495	144,495
2019Q4-2020Q3	226,652	271,917	271,917	271,917	271,917
2020Q4-2021Q3	411,834	506,573	507,040	507,165	507,165
2021Q4-2022Q3	861,132	969,756	970,618	970,858	970,858
2022Q4-2023Q3	999,940	1,166,076	1,167,113	1,167,401	1,167,401

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**
September 30, 2023	$ 425	$ 4,777	$ 190,350
December 31, 2022	329	4,805	182,307
September 30, 2022	452	4,637	183,981

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 the RBC ratio and the net worth ratio as the management indicator for capital adequacy. The Company calculates the RBC ratio and net worth ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as a reference for business objectives and asset allocation.

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 the management of RBC, the RBC ratio and the net worth ratio are inspected periodically. In accordance with the cash flow of current contracts and assets, the future target of new contracts, and the assumptions of best estimates, the Company estimates the RBC ratio and the net worth 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, and the net worth ratios are above 3% as of the end of 2022 and the semi-period of 2023, which complies with the regulations.

43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Cathay Power and its subsidiaries	Energy technical services	November 25, 2022	70.0	$ 982,162
Chen Fong Power	Energy technical services and power of machinery manufacturing generation, transmission, and distribution	December 28, 2022	100.0	$ 31,000
Pearlmark and its subsidiaries	Real estate investment and operation management	March 28, 2023	55.5	$ 241,453

The Company originally held 45% equity shares of Cathay Power, which were recognized as investments accounted for using equity method. On November 25, 2022, the Company acquired a further part of equity shares, which increased its ownership interest from 45% to 70%, and obtained the controls of Cathay Power and its subsidiaries.

On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for $31,000 thousand in cash.

On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash, and obtained the control of Pearlmark and its subsidiaries.

b. Assets acquired and liabilities assumed at the date of acquisition

	Cathay Power and Its Subsidiaries	Chen Fong Power	Pearlmark and Its Subsidiaries
Assets			
Cash and cash equivalents	$ 583,406	$ 13,798	$ 3,167
Receivables	172,852	-	-
Property and equipment	9,860,540	-	1,362
Right-of-use assets	639,514	-	-
Intangible assets	3,799	-	158,056
Investments accounted for using the equity method	18,790	-	-
Others	1,578,044	16,536	53,609
Liabilities			
Payables	(372,242)	(295)	-
Notes payable	(187,190)	-	-
Lease liabilities	(655,651)	-	-
Other financial liabilities	(7,348,409)	-	-
Others	(83,534)	-	(43,646)
	$ 4,209,919	$ 30,039	$ 172,548

c. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Cathay Power and Its Subsidiaries	Chen Fong Power	Pearlmark and Its Subsidiaries
Consideration transferred	$ 982,162	$ 31,000	$ 241,453
Add: Non-controlling interests	1,505,676	-	76,784
Add: Fair value of the equity previously held by the Group as of the date of acquisition	2,240,700	-	-
	4,728,538	31,000	318,237
Less: Fair value of identifiable net assets acquired	(4,209,919)	(30,039)	(172,548)
Goodwill recognized on acquisition	$ 518,619	$ 961	$ 145,689

The goodwill recognized in the acquisition of Cathay Power and its subsidiaries, Chen Feng Power and Pearlmark and its subsidiaries mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	Cathay Power and Its Subsidiaries	Chen Fong Power	Pearlmark and Its Subsidiaries
Consideration paid in cash	$ 982,162	$ 31,000	$ 241,453
Less: Cash and cash equivalent balances acquired	(583,406)	(13,798)	(3,167)
	$ 398,756	$ 17,202	$ 238,286

f. Impact of acquisitions on the results of the Group

The acquisition dates of the financial performances of acquirees, which are included in the consolidated financial statements, do not have a significant impact to the Group.

44. DISPOSAL OF SUBSIDIARIES

On May 2, 2023, CM Energy signed an agreement to dispose of Chen Fong Power and lost control of the subsidiary.

a. Consideration received from disposals

	Chen Fong Power
Cash and cash equivalents	$ 31,000

b. Analysis of assets and liabilities on the date control was lost

	Chen Fong Power
Assets	
Cash	$ 256
Property, plant and equipment	1,097
Goodwill	961
Guarantee deposits paid	62,979
Other	35,845
Liabilities	
Payables	(70,536)
Net assets disposed of	$ 30,602

c. Gain on disposal of subsidiary

	Chen Fong Power
Consideration received	$ 31,000
Net assets disposed of	(30,602)
Gain on disposals	$ 398

d. Net cash inflow on disposals of subsidiary

	Chen Fong Power
Consideration received in cash	$ 31,000
Less: Cash balances disposed of	(256)
	$ 30,744

45. OTHERS

a. Impact of the COVID-19

The Group has evaluated the economic impact caused by the COVID-19 pandemic, 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:

	September 30, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 151,347,473	32.268000	$ 4,883,680,266
AUD	6,065,160	20.549876	124,638,286
Non-monetary items			
USD	10,264,341	32.268000	331,209,749
Investments accounted for the using the equity method			
CNY	497,119	4.420200	2,197,365
PHP	32,443,305	0.566300	18,372,644
Financial liabilities			
Monetary items			
USD	509,139	32.268000	16,428,905

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 147,644,015	30.708000	$ 4,533,852,419
AUD	6,072,463	20.827701	126,475,448
Non-monetary items			
USD	10,495,246	30.708000	322,288,021
Investments accounted for the using the equity method			
CNY	456,178	4.417500	2,015,164
PHP	30,799,990	0.551200	16,976,954
Financial liabilities			
Monetary items			
USD	1,089,939	30.708000	33,469,844

	September 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 152,233,574	31.743000	$ 4,832,350,351
AUD	6,008,087	20.644060	124,031,302
Non-monetary items			
USD	10,884,063	31.743000	345,492,825
Investments accounted for the using the equity method			
CNY	458,793	4.475200	2,053,191
PHP	30,556,789	0.541200	16,537,334
Financial liabilities			
Monetary items			
USD	1,692,858	31.743000	53,736,388

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	September 30, 2023 Recovery/ Settlement within 12 Months	 Recovery/ Settlement Over 12 Months	 Total
Cash and cash equivalents	$ 247,096,324	$ -	$ 247,096,324
Receivables	100,677,519	2,320,864	102,998,383
Current tax assets	185,528	-	185,528
Investments			
Financial assets at FVTPL	44,886,457	1,476,435,265	1,521,321,722
Financial assets at FVTOCI	14,046,386	526,330,546	540,376,932
Financial assets measured at amortized cost	31,022,468	4,200,472,604	4,231,495,072
Financial assets for hedging	1,750	-	1,750
Investments accounted for using the equity method	-	31,032,494	31,032,494
Investment property	-	522,607,457	522,607,457
Investment property under construction	-	10,387,857	10,387,857
Prepayments for buildings and land - investments	-	472,065	472,065
Loans	7,146,348	402,937,526	410,083,874
Total investments	97,103,409	7,170,675,814	7,267,779,223
Reinsurance assets	201,300	1,637,337	1,838,637
Property and equipment	-	41,588,538	41,588,538
Right-of-use assets	-	2,187,616	2,187,616
Intangible assets	-	40,833,355	40,833,355
Deferred tax assets	-	100,028,292	100,028,292
Other assets	8,453,804	56,456,398	64,910,202
Separate account insurance product assets	4,120,759	710,608,913	714,729,672
Total assets	$ 457,838,643	$ 8,126,337,127	$ 8,584,175,770
Payables	$ 23,571,704	$ 631,238	$ 24,202,942
Current tax liabilities	314,755	-	314,755
Financial liabilities at FVTPL	68,907,817	51,770,898	120,678,715
Financial liabilities for hedging	4,846,767	828,488	5,675,255
Bonds payable	-	108,746,284	108,746,284
Other financial liabilities	2,102,760	5,316,841	7,419,601
Insurance liabilities			
Unearned premium reserve	-	20,481,496	20,481,496
Loss reserve	-	13,458,326	13,458,326
Policy reserve	-	6,850,505,557	6,850,505,557
Special reserve	-	11,088,887	11,088,887
Premium deficiency reserve	-	7,278,925	7,278,925
Other reserve	-	1,836,253	1,836,253
Total insurance liabilities	-	6,904,649,444	6,904,649,444

(Continued)

Items	September 30, 2023 Recovery/ Settlement within 12 Months	 Recovery/ Settlement Over 12 Months	 Total
Reserve for insurance contracts with the nature of financial products	$ -	$ 22,655,076	$ 22,655,076
Reserve for foreign exchange valuation	-	42,166,921	42,166,921
Provisions	-	56,245	56,245
Lease liabilities	726,815	15,900,661	16,627,476
Deferred tax liabilities	-	80,820,496	80,820,496
Other liabilities	2,367,188	5,416,251	7,783,439
Separate account insurance product liabilities	841,471	713,888,201	714,729,672
Total liabilities	$ 103,679,277	$ 7,952,847,044	$ 8,056,526,321

(Concluded)

Items	December 31, 2022 Recovery/ Settlement within 12 Months	 Recovery/ Settlement Over 12 Months	 Total
Cash and cash equivalents	$ 329,638,342	$ -	$ 329,638,342
Receivables	90,957,799	1,225,955	92,183,754
Current tax assets	15,472	-	15,472
Investments			
Financial assets at FVTPL	53,903,448	1,372,101,544	1,426,004,992
Financial assets at FVTOCI	4,500,902	437,971,494	442,472,396
Financial assets measured at amortized cost	27,594,862	3,958,986,188	3,986,581,050
Financial assets for hedging	3,217	26,674	29,891
Investments accounted for using the equity method	-	29,483,762	29,483,762
Investment property	-	520,893,328	520,893,328
Investment property under construction	-	5,747,767	5,747,767
Prepayments for buildings and land - investments	-	1,501,343	1,501,343
Loans	8,277,624	442,018,785	450,296,409
Total investments	94,280,053	6,768,730,885	6,863,010,938
Reinsurance assets	625,858	1,683,589	2,309,447
Property and equipment	-	40,809,699	40,809,699
Right-of-use assets	-	2,268,417	2,268,417
Intangible assets	-	41,380,113	41,380,113
Deferred tax assets	-	80,501,622	80,501,622
Other assets	8,277,668	56,607,513	64,885,181
Separate account insurance product assets	6,036,900	649,390,096	655,426,996
Total assets	$ 529,832,092	$ 7,642,597,889	$ 8,172,429,981

(Continued)

	December 31, 2022		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement Over 12 Months**	**Total**
Payables	$ 21,048,349	$ 1,290,112	$ 22,338,461
Current tax liabilities	176,349	-	176,349
Financial liabilities at FVTPL	62,823,518	845,644	63,669,162
Financial liabilities for hedging	2,379,095	1,336,996	3,716,091
Bonds payable	-	80,000,000	80,000,000
Other financial liabilities	1,064,232	5,966,303	7,030,535
Insurance liabilities			
Unearned premium reserve	-	20,547,570	20,547,570
Loss reserve	-	12,760,061	12,760,061
Policy reserve	-	6,672,193,784	6,672,193,784
Special reserve	-	11,085,733	11,085,733
Premium deficiency reserve	-	8,130,466	8,130,466
Other reserve	-	1,845,253	1,845,253
Total insurance liabilities	-	6,726,562,867	6,726,562,867
Reserve for insurance contracts with the nature of financial products	-	18,495,469	18,495,469
Reserve for foreign exchange valuation	-	49,503,457	49,503,457
Provisions	-	56,245	56,245
Lease liabilities	909,648	15,735,600	16,645,248
Deferred tax liabilities	-	52,624,428	52,624,428
Other liabilities	2,626,729	7,769,237	10,395,966
Separate account insurance product liabilities	570,928	654,856,068	655,426,996
Total liabilities	$ 91,598,848	$ 7,615,042,426	$ 7,706,641,274

(Concluded)

	September 30, 2022		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement Over 12 Months**	**Total**
Cash and cash equivalents	$ 160,059,444	$ -	$ 160,059,444
Receivables	89,221,058	953,127	90,174,185
Current tax assets	29,263	-	29,263
Investments			
Financial assets at FVTPL	45,839,615	1,315,695,904	1,361,535,519
Financial assets at FVTOCI	3,974,320	1,285,070,538	1,289,044,858
Financial assets measured at amortized cost	26,946,739	3,071,289,587	3,098,236,326
Financial assets for hedging	-	41,599	41,599
Investments accounted for using the equity method	-	31,897,429	31,897,429
Investment property	-	519,654,047	519,654,047
Investment property under construction	-	4,565,382	4,565,382

(Continued)

Items	September 30, 2022		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Prepayments for buildings and land - investments	$ -	$ 1,613,609	$ 1,613,609
Loans	7,558,414	453,330,061	460,888,475
Total investments	84,319,088	6,683,158,156	6,767,477,244
Reinsurance assets	284,423	1,509,262	1,793,685
Property and equipment	-	30,334,785	30,334,785
Right-of-use assets	-	1,728,643	1,728,643
Intangible assets	-	41,931,057	41,931,057
Deferred tax assets	-	166,584,857	166,584,857
Other assets	8,253,946	128,475,231	136,729,177
Separate account insurance product assets	7,507,976	641,851,949	649,359,925
Total assets	$ 349,675,198	$ 7,696,527,067	$ 8,046,202,265
Payables	$ 24,401,631	$ 1,333,594	$ 25,735,225
Current tax liabilities	198,586	-	198,586
Financial liabilities at FVTPL	180,617,868	1,150,361	181,768,229
Financial liabilities for hedging	1,649,670	4,198,220	5,847,890
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	19,365,505	19,365,505
Loss reserve	-	12,625,257	12,625,257
Policy reserve	-	6,697,924,809	6,697,924,809
Special reserve	-	11,085,556	11,085,556
Premium deficiency reserve	-	9,099,775	9,099,775
Other reserve	-	1,857,925	1,857,925
Total insurance liabilities	-	6,751,958,827	6,751,958,827
Reserve for insurance contracts with the nature of financial products	-	17,863,252	17,863,252
Reserve for foreign exchange valuation	-	50,551,042	50,551,042
Provisions	-	56,245	56,245
Lease liabilities	835,351	15,272,356	16,107,707
Deferred tax liabilities	-	79,503,615	79,503,615
Other liabilities	2,982,574	8,368,097	11,350,671
Separate account insurance product liabilities	358,487	649,001,438	649,359,925
Total liabilities	$ 211,044,167	$ 7,659,257,047	$ 7,870,301,214

(Concluded)

d. Information on discretionary investments

1) As of September 30, 2023, December 31, 2022 and September 30, 2022, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

Items	**September 30, 2023**	**December 31, 2022**	**September 30, 2022**
Domestic stocks	$ 157,190,494	$ 142,343,483	$ 134,884,593
Overseas stocks	49,750,122	39,134,811	47,358,866
Notes and bonds purchased under resale agreements	8,878,000	2,260,000	1,570,000
Cash in banks	45,824,622	18,202,638	16,203,014
Beneficiary certificates	557,930	346,459	90,264
Futures and options	50	217,004	216,869
	$ 262,201,218	$ 202,504,395	$ 200,323,606

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

2) As of September 30, 2023, December 31, 2022 and September 30, 2022, the discretionary investment limits are as follows (in thousands of each currency):

	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Monetary items			
NTD	$ 99,052,367	$ 43,079,839	$ 43,079,839
USD	407,400	396,300	493,300

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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group provided loans amounting to GBP331,300 thousand, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

b) As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	September 30, 2023	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 207,735,537	$ 26,986,848
Financial assets at FVTOCI	-	43,491,579
Financial assets measured at amortized cost	-	176,579,975
	$ 207,735,537	$ 247,058,402

	December 31, 2022	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 202,700,255	$ 30,603,875
Financial assets at FVTOCI	-	36,131,806
Financial assets measured at amortized cost	-	160,118,682
	$ 202,700,255	$ 226,854,363

	September 30, 2022	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 216,982,013	$ 31,933,736
Financial assets at FVTOCI	-	65,471,596
Financial assets measured at amortized cost	-	128,603,494
	$ 216,982,013	$ 226,008,826

46. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On May 11, 2023, the Company's board of directors resolved to issue bonds. The transaction was approved by the regulatory authorities on May 24, 2023.

a. Pursuant to Order No. Securities-TPEx-Bond-11200097881 of the Taipei Exchange, the Company issued third USD-denominated unsecured cumulative subordinated corporate bonds on October 4, 2023. The key terms and conditions are as follows:

    1) Issue amount: US$25,000 thousand.

    2) Principal amount and issue price: The face value is US$100 thousand each, and is issued at par.

    3) Years to maturity: 10 years.

    4) Coupon rate: Fixed rate of 6.1%.

    5) Terms of interest payments: The interest payments are calculated and paid at the coupon rate every year from the issue date.

    6) Right of early redemption: None.

    7) Form of bonds: Book-entry securities.

b. Pursuant to Order No. Securities-TPEx-Bond-11200099051 of the Taipei Exchange, the Company issued its fourth perpetual unsecured cumulative subordinated corporate bonds on October 12, 2023. The key terms and conditions are as follows:

    1) Issue amount: $5,500,000 thousand, which is divided into Note A of $2,500,000 thousand and Note B of $3,000,000 thousand by issue periods.

    2) Principal amount and issue price: The face value is $1,000 thousand each and is issued at par.

    3) Years to maturity: Note A is 10 years and Note B is 15 years.

    4) Coupon rate: Fixed rate of 3.70% for Note A and 3.85% for Note B.

    5) Terms of interest payments: The interest payments are calculated and paid at the coupon rate every year from the issue date.

    6) Right of early redemption: If the Company’s RBC ratio is greater than the minimum RBC ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the Note B bonds in whole after 10 years of their issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

    7) Form of bonds: Book-entry securities.

47. 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 5
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 8
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.	Table 2
3	Endorsements/guarantees provided.	Table 3
4	Marketable securities held.	Table 4
5	Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital.	N/A
6	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital	Note 34
9	Receivables from related parties amounting over $100 million or 20% of the paid-in capital.	Table 8
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 6
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 7 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.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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 September 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	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	$ 18,382,302	$ 364,983	$ 174,297	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	20,370,930	20,370,930	-	100.00	26,294,439	1,313,929	1,313,929	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	12,797,763	(522,511)	(522,511)	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	124,669	(6,114)	(6,114)	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	5,697,923	(2,207,685)	(2,207,685)	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	291,301	(117,872)	(117,872)	Subsidiary (Note 1)
	Cathay Industrial Research and Design Center Co., Ltd.	Taiwan	Real estate leasing	2,475,000	990,000	247,500	99.00	2,285,588	(43,556)	(43,120)	Subsidiary (Note 1)
	Cathay Power Inc.	Taiwan	Energy technical services	3,222,862	3,222,862	259,264	70.00	3,338,830	252,459	160,634	Subsidiary (Notes 2 and 3)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	18.68	18,372,644	4,622,721	989,375	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	300,000	30,000	100.00	664,292	171,884	171,884	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	385,826	(48,876)	(24,009)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	357,007	357,007	35,701	25.00	499,310	184,847	46,212	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	609,615	609,615	60,962	21.43	956,874	374,766	80,308	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	1,575,000	1,575,000	157,500	45.00	1,551,978	(8,850)	(3,983)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	1,800,000	1,800,000	180,000	45.00	1,764,566	(14,130)	(6,358)	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	49,875	27.36	924,802	163,428	44,717	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	785,505	785,505	20,238	33.60	1,044,709	411,785	138,360	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	129,543	25.00	1,812,075	492,971	123,243	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	63,636	1,470	49.00	58,631	65,036	31,867	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Energy technical services	495,000	495,000	49,500	45.00	558,314	125,684	56,558	Associate (Note 2)
	ThrivEnergy Co., Ltd.	Taiwan	Energy technical services	216,000	216,000	21,600	30.00	223,333	24,964	7,489	Associate (Note 2)
Cathay Power Inc.	Sunrise Pv One Co., Ltd	Taiwan	Energy technical services	1,000,000	1,000,000	100,000	100.00	1,127,813	90,431	Note 6	Subsidiary (Note 2)
	Cathy Sunrise Two Co., Ltd.	Taiwan	Energy technical services	20,000	20,000	2,000	100.00	23,253	2,082	Note 6	Subsidiary (Note 2)
	Bai Yang Energy Co., Ltd.	Taiwan	Energy technical services	144,241	144,241	6,500	100.00	145,365	6,683	Note 6	Subsidiary (Note 2)
	Cathy Sunrise Electric Power Two Co., Ltd.	Taiwan	Energy technical services	125,000	125,000	12,500	100.00	131,978	6,175	Note 6	Subsidiary (Note 2)
	Hong Cheng Sing Tech. Co., Ltd.	Taiwan	Energy technical services	5,000	5,000	500	100.00	2,478	(849)	Note 6	Subsidiary (Note 2)
	Shen Lyu Co., Ltd.	Taiwan	Energy technical services	100	100	10	100.00	(8,012)	(2,899)	Note 6	Subsidiary (Note 2)
	Nan Yang Power Co., Ltd.	Taiwan	Energy technical services	75,645	34,400	7,564	80.00	82,029	8,541	Note 6	Subsidiary (Note 2)
	CM Energy, Co., Ltd.	Taiwan	Energy technical services	754,709	754,709	70,000	70.00	765,297	72,160	Note 6	Subsidiary (Notes 2 and 4)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	1,601,400	1,601,400	150,000	100.00	1,602,486	71,481	Note 6	Subsidiary (Notes 2 and 4)
	Southern Electricity Corp.	Taiwan	Green electricity purchase and sale service industry	20,000	20,000	2,000	20.00	17,775	(4,372)	(744)	Associate (Note 2)
Sunrise Pv One Co., Ltd.	Shu Guang Energy Co., Ltd.	Taiwan	Energy technical services	35,000	35,000	3,500	70.00	36,339	2,333	Note 7	Subsidiary (Note 2)
CM Energy, Co., Ltd.	Hong Tai Energy Co., Ltd.	Taiwan	Energy technical services	150,000	150,000	15,000	100.00	194,605	30,701	Note 8	Subsidiary (Note 2)
	Tian Ji Energy Co., Ltd.	Taiwan	Energy technical services	10,000	10,000	1,000	100.00	12,930	1,274	Note 8	Subsidiary (Note 2)
	Tian Ji Power Co., Ltd.	Taiwan	Energy technical services	400,000	400,000	40,000	100.00	443,235	37,248	Note 8	Subsidiary (Note 2)
	Chen Fong Power Co., Ltd.	Taiwan	Energy technical services	-	31,000	-	-	-	(398)	Note 5	Note 5
Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	Taiwan	Energy technical services	50,000	50,000	5,000	100.00	62,448	8,864	Note 9	Subsidiary (Note 2)
Neo Cathay Power Corp.	Si Yi Co., Ltd.	Taiwan	Energy technical services	707,617	707,617	70,000	100.00	757,612	35,747	Note 10	Subsidiary (Note 2)
	Da Li Energy Co., Ltd.	Taiwan	Energy technical services	402,958	402,958	40,000	100.00	437,071	26,233	Note 10	Subsidiary (Note 2)
	Yong Han Co., Ltd.	Taiwan	Energy technical services	272,336	272,336	25,000	100.00	282,827	9,927	Note 10	Subsidiary (Note 2)

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

Note 2: Share of profit or loss is recognized on the basis of the financial statements which have not been reviewed by an independent auditor.

Note 3: In November 2022, the Company acquired the shareholding of Cathay Power Inc. through San Ching Engineering Co., Ltd., increasing the Company’s ownership interest to 70%, and obtained control of Cathay Power Inc.

(Continued)

Note 4: In November 2022, Cathay Power Inc. issued ordinary shares to exchange all the interest of Neo Cathay Power Corp. and CM Energy, Co., Ltd. that San Ching Engineering and the Group held and obtained control of Neo Cathay Power Corp. and CM Energy Co., Ltd.

Note 5: CM Energy Co., Ltd. disposed of 100% of its shareholding in the investee in May 2023 and only recognized the share of profit or loss from January to April with the equity method.

Note 6: The share of profit or loss is recognized with the equity method by Cathay Power Inc.

Note 7: The share of profit or loss is recognized with the equity method by Sunrise Pv One Co., Ltd.

Note 8: The share of profit or loss is recognized with the equity method by CM Energy Co., Ltd.

Note 9: The share of profit or loss is recognized with the equity method by Hong Tai Energy Co., Ltd.

Note 10: The share of profit or loss is recognized with the equity method by Neo Cathay Power Corp.

(Concluded)

TABLE 2

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

FINANCE PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Cathay Power Inc.	Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables - from related parties	Y	$ 140,000	$ -	$ -	2-2.1	Short-term financing	$ -	Operating cycle	$ -	-	-	$ 1,583,296	$ 1,583,296
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables - from related parties	Y	1,500	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	1,583,296	1,583,296
		Sunrise Pv one Co., Ltd.	Other receivables - from related parties	Y	460,000	460,000	418,409	2-2.1	Short-term financing	-	Operating cycle	-	-	-	1,583,296	1,583,296
		Shen Lyu Co., Ltd.	Other receivables - from related parties	Y	15,000	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	1,583,296	1,583,296
		Shu Guang Energy Co., Ltd.	Other receivables - from related parties	Y	22,000	22,000	20,164	2.1	Short-term financing	-	Operating cycle	-	-	-	1,583,296	1,583,296
		Nan Yang Power Co., Ltd.	Other receivables - from related parties	Y	30,000	30,000	8,000	2.1	Short-term financing	-	Operating cycle	-	-	-	1,583,296	1,583,296
2	Neo Cathay Power Corp.	Shu Guang Energy Co., Ltd.	Other receivables - from related parties	Y	36,000	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	640,230	640,230
		Sunrise Pv one Co., Ltd.	Other receivables - from related parties	Y	100,000	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	640,230	640,230
		Nan Yang Power Co., Ltd.	Other receivables - from related parties	Y	120,000	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	640,230	640,230
		Shen Lyu Co., Ltd.	Other receivables - from related parties	Y	15,000	15,000	11,469	2.1	Short-term financing	-	Operating cycle	-	-	-	640,230	640,230
		Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables - from related parties	Y	12,000	12,000	-	2.1	Short-term financing	-	Operating cycle	-	-	-	640,230	640,230
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables - from related parties	Y	100,000	50,000	34,400	2-2.1	Short-term financing	-	Operating cycle	-	-	-	107,270	107,270
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	Other receivables - from related parties	Y	2,000	2,000	2,000	2-2.1	Short-term financing	-	Operating cycle	-	-	-	431,852	431,852
		Tian Ji Power Co., Ltd.	Other receivables - from related parties	Y	71,800	71,800	49,000	2-2.1	Short-term financing	-	Operating cycle	-	-	-	431,852	431,852
		Hong Tai Energy Co., Ltd.	Other receivables - from related parties	Y	100,000	100,000	100,000	2-2.1	Short-term financing	-	Operating cycle	-	-	-	431,852	431,852
		Chen Fong Power Co., Ltd.	Other receivables - from related parties	Y (Note 2)	150,000	-	-	2-2.1	Short-term financing	-	Operating cycle	-	-	-	431,852	431,852

Note 1: The total amount of external funds provided by Cathay Power, Neo Cathay Power, Yong Han and CM Energy are limited to 40% of the net value, and individual loans are limited to 40% of the net value.

Note 2: CM Energy Co., Ltd. disposed of Chen Fong Power Co., Ltd. in May 2023, and the loan contract was terminated.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
1	Cathay Power Inc.	Sunrise Pv one Co., Ltd.	b	$ 9,895,599	$ 3,576,296	$ 3,574,296	$ 1,462,439	$ -	90.30	$ 9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	9,895,599	185,412	185,412	140,812	-	4.68	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	9,895,599	53,000	53,000	51,000	-	1.34	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	9,895,599	226,900	226,900	214,400	-	5.73	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
2	Sunrise Pv one Co., Ltd.	Cathay Power Inc.	c	2,743,359	1,005,590	1,005,590	355,000	-	91.64	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,743,359	354,410	354,410	354,410	-	32.30	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,001,437	2,220,000	2,220,000	969,092	-	138.70	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,001,437	1,017,500	1,017,500	499,256	-	63.57	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,001,437	462,500	462,500	307,184	-	28.90	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,699,074	29,500	25,921	21,817	-	2.40	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Tian Ji Power Co., Ltd.	b	2,699,074	1,899,200	1,820,815	1,419,073	-	168.65	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,699,074	706,296	695,296	527,371	-	64.40	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Power Co., Ltd.	b	2,699,074	190,000	190,000	138,894	-	17.60	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
5	Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	b	477,006	190,000	190,000	138,894	-	99.58	477,006	(Note 2)	(Note 2)	N	(Note 7)

Note 1: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

a. The Company and guarantee party have business deals.
b. The Company directly and indirectly owned over 50% of the guaranteed party’s voting stocks.
c. The guaranteed party owned directly and indirectly over 50% of the Company’s voting stocks.
d. The Company directly and indirectly owned over 90% of the guaranteed party’s voting stocks.
e. The guarantor and guaranteed party are peers in contract projects or co-builders in accordance with contract provisions that require mutual insurance company.
f. Owing to the joint venture funded by all shareholders on the endorsement of its holding company.
g. Peers in performance bond joint security of pre-sale house contract under Consumer Protection Act.

Note 2: Non-listed parent company endorsement of subsidiaries or subsidiaries endorsement of listed parent company.

Note 3: The total amount of endorsement provided by Cathay Power was 250% of Cathay Power’s net value in the end of the previous year, and the endorsement limit for a single company is 250% of Cathay Power’s net value in the end of the previous year.

Note 4: The total amount of endorsement provided by Sunrise Pv One was 250% of Sunrise Pv One’s net value in the end of the previous year, and the endorsement limit for a single company is 250% of Sunrise Pv One’s net value in the end of the previous year.

Note 5: The total amount of endorsement provided by Neo Cathay Power was 250% of Neo Cathay Power’s net value in the end of the previous year, and the endorsement limit for a single company is 250% of Neo Cathay Power’s net value in the end of the previous year.

Note 6: The total amount of endorsement provided by CM Energy was 300% of CM Energy’s net value in the end of the previous year, and the endorsement limit for a single company is 250% of CM Energy’s net value in the end of the previous year.

Note 7: The total amount of endorsement provided by Hong Tai Energy was 250% of Hong Tai Energy’s net value in the end of the previous year, and the endorsement limit for a single company is 250% of Hong Tai Energy’s net value in the end of the previous year.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	September 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Preference shares							
Conning Inc.	Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	$ 3,398	1.76	$ 3,398	
	Stocks							
Symphox Information Co., Ltd.	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	40,817	7.72	40,817	
	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	56,551	100.00	56,551	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	9,362	541,808	46.73	541,808	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	2,342	30,529	100.00	30,529	
Southern Electricity Corp.	Nan Yuan Tai Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	100	953	100.00	953	

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 NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date (Note 1)	Transaction Amount (Note 2)	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 Puzhong Section, Zhongli Dist., Taoyuan City	2023.07.26	$ 2,003,600	Payments according by installment to contract	Taoyuan City Government	Non-related party	-	-	-	$ -	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None

Note 1: 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 dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 2: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

TABLE 6

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	$ 13,497,155	a	$ 6,748,578	$ -	$ -	$ 6,748,578	$ 232,193	50.0	$ 116,097 (Note 2,b,2)	$ 7,220,446	$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	a	2,943,663	-	-	2,943,663	958,232	24.5	234,767 (Note 2,b,3)	2,197,365	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	a	7,223,435	-	-	7,223,435	129,698	100.0	120,028 (Note 2,b,2)	8,369,226	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023	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)	$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$310,772,640

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 September 30, 2023, 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. On March 3, 2022, MOEAIC authorized the Company to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of September 30, 2023, 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 September 30, 2023, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

Note 4: The relevant information regarding Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) is as follows:

a. The location: Shanghai, China.

b. Status of capital funds and related income: As of September 30, 2023, the investment assets of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amounted to $101,846,134 thousand and $9,570,447 thousand, respectively, and net investment income was $3,463,022 thousand and $493,891 thousand, respectively.

c. Provision methodology and balances of insurance policy reserves.

As of September 30, 2023, the balances of reserves of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) were as follows:

	Cathay Lujiazui Life Insurance Co., Ltd.	**Cathay Insurance Company Limited (China)**
Unearned premium reserve	$ 467,439	$ 5,819,614
Loss reserve	643,296	3,970,488
Policy reserve	69,383,471	67,197
	$ 70,494,206	$ 9,857,299

Provision methodology of insurance policy reserves:

1) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of unearned premium reserve is based on the unexpired risk.

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

3) Policy reserve: Reserve in accordance with the life table and interest rates by reserves regulations and laws of the mainland China and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

d. Percentage of premium income: As of September 30, 2023, the premium income of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amounted to $21,395,906 thousand and $21,378,597 thousand, respectively, and the percentage of premium income was 8.18% and 8.18%, respectively.

e. Percentage of insurance claim payments: As of September 30, 2023, the insurance claim payments of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amounted to $2,790,358 thousand and $15,299,349 thousand, respectively, and the percentage of insurance claim payments was 0.90% and 4.93%, respectively.

(Concluded)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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	$ 12,334,666	Equivalent to general conditions of transactions	0.14
		Cathay Walbrook Holding 1 Limited	a	Interest income	667,641	Equivalent to general conditions of transactions	0.12
		Cathay Walbrook Holding 1 Limited	a	Other receivables	29,497	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Other loans	656,829	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Interest income	35,552	Equivalent to general conditions of transactions	0.01
		Conning Holdings Limited	a	Processing fee expense	903,104	Equivalent to general conditions of transactions	0.16
		Conning Holdings Limited	a	Other payables	313,640	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Prepaid expense	3,600	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Administrative expense	5,187	Equivalent to general conditions of transactions	-
		Global Evolution Holding ApS	a	Processing fee expense	56,490	Equivalent to general conditions of transactions	0.01
		Global Evolution Holding ApS	a	Other payables	20,361	Equivalent to general conditions of transactions	-
		Tian Ji Power Co., Ltd.	a	Administrative expense	6,633	Equivalent to general conditions of transactions	-
1	Cathay Power Inc.	Sunrise Pv One Co., Ltd.	c	Other receivables	429,165	Equivalent to general conditions of transactions	-
		Sunrise Pv One Co., Ltd.	c	Administrative revenue	11,415	Equivalent to general conditions of transactions	-
		Sunrise Pv One Co., Ltd.	c	Interest income	6,113	Equivalent to general conditions of transactions	-
		Si Yi Co., Ltd.	c	Administrative revenue	5,066	Equivalent to general conditions of transactions	-
		Tian Ji Power Co., Ltd.	c	Administrative revenue	4,624	Equivalent to general conditions of transactions	-
		Da Li Energy Co., Ltd.	c	Administrative revenue	3,160	Equivalent to general conditions of transactions	-
		Nan Yang Power., Co., Ltd.	c	Other receivables	8,274	Equivalent to general conditions of transactions	-
		Shu Guang Energy Co., Ltd.	c	Other receivables	20,330	Equivalent to general conditions of transactions	-
2	CM Energy, Co., Ltd.	Hong Tai Energy Co., Ltd.	c	Other receivables	101,775	Equivalent to general conditions of transactions	-
		Tian Ji Power Co., Ltd.	c	Other receivables	79,124	Equivalent to general conditions of transactions	-
3	Neo Cathay Power Corp.	Shen Lyu Co., Ltd.	c	Other receivables	11,480	Equivalent to general conditions of transactions	-
4	Yong Han Co., Ltd.	Si Yi Co., Ltd.	c	Other receivables	34,404	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.

(Continued)

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets.
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.

(Concluded)

TABLE 8

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
SEPTEMBER 30, 2023
(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	$ 16,927,566 (Note 1)	-	$ -	-	$ -	$ -
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Parent Company	313,640 (Note 2)	-	-	-	-	-
Cathay Power Inc.	Sunrise Pv one Co., Ltd.	Parent Company	429,165 (Note 3)	-	-	-	4,282	-
CM Energy, Co., Ltd.	Hong Tai Energy Co., Ltd.	Parent Company	101,775 (Note 3)	-	-	-	-	-

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.

Note 3: The ending balance mainly comprises loans and interest receivables.