

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are the same as the entities required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CATHAY CENTURY INSURANCE CO., LTD.

By

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March 4, 2024

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Cathay Century Insurance Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Cathay Century Insurance Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

#### Adequacy of Loss Reserves

Loss reserve is a significant liability to the Company, representing 26% of the Group's total assets as of December 31, 2023.

Loss reserves is provided for claims filed but not yet paid and claims not yet filed. The reserve for claims filed but not yet paid is assessed by the claim department based on the relevant information from each received claim. The reserve for claims not yet filed is comprised of the provision calculated by the actuary department according to the claim development methods (accident year basis) or past claim experiences that complied with actuarial principle, along with a reserve for the unallocated loss adjustment expenses; such accrual principle is also applied to ceded loss reserve under reinsurance contract assets. The claims not yet filed that estimated by abovementioned claim development methods or past experiences with the actuarial principles were calculated by considering the weighted results of the claim development and expected loss rates. The actuary department exercises its professional judgment in determining the appropriate models, assumptions and parameters. Therefore, we identified adequacy of loss reserves as a key audit matter. For the accounting policies and relevant disclosure information, refer to Notes 4, 5 and 20.

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

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

#### **Other Matter**

We have also audited the parent company only financial statements of Cathay Century Insurance Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shiuh-Ran, Cheng and Yu-Hong, Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 4, 2024

Notice to Readers

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

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

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 27)	\$ 9,382,963	17	\$ 17,758,712	29
RECEIVABLES (Notes 4, 11, 27 and 34)	3,173,036	6	3,153,166	5
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 27)	10,798,348	20	7,556,797	13
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	678,881	1	685,847	1
Financial assets at amortized cost (Notes 4 and 9)	9,465,788	17	8,853,285	15
Investments accounted for using the equity method, net (Notes 4 and 14)	2,317,577	4	2,370,722	4
Loans (Notes 4, 10 and 27)	123,077	-	137,944	-
REINSURANCE CONTRACT ASSETS (Notes 4, 12, 20 and 34)	13,479,250	24	13,542,121	22
PROPERTY AND EQUIPMENT (Notes 4 and 15)	466,157	1	346,411	1
RIGHT-OF-USE ASSETS (Notes 4, 16 and 27)	270,871	1	115,031	-
INTANGIBLE ASSETS (Notes 4 and 17)	121,840	-	138,427	-
DEFERRED TAX ASSETS (Notes 4 and 24)	4,512,922	8	4,581,004	8
OTHER ASSETS (Notes 18, 27 and 29)	<u>655,093</u>	<u>1</u>	<u>1,356,193</u>	<u>2</u>
TOTAL	<u>\$ 55,445,803</u>	<u>100</u>	<u>\$ 60,595,660</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
PAYABLES (Notes 4, 19, 27 and 34)	\$ 4,102,639	7	\$ 3,308,293	5
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 27)	63,746	-	178,805	-
LEASE LIABILITIES (Notes 4, 16 and 27)	269,303	-	114,717	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	33,713,924	61	42,245,962	70
OTHER LIABILITIES	1,556,604	3	1,210,912	2
PROVISIONS (Notes 4 and 21)	427,572	1	429,975	1
DEFERRED TAX LIABILITIES (Notes 4 and 24)	<u>329,636</u>	<u>1</u>	<u>307,270</u>	<u>1</u>
Total liabilities	<u>40,463,424</u>	<u>73</u>	<u>47,795,934</u>	<u>79</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Share capital				
Ordinary shares	<u>2,000,000</u>	<u>4</u>	<u>7,057,052</u>	<u>12</u>
Capital surplus	<u>7,861,133</u>	<u>14</u>	<u>16,557,271</u>	<u>27</u>
Retained earnings				
Legal reserve	-	-	3,995,920	7
Special reserve	4,674,882	8	3,968,168	6
Unappropriated earnings (deficit to be offset)	<u>538,325</u>	<u>1</u>	<u>(17,749,628)</u>	<u>(29)</u>
Total retained earnings	<u>5,213,207</u>	<u>9</u>	<u>(9,785,540)</u>	<u>(16)</u>
Other equity	<u>(91,961)</u>	<u>-</u>	<u>(1,029,057)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>14,982,379</u>	<u>27</u>	<u>12,799,726</u>	<u>21</u>
Total equity	<u>14,982,379</u>	<u>27</u>	<u>12,799,726</u>	<u>21</u>
TOTAL	<u>\$ 55,445,803</u>	<u>100</u>	<u>\$ 60,595,660</u>	<u>100</u>

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

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Retained earned premium (Notes 4, 27 and 34)				
Written premium	\$ 33,112,494	129	\$ 28,897,489	123
Reinsurance premium	<u>1,160,974</u>	<u>5</u>	<u>1,368,852</u>	<u>6</u>
Premium income	34,273,468	134	30,266,341	129
Less: Reinsurance expenses	10,251,180	40	8,181,900	35
Less: Net change in unearned premium reserves (Notes 4, 20 and 34)	<u>574,563</u>	<u>2</u>	<u>381,464</u>	<u>1</u>
Total retained earned premium	<u>23,447,725</u>	<u>92</u>	<u>21,702,977</u>	<u>93</u>
Reinsurance commission income (Note 34)	<u>1,116,623</u>	<u>4</u>	<u>900,431</u>	<u>4</u>
Fee income	<u>49,712</u>	<u>-</u>	<u>48,927</u>	<u>-</u>
Net gains on investments				
Interest income (Notes 23 and 27)	673,582	3	636,240	3
Foreign exchange gains (Note 4)	9,915	-	658,878	3
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Note 4)	1,312,437	5	(2,277,860)	(10)
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	277	-	562	-
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 14)	4,987	-	115,978	-
Expected credit impairment losses on investments (Note 4)	(10,807)	-	(1,450)	-
(Loss) gain on reclassification using overlay approach (Notes 4 and 7)	<u>(1,041,999)</u>	<u>(4)</u>	<u>1,462,612</u>	<u>6</u>
Total net gains on investments	<u>948,392</u>	<u>4</u>	<u>594,960</u>	<u>2</u>
Other operating income	<u>51,394</u>	<u>-</u>	<u>157,220</u>	<u>1</u>
Total operating revenues	<u>25,613,846</u>	<u>100</u>	<u>23,404,515</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Retained claims payments (Notes 4, 27 and 34)				
Insurance claims payments	28,103,201	110	35,909,126	154
Less: Claims and payments recovered from reinsurers	<u>4,862,833</u>	<u>19</u>	<u>6,232,430</u>	<u>27</u>
Total retained claims payments	<u>23,240,368</u>	<u>91</u>	<u>29,676,696</u>	<u>127</u>
Net changes in other insurance liabilities (Notes 4 and 20)	<u>(8,890,792)</u>	<u>(35)</u>	<u>9,709,164</u>	<u>41</u>
Commission expenses (Notes 4, 23, 27 and 34)	<u>4,343,184</u>	<u>17</u>	<u>3,870,838</u>	<u>17</u>
Other operating costs	<u>32,434</u>	<u>-</u>	<u>45,627</u>	<u>-</u>
Total operating costs	<u>18,725,194</u>	<u>73</u>	<u>43,302,325</u>	<u>185</u>
GROSS PROFIT (LOSS)	<u>6,888,652</u>	<u>27</u>	<u>(19,897,810)</u>	<u>(85)</u>

(Continued)



# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING EXPENSES (Notes 23 and 27)				
General expenses	\$ 4,174,545	16	\$ 3,732,659	16
Administrative expenses	1,182,055	5	891,619	4
Employee training expenses	<u>17,758</u>	-	<u>11,380</u>	-
Total operating expenses	<u>5,374,358</u>	<u>21</u>	<u>4,635,658</u>	<u>20</u>
OPERATING INCOME (LOSS)	1,514,294	6	(24,533,468)	(105)
NON-OPERATING INCOME AND EXPENSES (Note 27)	<u>12,091</u>	-	<u>8,048</u>	-
PROFIT (LOSS) BEFORE INCOME TAX	1,526,385	6	(24,525,420)	(105)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 24)	<u>(280,874)</u>	<u>(1)</u>	<u>4,903,889</u>	<u>21</u>
NET PROFIT (LOSS)	<u>1,245,511</u>	<u>5</u>	<u>(19,621,531)</u>	<u>(84)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	2,280	-	34,239	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(456)</u>	-	<u>(6,847)</u>	-
	<u>1,824</u>	-	<u>27,392</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(65,585)	-	87,853	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(11,405)	-	(90,182)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	201	-	(35,924)	-

(Continued)

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
Other comprehensive income (loss) reclassified under the overlay approach	\$ 1,041,999	4	\$ (1,462,612)	(6)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(29,938)</u>	<u>-</u>	<u>9,840</u>	<u>-</u>
	<u>935,272</u>	<u>4</u>	<u>(1,491,025)</u>	<u>(6)</u>
Other comprehensive income (loss), net of income tax	<u>937,096</u>	<u>4</u>	<u>(1,463,633)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 2,182,607</u>	<u>9</u>	<u>\$ (21,085,164)</u>	<u>(90)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 1,245,511	5	\$ (19,621,531)	(84)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,245,511</u>	<u>5</u>	<u>\$ (19,621,531)</u>	<u>(84)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 2,182,607	9	\$ (21,085,164)	(90)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,182,607</u>	<u>9</u>	<u>\$ (21,085,164)</u>	<u>(90)</u>
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	<u>\$ 6.23</u>		<u>\$ (167.82)</u>	

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

(Concluded)

**CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company						Other Equity				Total Equity
	Shares (In Thousands)	Capital Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Approach	
				Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)					
BALANCE AT JANUARY 1, 2022	305,705	\$ 3,057,052	\$ 518,326	\$ 3,567,601	\$ 5,363,818	\$ 1,505,940	\$ (351,498)	\$ 58,131	\$ (183,711)	\$ 911,654	\$ 14,447,313
Appropriation of 2021 earnings											
Legal reserve	-	-	-	428,319	-	(428,319)	-	-	-	-	-
Special reserve	-	-	-	-	(125,114)	125,114	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(601,368)	-	-	-	-	(601,368)
Recognition of share-based payments granted by the parent company	-	-	38,945	-	-	-	-	-	-	-	38,945
The newly reversed of special reserve for catastrophic event and the special reserve for fluctuation of risk	-	-	-	-	(1,277,640)	1,277,640	-	-	-	-	-
Appropriation of special reserve for personal insures Travel insurance	-	-	-	-	7,104	(7,104)	-	-	-	-	-
Issuance of ordinary shares for cash	400,000	4,000,000	16,000,000	-	-	-	-	-	-	-	20,000,000
Net loss for the year ended December 31, 2022	-	-	-	-	-	(19,621,531)	-	-	-	-	(19,621,531)
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	87,853	(126,106)	27,392	(1,452,772)	(1,463,633)
Total comprehensive (loss) income for the year ended December 31, 2022	-	-	-	-	-	(19,621,531)	87,853	(126,106)	27,392	(1,452,772)	(21,085,164)
BALANCE AT DECEMBER 31, 2022	705,705	7,057,052	16,557,271	3,995,920	3,968,168	(17,749,628)	(263,645)	(67,975)	(156,319)	(541,118)	12,799,726
Appropriation of 2022 earnings											
Special reserve	-	-	-	-	(472)	472	-	-	-	-	-
Recognition of share-based payments granted by the parent company	-	-	46	-	-	-	-	-	-	-	46
The newly recognized of special reserve for catastrophic event and the special reserve for fluctuation of risk	-	-	-	-	694,129	(694,129)	-	-	-	-	-
Appropriation of special reserve for personal insures Travel insurance	-	-	-	-	13,057	(13,057)	-	-	-	-	-
Capital reduction to offset accumulated losses	(505,705)	(5,057,052)	(8,696,184)	(3,995,920)	-	17,749,156	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,245,511	-	-	-	-	1,245,511
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	(65,585)	(11,204)	1,824	1,012,061	937,096
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,245,511	(65,585)	(11,204)	1,824	1,012,061	2,182,607
BALANCE AT DECEMBER 31, 2023	200,000	\$ 2,000,000	\$ 7,861,133	\$ -	\$ 4,674,882	\$ 538,325	\$ (329,230)	\$ (79,179)	\$ (154,495)	\$ 470,943	\$ 14,982,379

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

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 1,526,385	\$ (24,525,420)
Depreciation expenses	273,827	230,730
Amortization expenses	73,678	64,828
Recognition of share-based payments granted by the parent company	46	38,945
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(1,312,437)	2,277,860
Interest expense	2,893	4,144
Net gain on derecognition of financial assets measured at amortized cost	(277)	(562)
Interest income	(673,582)	(636,240)
Net change in insurance liabilities	(8,532,038)	12,515,065
Expected credit impairment losses on investments	10,807	1,450
Share of profit or loss of associates and joint ventures accounted for using the equity method	(4,987)	(115,978)
Loss (gain) on reclassification under the overlay approach	1,041,999	(1,462,612)
Loss on disposal of property and equipment	80	55
Changes in operating assets and liabilities		
(Increase) decrease in notes receivable	(2,602)	8,980
(Increase) decrease in premiums receivable	(700,461)	100,326
Decrease in other receivables	79,494	572,083
(Increase) decrease in financial instruments at fair value through profit or loss	(2,231,106)	2,971,074
Decrease in financial assets at fair value through other comprehensive income	7,159	7,042
Increase in financial assets at amortized cost	(623,051)	(1,791,669)
Increase in reinsurance contract assets	62,871	(3,660,634)
Decrease (increase) in other assets	701,126	(479,075)
Increase in claims outstanding	2,238	-
Increase in commissions payable and fees	51,964	86,898
Increase (decrease) in due to reinsurers and ceding companies	427,651	(189,628)
Increase (decrease) in other payables	111,686	(247,105)
Decrease in provisions	(123)	(57)
Increase in other liabilities	<u>345,692</u>	<u>374,736</u>
Cash used in operations	(9,361,068)	(13,854,764)
Interest received	667,446	625,444
Dividends received	184,066	241,036
Interest paid	(2,893)	(4,144)
Income tax received (paid)	<u>592,684</u>	<u>(265,935)</u>
Net cash used in operating activities	<u>(7,919,765)</u>	<u>(13,258,363)</u>

(Continued)

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (253,228)	\$ (226,164)
Acquisition of intangible assets	(44,504)	(65,451)
Decrease in loans	<u>14,867</u>	<u>48,519</u>
Net cash used in investing activities	<u>(282,865)</u>	<u>(243,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of the principal portion of lease liabilities	(155,059)	(157,295)
Cash dividends paid	-	(601,368)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>20,000,000</u>
Net cash (used in) generated from financing activities	<u>(155,059)</u>	<u>19,241,337</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(18,060)</u>	<u>45,547</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	(8,375,749)	5,785,425
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>17,758,712</u>	<u>11,973,287</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 9,382,963</u>	<u>\$ 17,758,712</u>

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

(Concluded)

# CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the Company Act of the Republic of China (“R.O.C.”). On April 22, 2002, the Company became a wholly-owned subsidiary of Cathay Financial Holdings Co., Ltd. (“Cathay Financial Holdings”) through a share swap pursuant to the Financial Holdings Company Act. The Company was renamed from Tong-Tai Insurance Co., Ltd. to Cathay Century Insurance Co., Ltd., as approved by Letter No. 0910706108 issued by the Ministry of Finance on June 28, 2002 and officially announced on August 2, 2002. The Company mainly engages in the business of property and casualty insurance. The Company’s registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company’s parent company and ultimate parent company.

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 on March 4, 2024.

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

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

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company and subsidiaries’ (the “Group”) accounting policies.

#### 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 IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)</u></b>
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 IFRS Accounting Standards are 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 has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></b>
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 IFRS Accounting Standards 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, adjustments 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 considered 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 a 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 the 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 an 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 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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

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

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 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. Classification of current and non-current assets and liabilities

Assets and liabilities of this consolidated financial statement are classified by nature and are presented in the order of liquidity, instead of being classified as current or noncurrent.

##### d. 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 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 of the Group.

Refer to Note 13 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

##### 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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

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.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the 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 and joint ventures 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 loss, if any. 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 the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

g. Property and equipment

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

The 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 method are reviewed at the end of each reporting period, with the effects of any changes in estimate 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. 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.

2) Derecognition of intangible assets

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

i. Impairment of property and equipment, right-of-use assets and intangible assets

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, 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Categories of financial assets, initial recognition and subsequent measurement

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

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 applying IFRS 9, but would not have been measured at FVTPL in its entirety applying under IAS 39.

- iii) The financial assets designated to apply overlay approach at initial recognition when an entity first applies IFRS 9 or when a new financial asset is initially recognized or when a financial asset newly meets the criteria having previously not met.

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 assets 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, including cash and cash equivalents and receivables 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 asset that is not credit-impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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 whose objective 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.

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 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.

For internal credit risk management purposes, the Group determines that the following situations as indicate that a financial asset is in default without taking into account any collateral held by the Group:

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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 the five categories of loan assets excluding life insurance loans, automatic 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.

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, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the 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 gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 26.

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 foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, foreign exchange swaps, cross currency swaps contract, options and futures.

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets 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.

#### k. Reinsurance business

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.

For the ceding reinsurance, reinsurance expenses are recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance expenses should be recognized in the same accounting period as the insurance premiums. In addition, the Group accrues the reinsurance expense at the balance sheet date in a reasonable and systematic manner for the billing statements that have not yet been received as well as related income (for example, reinsurance commission income). The related profit or loss for reinsurance is not deferred.

Reinsurance reserve assets present the rights to reinsurers and comprise of ceded unearned premium reserve, ceded loss reserve, and ceded premium deficiency reserve, which are recognized according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, and other regulations as well as the conditions of reinsurance contracts.

#### l. Reserves for liabilities

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

The descriptions of these reserves are as follows:

##### 1) Unearned premium reserve

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

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

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

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

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

## 2) Loss reserve

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

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

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

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

## 3) Special reserve

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

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

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. In addition, the above precautions were amended by Rule No. 11101405951 on June 30, 2022, and the name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to point eight of the Notices, when the actual retained claims that resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event, or the reserves accumulate to the full water level, the Group should offset or recover the special reserves for hazard changes according to point three of the “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon and Flood Insurance Operated by Non-Life Insurance Enterprises”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk that is provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic event

Special reserves for catastrophic event is provided at the rates for each insurance type required by the authorities.

As a single event which meets the government’s definition of major accident, special reserves for catastrophic event can be reversed if the total retained claims for each insurance type of an individual company reach \$30 million and the total claims for each insurance type of all non-life insurance companies reach \$2,000 million.

Special reserves for catastrophic event that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserve for commercial-businesses earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, 15% of the difference should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the difference.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic event are higher than the expected claims, the difference may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance type. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

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

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

When performing the liability adequacy test required by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test result shows inadequate liability reserve, the shortfall should be recognized as a liability adequacy reserve.

m. Classification of insurance products

An insurance contract refers to a contract where the insurer accepts the insurance policyholder's transfer of 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.

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.

n. Revenues and acquisition costs of insurance business

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

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

o. Insurance claims and payments

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

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

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

Provision for loss reserve is undiscounted.

p. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to the test by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requires the Group to estimate future cash flows of insurance contracts in accordance with the requirements for actuaries that was issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

q. Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business should be recognized at its fair value. Subrogation legally acquired should be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and reliably measured.

r. Co-insurance organization, co-insurance and guarantee fund agreement

The Company and all the members approved by the competent authority set the “Co-insurance Contract of Compulsory Automobile Liability Insurance” and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance team. The business is calculated on the basis of pure premiums and in accordance with the agreed portion. In addition to the liquidation or going out of business, the members shall not withdraw. If the members stop to operate the compulsory automobile liability insurance, it should drop out from the co-insurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

The Company, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the “Co-insurance Contract of Traveling Industry Performance Guarantee Insurance” and agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance organization. The business is calculated on the basis of co-insurance premium and in accordance with the agreed proportion. Members shall make notice in writing when going to withdraw from co-insurance three months before the start of the following year began three months ago. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the co-insurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

s. Leases

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

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, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are 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.

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 lessee's incremental borrowing rate will be used.

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. Lease liabilities are presented on a separate line in the consolidated balance sheets.

t. 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 and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. 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. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit 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.

3) Termination benefits

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

u. Share-based payment arrangements

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of the parent company's issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

v. Income tax expense

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

1) Current tax

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

According to the Income Tax Act in the R.O.C, an additional tax of unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, 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 associated with such investments and interests are recognized only 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 such temporary differences are expected to reverse in the foreseeable future.

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



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

3) Current and deferred tax for the year

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

## 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, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of the recent development of severe specific infectious pneumonia epidemic and catastrophe on the cash flow projection and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

### Material Accounting Judgments

#### Adequacy test on loss reserve

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 33,903	\$ 33,233
Checking accounts and demand deposits	2,754,197	4,420,500
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	4,070,191	7,628,697
Short-term notes	<u>2,524,672</u>	<u>5,676,282</u>
	<u>\$ 9,382,963</u>	<u>\$ 17,758,712</u>

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swaps contract	\$ 59,225	\$ 41,646
Non-derivative financial assets		
Listed shares	6,313,540	4,482,184
Beneficiary certificates	4,167,315	2,769,775
Financial bonds	<u>258,268</u>	<u>263,192</u>
	<u>\$ 10,798,348</u>	<u>\$ 7,556,797</u>
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Currency swaps contract	<u>\$ 63,746</u>	<u>\$ 178,805</u>

- a. At the end of the reporting period, outstanding foreign exchange swaps not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2023</u>			
Currency swaps contract	USD/NTD	2024.01.16-2024.12.23	USD 173,600
<u>December 31, 2022</u>			
Currency swaps contract	USD/NTD	2023.01.13-2023.12.21	USD 169,600
	EUR/NTD	2023.02.24-2023.06.06	EUR 1,750

The Group entered into foreign exchange swaps to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities.

- b. The financial assets at FVTPL were not pledged.
- c. The Group elects to present the profit or loss of the designated financial assets in the overlay approach under IFRS 4. Financial assets designated to apply overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Financial assets at FVTPL		
Listed shares	\$ 6,313,540	\$ 4,482,184
Beneficiary certificates	4,167,315	2,769,775
Financial bonds	258,268	263,192

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
(Gain) loss due to application of IFRS 9 to profit or loss	\$ (1,537,608)	\$ 1,694,922
Gain (loss) if applying IAS 39 to profit or loss	<u>495,609</u>	<u>(232,310)</u>
(Loss) gain from reclassification using the overlay approach	<u>\$ (1,041,999)</u>	<u>\$ 1,462,612</u>

Due to application of overlay approach, the amount of gain and loss on financial assets and liabilities at FVTPL decreased from gain of \$1,312,437 thousand to gain of \$270,438 thousand and decreased from loss of \$2,277,860 thousand to loss of \$815,248 thousand for the years ended December 31, 2023 and 2022, respectively.

## 8. FINANCIAL ASSETS AT FVTOCI

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investments in debt instruments at FVTOCI		
Domestic investments		
Government bonds	<u>\$ 678,881</u>	<u>\$ 685,847</u>

- a. Refer to Note 26 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.
- b. The financial assets at FVTOCI were not pledged as collateral.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic investments		
Financial bonds	\$ 100,000	\$ 100,000
Corporate bonds	1,599,988	1,599,988
Government bonds	949,742	1,099,504
Foreign bonds investments	<u>7,129,842</u>	<u>7,156,974</u>
	9,779,572	9,956,466
Less: Loss allowance	(14,182)	(3,715)
Less: Deposits in the Central Bank	<u>(299,602)</u>	<u>(1,099,466)</u>
	<u>\$ 9,465,788</u>	<u>\$ 8,853,285</u>

- a. The Group's gains on disposal of bonds resulting from repayments at maturities for the years ended December 31, 2023 and 2022 were \$277 thousand and \$562 thousand, respectively.
- b. Refer to Note 26 for information relating to their credit risk management and impairment.
- c. The financial assets at amortized cost were not pledged.

## 10. LOANS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured loans	\$ 124,832	\$ 139,828
Less: Loss allowance	<u>(1,755)</u>	<u>(1,884)</u>
	<u>\$ 123,077</u>	<u>\$ 137,944</u>

Secured loans are secured by property and equipment. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”. Refer to Note 26 for information relating to the credit risk management and impairment for the years ended December 31, 2023 and 2022.

## 11. RECEIVABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable	\$ 181,332	\$ 178,754
Premiums receivables	2,734,422	2,063,718
Integrated income tax receivables	-	612,702
Other receivables	<u>297,720</u>	<u>368,131</u>
	3,213,474	3,223,305
Less: Loss allowance	<u>(40,438)</u>	<u>(70,139)</u>
	<u>\$ 3,173,036</u>	<u>\$ 3,153,166</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 70,139	\$ 37,913
Impairment losses (reversed) recognized	<u>(29,701)</u>	<u>32,226</u>
Ending balance	<u>\$ 40,438</u>	<u>\$ 70,139</u>

## 12. REINSURANCE ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Claims and payments recoverable from reinsurers, net	\$ 835,448	\$ 671,462
Due from reinsurers and ceding companies, net	2,005,758	1,998,020
Reinsurance reserve assets		
Ceded unearned premium reserve	5,538,053	4,482,083
Ceded loss reserve	<u>5,099,991</u>	<u>6,390,556</u>
	<u>\$ 13,479,250</u>	<u>\$ 13,542,121</u>

a. Claims and payments recoverable from reinsurers

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Gross carrying amount	\$ 843,887	\$ 678,244
Less: Loss allowance	<u>(8,439)</u>	<u>(6,782)</u>
	<u>\$ 835,448</u>	<u>\$ 671,462</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 6,782	\$ 4,665
Impairment losses recognized	<u>1,657</u>	<u>2,117</u>
Ending balance	<u>\$ 8,439</u>	<u>\$ 6,782</u>

b. Due from reinsurers and ceding companies

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Gross carrying amount	\$ 2,195,180	\$ 2,022,535
Less: Loss allowance	<u>(189,422)</u>	<u>(24,515)</u>
	<u>\$ 2,005,758</u>	<u>\$ 1,998,020</u>

The allowance for impairment loss was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 24,515	\$ 58,751
Impairment losses recognized (reversed)	<u>164,907</u>	<u>(34,236)</u>
Ending balance	<u>\$ 189,422</u>	<u>\$ 24,515</u>

### 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>Proportion of Ownership (%)</b>	
			<b>December 31</b>	<b>2022</b>
			<b>2023</b>	<b>2022</b>
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100	100

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investments in associates	<u>\$ 2,317,577</u>	<u>\$ 2,370,722</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
The Group's share of:		
Profit from continuing operations	\$ 4,987	\$ 115,978
Other comprehensive loss	<u>(58,132)</u>	<u>(49,600)</u>
Total comprehensive (loss) income for the year	<u>\$ (53,145)</u>	<u>\$ 66,378</u>

Investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been audited.

The investments accounted for using the equity method were not pledged.

#### 15. PROPERTY AND EQUIPMENT

	<b>Computer Equipment</b>	<b>Other Equipment</b>	<b>Prepayments for Equipment</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ 612,719	\$ 184,150	\$ 24,481	\$ 821,350
Additions	34,711	9,481	181,972	226,164
Disposals	(159,330)	(6,010)	-	(165,340)
Reclassification	141,676	6,433	(175,141)	(27,032)
Foreign exchange	<u>-</u>	<u>5,187</u>	<u>-</u>	<u>5,187</u>
Balance at December 31, 2022	<u>\$ 629,776</u>	<u>\$ 199,241</u>	<u>\$ 31,312</u>	<u>\$ 860,329</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2022	\$ 429,152	\$ 171,043	\$ -	\$ 600,195
Depreciation expenses	67,600	6,612	-	74,212
Disposals	(159,330)	(5,955)	-	(165,285)
Foreign exchange	<u>-</u>	<u>4,796</u>	<u>-</u>	<u>4,796</u>
Balance at December 31, 2022	<u>\$ 337,422</u>	<u>\$ 176,496</u>	<u>\$ -</u>	<u>\$ 513,918</u>
Carrying amounts at December 31, 2022	<u>\$ 292,354</u>	<u>\$ 22,745</u>	<u>\$ 31,312</u>	<u>\$ 346,411</u>

(Continued)

	<b>Computer Equipment</b>	<b>Other Equipment</b>	<b>Prepayments for Equipment</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2023	\$ 629,776	\$ 199,241	\$ 31,312	\$ 860,329
Additions	39,318	66,770	147,140	253,228
Disposals	(1,537)	(11,572)	-	(13,109)
Reclassification	114,641	1,050	(128,986)	(13,295)
Foreign exchange	<u>-</u>	<u>(2,052)</u>	<u>-</u>	<u>(2,052)</u>
Balance at December 31, 2023	<u>\$ 782,198</u>	<u>\$ 253,437</u>	<u>\$ 49,466</u>	<u>\$ 1,085,101</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2023	\$ 337,422	\$ 176,496	\$ -	\$ 513,918
Depreciation expenses	110,319	9,723	-	120,042
Disposals	(1,537)	(11,492)	-	(13,029)
Foreign exchange	<u>-</u>	<u>(1,987)</u>	<u>-</u>	<u>(1,987)</u>
Balance at December 31, 2023	<u>\$ 446,204</u>	<u>\$ 172,740</u>	<u>\$ -</u>	<u>\$ 618,944</u>
Carrying amounts at December 31, 2023	<u>\$ 335,994</u>	<u>\$ 80,697</u>	<u>\$ 49,466</u>	<u>\$ 466,157</u> (Concluded)

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

Computer equipment	3-5 years
Other equipment	3-5 years

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Buildings	\$ 267,459	\$ 110,106
Transportation equipment	<u>3,412</u>	<u>4,925</u>
	<u>\$ 270,871</u>	<u>\$ 115,031</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 310,105</u>	<u>\$ 33,694</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 150,681	\$ 152,769
Transportation equipment	<u>3,104</u>	<u>3,749</u>
	<u>\$ 153,785</u>	<u>\$ 156,518</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amounts	<u>\$ 269,303</u>	<u>\$ 114,717</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.12%-8.57%	1.12%-8.57%
Transportation equipment	2.15%-3.49%	2.16%-3.49%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 33,041</u>	<u>\$ 27,989</u>
Total cash outflow for leases	<u>\$ 190,016</u>	<u>\$ (188,108)</u>

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Other</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 391,725	\$ -	\$ 391,725
Additions	65,451	-	65,451
Reclassification	27,284	-	27,284
Foreign exchange	<u>5,425</u>	<u>-</u>	<u>5,425</u>
Balance at December 31, 2022	<u>\$ 489,885</u>	<u>\$ -</u>	<u>\$ 489,885</u>

(Continued)



	<b>Computer Software</b>	<b>Other</b>	<b>Total</b>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 282,909	\$ -	\$ 282,909
Amortization expenses	64,828	-	64,828
Foreign exchange	<u>3,721</u>	<u>-</u>	<u>3,721</u>
Balance at December 31, 2022	<u>\$ 351,458</u>	<u>\$ -</u>	<u>\$ 351,458</u>
Carrying amounts at December 31, 2022	<u>\$ 138,427</u>	<u>\$ -</u>	<u>\$ 138,427</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 489,885	\$ -	\$ 489,885
Additions	43,906	598	44,504
Reclassification	13,295	-	13,295
Foreign exchange	<u>(2,754)</u>	<u>-</u>	<u>(2,754)</u>
Balance at December 31, 2023	<u>\$ 544,332</u>	<u>\$ 598</u>	<u>\$ 544,930</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ 351,458	\$ -	\$ 351,458
Amortization expenses	73,678	-	73,678
Foreign exchange	<u>(2,046)</u>	<u>-</u>	<u>(2,046)</u>
Balance at December 31, 2023	<u>\$ 423,090</u>	<u>\$ -</u>	<u>\$ 423,090</u>
Carrying amounts at December 31, 2023	<u>\$ 121,242</u>	<u>\$ 598</u>	<u>\$ 121,840</u>

(Concluded)

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years
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## 18. OTHER ASSETS

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Deposits in the Central Bank	\$ 299,602	\$ 1,099,466
Statutory deposits	27,819	28,003
Other deposits	240,934	175,222
Prepayments	31,754	28,640
Others	<u>54,984</u>	<u>24,861</u>
	<u>\$ 655,093</u>	<u>\$ 1,356,193</u>

Refer to Note 29 for the information of the assets, including government bonds and time deposits, pledged as guarantee deposits of the Group.

## 19. PAYABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Claims and payments payable	\$ 2,238	\$ -
Commissions payable	398,052	346,088
Due to reinsurers and ceding companies	2,511,820	2,084,169
Integrated income tax payable	189,832	-
Other payables	<u>1,000,697</u>	<u>878,036</u>
	<u>\$ 4,102,639</u>	<u>\$ 3,308,293</u>

## 20. INSURANCE LIABILITIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unearned premium reserve	\$ 17,487,375	\$ 15,838,272
Loss reserve	14,473,113	23,538,891
Special reserve	1,753,336	1,628,369
Premium deficiency reserve	12	1,240,260
Policy reserve	<u>88</u>	<u>170</u>
	<u>\$ 33,713,924</u>	<u>\$ 42,245,962</u>

### a. Unearned premium reserve

#### 1) Details of unearned premium reserve and ceded unearned premium reserve

<b>Insurance Type</b>	<b>December 31, 2023</b>			
	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
Fire insurance	\$ 2,183,228	\$ 42,158	\$ 1,852,410	\$ 372,976
Marine insurance	218,082	4,319	173,661	48,740
Land and air insurance	7,876,264	(4)	427,184	7,449,076
Liability insurance	1,551,512	1,092	511,591	1,041,013
Guarantee insurance	70,127	1,234	57,759	13,602
Other property insurance	1,709,781	33,360	1,408,190	334,951
Accident insurance	1,728,298	3,831	107,811	1,624,318
Health insurance	53,551	-	-	53,551
Policy-oriented residential earthquake insurance	238,859	29,885	238,859	29,885
Compulsory automobile liability insurance	<u>1,267,647</u>	<u>474,151</u>	<u>760,588</u>	<u>981,210</u>
	<u>\$ 16,897,349</u>	<u>\$ 590,026</u>	<u>\$ 5,538,053</u>	<u>\$ 11,949,322</u>

**December 31, 2022**

<b>Insurance Type</b>	<b>Unearned Premium Reserve</b>		<b>Ceded Unearned Premium Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ 1,893,367	\$ 127,729	
Marine insurance	202,701	7,867	153,542	57,026
Land and air insurance	7,010,302	2,848	232,378	6,780,772
Liability insurance	1,292,650	1,011	403,032	890,629
Guarantee insurance	57,735	1,470	38,608	20,597
Other property insurance	1,446,086	29,349	1,166,220	309,215
Accident insurance	1,601,564	5,204	143,686	1,463,082
Health insurance	174,035	851	34,013	140,873
Policy-oriented residential earthquake insurance	238,221	29,845	238,220	29,846
Compulsory automobile liability insurance	<u>1,250,469</u>	<u>464,968</u>	<u>750,282</u>	<u>965,155</u>
	<u>\$ 15,167,130</u>	<u>\$ 671,142</u>	<u>\$ 4,482,083</u>	<u>\$ 11,356,189</u>

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

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Unearned Premium Reserves</b>	<b>Ceded Unearned Premium Reserve</b>	<b>Unearned Premium Reserves</b>	<b>Ceded Unearned Premium Reserve</b>
Beginning balance	\$ 15,838,272	\$ 4,482,083	\$ 15,305,826	\$ 4,361,937
Provision	17,498,655	5,543,449	15,831,142	4,478,504
Recovery	(15,872,921)	(4,492,278)	(15,355,033)	(4,383,859)
Foreign exchange	<u>23,369</u>	<u>4,799</u>	<u>56,337</u>	<u>25,501</u>
Ending balance	<u>\$ 17,487,375</u>	<u>\$ 5,538,053</u>	<u>\$ 15,838,272</u>	<u>\$ 4,482,083</u>

b. Loss reserve

1) Loss reserve and ceded loss reserve

Items	December 31, 2023			
	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Filed but not yet paid	\$ 7,044,749	\$ 989,786	\$ 3,114,797	\$ 4,919,738
Not yet filed	<u>5,916,473</u>	<u>522,105</u>	<u>1,985,194</u>	<u>4,453,384</u>
	<u>\$ 12,961,222</u>	<u>\$ 1,511,891</u>	<u>\$ 5,099,991</u>	<u>\$ 9,373,122</u>

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

2) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2023

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Filed but not yet paid	\$ 7,082,196	\$ 9,240,479	\$ 989,786	\$ 1,230,106	\$ (2,398,603)
Not yet filed	<u>5,883,365</u>	<u>12,593,469</u>	<u>522,105</u>	<u>475,820</u>	<u>(6,663,819)</u>
	<u>\$ 12,965,561</u>	<u>\$ 21,833,948</u>	<u>\$ 1,511,891</u>	<u>\$ 1,705,926</u>	<u>\$ (9,062,422)</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Filed but not yet paid	\$ 3,134,409	\$ 3,988,712	\$ (854,303)
Not yet filed	<u>1,970,009</u>	<u>2,402,699</u>	<u>(432,690)</u>
	<u>\$ 5,104,418</u>	<u>\$ 6,391,411</u>	<u>\$ (1,286,993)</u>

For the year ended December 31, 2022

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	Loss Reserve (5)=(1)-(2)+ (3)-(4)
Filed but not yet paid	\$ 9,227,418	\$ 5,960,873	\$ 1,230,106	\$ 1,129,732	\$ 3,366,919
Not yet filed	<u>12,598,806</u>	<u>4,301,044</u>	<u>475,820</u>	<u>450,325</u>	<u>8,323,257</u>
	<u>\$ 21,826,224</u>	<u>\$ 10,261,917</u>	<u>\$ 1,705,926</u>	<u>\$ 1,580,057</u>	<u>\$ 11,690,176</u>

Items	Ceded Reinsurance Business		Net Changes in
	Provision (6)	Recovery (7)	Ceded Loss Reserve (8)=(6)-(7)
Filed but not yet paid	\$ 3,980,105	\$ 2,753,419	\$ 1,226,686
Not yet filed	<u>2,405,491</u>	<u>1,372,166</u>	<u>1,033,325</u>
	<u>\$ 6,385,596</u>	<u>\$ 4,125,585</u>	<u>\$ 2,260,011</u>

Refer to Note 30 for the disclosure of the impact of severe specific infectious pneumonia epidemic to the Group.

3) Details of claims filed but not yet paid and claims not yet filed of policyholders

Insurance Type	December 31, 2023		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,466,551	\$ 198,462	\$ 2,665,013
Marine insurance	698,377	291,614	989,991
Land and air insurance	2,421,866	1,780,579	4,202,445
Liability insurance	955,892	1,064,171	2,020,063
Guarantee insurance	48,610	33,596	82,206
Other property insurance	801,658	500,085	1,301,743
Accident insurance	202,684	595,445	798,129
Health insurance	5,745	188,333	194,078
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>433,152</u>	<u>1,786,293</u>	<u>2,219,445</u>
	<u>\$ 8,034,535</u>	<u>\$ 6,438,578</u>	<u>\$ 14,473,113</u>

Insurance Type	December 31, 2022		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 4,182,815	\$ 82,858	\$ 4,265,673
Marine insurance	671,037	208,516	879,553
Land and air insurance	2,372,432	1,327,669	3,700,101
Liability insurance	661,738	762,778	1,424,516
Guarantee insurance	48,770	34,605	83,375
Other property insurance	801,742	528,210	1,329,952
Accident insurance	256,038	528,089	784,127
Health insurance	957,852	7,837,730	8,795,582
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>484,303</u>	<u>1,791,709</u>	<u>2,276,012</u>
	<u>\$ 10,436,727</u>	<u>\$ 13,102,164</u>	<u>\$ 23,538,891</u>

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

Insurance Type	December 31, 2023		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,244,833	\$ 94,851	\$ 1,339,684
Marine insurance	507,651	184,052	691,703
Land and air insurance	102,822	51,287	154,109
Liability insurance	540,834	412,084	952,918
Guarantee insurance	20,428	22,597	43,025
Other property insurance	558,811	351,280	910,091
Accident insurance	14,129	55,508	69,637
Health insurance	316	6,020	6,336
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>124,973</u>	<u>807,515</u>	<u>932,488</u>
	<u>\$ 3,114,797</u>	<u>\$ 1,985,194</u>	<u>\$ 5,099,991</u>

Insurance Type	December 31, 2022		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,379,825	\$ 38,119	\$ 2,417,944
Marine insurance	482,299	133,887	616,186
Land and air insurance	108,566	37,903	146,469
Liability insurance	283,097	281,830	564,927
Guarantee insurance	13,774	19,391	33,165
Other property insurance	489,080	109,591	598,671
Accident insurance	23,411	41,044	64,455
Health insurance	42,960	940,321	983,281
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>149,161</u>	<u>816,297</u>	<u>965,458</u>
	<u>\$ 3,972,173</u>	<u>\$ 2,418,383</u>	<u>\$ 6,390,556</u>

5) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31			
	2023		2022	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 23,538,891	\$ 6,390,556	\$ 11,835,272	\$ 4,119,854
Provision	14,477,452	5,104,418	23,532,150	6,385,596
Recovery	(23,539,874)	(6,391,411)	(11,841,974)	(4,125,585)
Foreign exchange	<u>(3,356)</u>	<u>(3,572)</u>	<u>13,443</u>	<u>10,691</u>
Ending balance	<u>\$ 14,473,113</u>	<u>\$ 5,099,991</u>	<u>\$ 23,538,891</u>	<u>\$ 6,390,556</u>

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 926,605	\$ 851,422
Provision	166,050	155,320
Recovery	<u>(22,355)</u>	<u>(80,137)</u>
Ending balance	<u>\$ 1,070,300</u>	<u>\$ 926,605</u>

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

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

	<b>For the Year Ended December 31, 2023</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 393,265	\$ 308,499	\$ 701,764
Provision	-	-	-
Recovery	<u>(18,728)</u>	<u>-</u>	<u>(18,728)</u>
Ending balance	<u>\$ 374,537</u>	<u>\$ 308,499</u>	<u>\$ 683,036</u>
	<b>For the Year Ended December 31, 2022</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 393,265	\$ 1,345,017	\$ 1,738,282
Provision	-	-	-
Recovery	<u>-</u>	<u>(1,036,518)</u>	<u>(1,036,518)</u>
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly, Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions for Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied, the Group's pre-tax income/loss would decrease by \$18,728 thousand and \$1,036,518 thousand for the years ended December 31, 2023 and 2022, respectively. The special reserve under liabilities would decrease by \$374,538 thousand and \$393,265 thousand, and the special reserve under equity would increase by \$239,520 thousand and \$308,748 thousand. Earnings (loss) per share would decrease by \$0.07 and \$7.09 for the years ended December 31, 2023 and 2022, respectively, when the Group did not apply to the notices and regulations.

For the year ended December 31, 2022, the Group recovered \$1,036,518 thousand from the special reserve due to fluctuation of risk in accordance with the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises, since the actual retained claims resulted from disasters exceeded the expected claims net of the reversal of the special reserve for a catastrophic event.



d. Premium deficiency reserves

1) Details of premium deficiency reserve and ceded premium deficiency reserve

<b>December 31, 2023</b>				
<b>Insurance Type</b>	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ -	\$ -	
Marine insurance	12	-	-	12
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>

<b>December 31, 2022</b>				
<b>Insurance Type</b>	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ 28,236	\$ 11,735	
Marine insurance	3	192	-	195
Land and air insurance	-	94	-	94
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	1,200,000	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>1,228,239</u>	<u>12,021</u>	<u>-</u>	<u>1,240,260</u>
	<u>\$ 1,228,239</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

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

For the Year Ended December 31, 2023									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ -	\$ 28,236	\$ -	\$ 11,735	\$ (39,971)	\$ -	\$ -	\$ -	\$ (39,971)
Marine insurance	12	3	-	192	(183)	-	-	-	(183)
Land and air insurance	-	-	-	94	(94)	-	-	-	(94)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	1,200,000	-	-	(1,200,000)	-	-	-	(1,200,000)
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 12</u>	<u>\$ 1,228,239</u>	<u>\$ -</u>	<u>\$ 12,021</u>	<u>\$ (1,240,248)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,240,248)</u>

For the Year Ended December 31, 2022									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	\$ 28,236	\$ -	\$ 11,735	\$ -	\$ 39,971	\$ -	\$ -	\$ -	\$ 39,971
Marine insurance	3	-	192	-	195	-	-	-	195
Land and air insurance	-	-	94	-	94	-	-	-	94
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	1,200,000	-	-	-	1,200,000	-	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ -</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

3) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

	For the Year Ended December 31			
	2023		2022	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 1,240,260	\$ -	\$ -	\$ -
Provision	12	-	1,240,260	-
Recovery	(1,240,260)	-	-	-
Ending balance	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>	<u>\$ -</u>

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

December 31, 2023

Insurance Type	Policy Reserve		Ceded Reserve	Retained Business
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	(4)=(1)+(2)-(3)
Health insurance	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88</u>

December 31, 2022

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

2) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2023

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ -	\$ 82	\$ -	\$ -	\$ (82)

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

For the year ended December 31, 2022

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ 154	\$ 79	\$ -	\$ -	\$ 75

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

## 21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 3.14% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 874,657	\$ 909,769
Fair value of plan assets	<u>(447,085)</u>	<u>(479,794)</u>
Provision, net defined benefit liabilities	<u>\$ 427,572</u>	<u>\$ 429,975</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2022	<u>\$ 927,559</u>	<u>\$ (463,288)</u>	<u>\$ 464,271</u>
Service cost			
Current service cost	26,612	-	26,612
Net interest expense (income)	<u>6,545</u>	<u>(3,313)</u>	<u>3,232</u>
Recognized in profit or loss	<u>33,157</u>	<u>(3,313)</u>	<u>29,844</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(30,550)	(30,550)
Actuarial (gain) loss			
Changes in financial assumptions	(65,340)	-	(65,340)
Experience adjustments	<u>61,651</u>	<u>-</u>	<u>61,651</u>
Recognized in other comprehensive income	<u>(3,689)</u>	<u>(30,550)</u>	<u>(34,239)</u>
Contributions from the employer	-	(29,901)	(29,901)
Benefits paid	<u>(47,258)</u>	<u>47,258</u>	<u>-</u>
Balance at December 31, 2022	<u>909,769</u>	<u>(479,794)</u>	<u>429,975</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Service cost			
Current service cost	\$ 23,594	\$ -	\$ 23,594
Net interest expense (income)	<u>12,108</u>	<u>(6,505)</u>	<u>5,603</u>
Recognized in profit or loss	<u>35,702</u>	<u>(6,505)</u>	<u>29,197</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,035)	(1,035)
Actuarial (gain) loss			
Changes in financial assumptions	12,280	-	12,280
Experience adjustments	<u>(13,525)</u>	<u>-</u>	<u>(13,525)</u>
Recognized in other comprehensive income	<u>(1,245)</u>	<u>(1,035)</u>	<u>(2,280)</u>
Contributions from the employer	-	(29,320)	(29,320)
Benefits paid	<u>(69,569)</u>	<u>69,569</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 874,657</u>	<u>\$ (447,085)</u>	<u>\$ 427,572</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate(s)	1.22%	1.35%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Discount rate(s)		
Increase (for the year ended December 31, 2023:0.25%; for the year ended December 31, 2022: 0.25%)	<u>\$ (23,616)</u>	<u>\$ (25,474)</u>
Decrease (for the year ended December 31, 2023:0.25%; for the year ended December 31, 2022: 0.25%)	<u>\$ 23,616</u>	<u>\$ 26,383</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 47,232</u>	<u>\$ 52,767</u>
0.5% decrease	<u>\$ (44,608)</u>	<u>\$ (49,128)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Expected contributions to the plans for the next year	<u>\$ 38,290</u>	<u>\$ 29,984</u>
Average duration of the defined benefit obligation	10.6 years	11.3 years

## 22. EQUITY

### a. Share capital

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Shares authorized (in thousands of shares)	<u>200,000</u>	<u>705,705</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 7,057,052</u>
Shares issued and fully paid (in thousands of shares)	<u>200,000</u>	<u>705,705</u>
Shares issued	<u>\$ 2,000,000</u>	<u>\$ 7,057,052</u>

On April 27, 2023, the Company's board of directors, which acted on behalf of the shareholders, resolved to offset deficits by using the legal reserve of \$3,995,920 thousand and capital surplus of \$8,696,184 thousand as well as by decreasing its capital by \$5,057,052 thousand, which eliminated 505,705 thousand shares at a par value of \$10; the capital reduction percentage was 71.66%. After completing the capital reduction, the Company's paid-in capital was \$2,000,000 thousand. The capital decrease was approved by the Insurance Bureau of the FSC on May 10, 2023, with the record date of June 19, 2023, and the change of registration was completed on July 24, 2023.

On June 7 and October 20, 2022, the board of directors resolved to issue 200,000 thousand ordinary shares on each date, at a par value of \$10 per share through a private placement at a premium of \$50 per share, resulting in a paid-in capital of \$5,057,052 thousand and \$7,057,052 thousand, respectively. The capital increase in cash was approved by the Insurance Bureau of the FSC on June 10, 2022 and December 13, 2022, respectively, with the record date of June 24, 2022, and December 28, 2022, and the change of registration was completed on July 5, 2022 and February 3, 2023, respectively.

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 7,806,316	\$ 16,502,500
<u>May only be used to offset a deficit</u>		
Recognition of employee share options by the parent company (2)	<u>54,817</u>	<u>54,771</u>
	<u>\$ 7,861,133</u>	<u>\$ 16,557,271</u>

- 1) The capital surplus from shares issued in excess of par (share premium from the issuance of ordinary shares) 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. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met and the related information is delivered and approved by the authority.
- 2) The Group's parent company, Cathay Financial Holdings Co., Ltd., resolved to issue ordinary shares on October 20, 2022, and retained 10% of the shares issued for the employee of Cathay Financial Holdings Co., Ltd. and its subsidiaries in accordance with the Company Act. The Company has recognized \$46 thousand and \$38,945 thousand as salary expense and capital surplus in 2023 and 2022, respectively, at the fair value on grant day.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, 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 a legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 the proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both its operating needs and the shareholders' interests. Thus, dividends are distributed after the Company reserves the cash requirement for future capital expenditures. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors, refer to Note 23.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The Company chose to maintain the appropriation of legal reserve in order to enrich the Company's own capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, the Company can distribute its capital surplus pursuant to Article 241 of the Company Act only if the Company's legal reserve exceeds its paid-in capital, other conditions requested under the Rule are met and the related information is delivered and approved by the authority.

Under Rule No. 11004920441, Rule No. 10904939031 and Rule No. 10804932431 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards”, the Company should appropriate or reverse to a special reserve.

The offsetting of deficits for 2022, which were resolved by the board of directors, which acted on behalf of the shareholders, on April 27, 2023, was as follows:

	<b>For the Year Ended December 31, 2022</b>
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	\$ (1,277,640)
Special reserve (FinTech development)	(472)
Special reserve (according to Rule No. 10904939031)	7,104

The appropriations of earnings for 2021, which were resolved by the board of directors, which acted on behalf of the shareholders, on May 4, 2022, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 428,319
Special reserve	(124,738)
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	634,321
Special reserve (FinTech development)	(376)
Special reserve (according to Rule No. 10904939031)	1,333
Cash dividends	601,368
Cash dividends per shares	1.97

The appropriation of earnings for 2023, which was proposed by the Company’s board of directors on March 4, 2024, was as follows:

	<b>For the Year Ended December 31, 2023</b>
Legal reserve	\$ 249,102
Special reserve (according to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises)	694,129
Special reserve (FinTech development)	(631)
Special reserve (according to Rule No. 10904939031)	13,057
Cash dividends	289,854
Cash dividends per shares	1.45

The appropriation of earnings for 2023 will be resolved by the board of directors, which will act on behalf of the shareholders, in their meeting to be held in 2024.



d. Special reserve

<b>For the Year Ended December 31, 2023</b>					
<b>Special Reserve</b>					
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 527,695	\$ 3,403,810	\$ -	\$ 36,663	\$ 3,968,168
Provision	258,876	499,745	-	13,057	771,678
Recovered/reversal	-	(64,492)	-	(472)	(64,964)
Ending balance	<u>\$ 786,571</u>	<u>\$ 3,839,063</u>	<u>\$ -</u>	<u>\$ 49,248</u>	<u>\$ 4,674,882</u>

<b>For the Year Ended December 31, 2022</b>					
<b>Special Reserve</b>					
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Others</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 2,109,008	\$ 3,100,137	\$ -	\$ 154,673	\$ 5,363,818
Provision	256,655	471,790	-	7,104	735,549
Recovered/reversal	(1,837,968)	(168,117)	-	(125,114)	(2,131,199)
Ending balance	<u>\$ 527,695</u>	<u>\$ 3,403,810</u>	<u>\$ -</u>	<u>\$ 36,663</u>	<u>\$ 3,968,168</u>

For the year ended December 31, 2022, the Group's retained claims of epidemic prevention-related products related to the severe specific infectious pneumonia epidemic, was qualified as a catastrophic event under the insurance reserve rules. Thus, the Group recovered \$1,837,968 thousand from the special reserve for catastrophic events under equity according to the law.

According to the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the increased reserved amounts of special reserve for catastrophic event and the special reserve for fluctuation of risk should be recognized at the end of each year. This portion of retained earnings cannot be used for any purpose.

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	<u>\$ (263,645)</u>	<u>\$ (351,498)</u>
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(18,858)	47,271
Share from associates accounted for using the equity method	<u>(46,727)</u>	<u>40,582</u>
Other comprehensive income recognized for the year	<u>(65,585)</u>	<u>87,853</u>
Ending balance	<u>\$ (329,230)</u>	<u>\$ (263,645)</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (67,975)	\$ 58,131
Recognized for the year		
Unrealized gain (loss) - debt instruments	193	(35,939)
Adjustments of loss allowance in debt instruments	8	15
Shares from associates accounted for using the equity method	<u>(11,405)</u>	<u>(90,182)</u>
Other comprehensive loss recognized for the year	<u>(11,204)</u>	<u>(126,106)</u>
Ending balance	<u>\$ (79,179)</u>	<u>\$ (67,975)</u>

3) Remeasurement of defined benefit plans

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (156,319)	\$ (183,711)
Remeasurement of defined benefit plans	2,280	34,239
Tax effects	<u>(456)</u>	<u>(6,847)</u>
Other comprehensive income recognized for the year	<u>1,824</u>	<u>27,392</u>
Ending balance	<u>\$ (154,495)</u>	<u>\$ (156,319)</u>

4) Other comprehensive income reclassified under the overlay approach

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (541,118)	\$ 911,654
Recognized for the year	1,350,675	(1,938,063)
Reclassification adjustments		
Disposal of financial instruments	(308,676)	475,451
Tax effects	<u>(29,938)</u>	<u>9,840</u>
Other comprehensive income (loss) recognized for the year	<u>1,012,061</u>	<u>(1,452,772)</u>
Ending balance	<u>\$ 470,943</u>	<u>\$ (541,118)</u>

**23. PROFIT (LOSS) BEFORE INCOME TAX**

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 88,125	\$ 46,172
Financial instruments at FVTPL	118,186	177,584
Financial assets at amortized cost	409,124	374,236
Others	<u>58,147</u>	<u>38,248</u>
	<u>\$ 673,582</u>	<u>\$ 636,240</u>

b. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits expense		
Salaries and wages	\$ 3,074,826	\$ 2,619,964
Labor and health insurance	289,006	279,139
Post-employment benefits		
Defined contribution plans	102,975	95,593
Defined benefit plans (Note 21)	29,197	29,844
Remuneration of directors	19,893	12,859
Other employee benefits	<u>60,353</u>	<u>49,005</u>
	<u>\$ 3,576,250</u>	<u>\$ 3,086,404</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 388,540	\$ 332,749
Operating expenses	<u>3,187,710</u>	<u>2,753,655</u>
	<u>\$ 3,576,250</u>	<u>\$ 3,086,404</u>

For the years ended December 31, 2023 and 2022, the Group's average number of employees were 2,461 and 2,401, respectively. There were 2,528 and 2,422 employees, which include 7 and 8 directors not serving concurrently as employees, in the Group as of December 31, 2023 and 2022, respectively.

c. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The Company did not accrue employees' compensation and remuneration of directors because of the losses for the years ended December 31, 2022. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2023, which were approved by the Company's board of directors on March 4, 2024, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	0.10%	-
Remuneration of directors and supervisors	0.26%	-

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	\$ 1,523	\$ -
Remuneration of directors and supervisors	3,900	-

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

The Company did not accrue the compensation of employees and remuneration of directors and supervisors because of the loss incurred for the year ended December 31, 2022. There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Right-of-use assets	\$ 153,785	\$ 156,518
Property and equipment	120,042	74,212
Intangible assets	<u>73,678</u>	<u>64,828</u>
	<u>\$ 347,505</u>	<u>\$ 295,558</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 273,827</u>	<u>\$ 230,730</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 73,678</u>	<u>\$ 64,828</u>

## 24. INCOME TAX

a. Major components of income tax expense (benefit) recognized are as follows

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 234,185	\$ (605,591)
Adjustments for prior year	<u>(13,346)</u>	<u>3,430</u>
	<u>220,839</u>	<u>(602,161)</u>
Deferred tax		
In respect of the current year	57,612	(4,306,309)
Adjustments for prior year	<u>2,423</u>	<u>4,581</u>
	<u>60,035</u>	<u>(4,301,728)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 280,874</u>	<u>\$ (4,903,889)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit (loss) before tax	<u>\$ 1,526,385</u>	<u>\$ (24,525,420)</u>
Income tax expense (benefit) calculated at the statutory rate of the Group's parent company	\$ 305,277	\$ (4,905,084)
Nondeductible expenses in determining taxable income	361	60
Deferred tax effect of earnings of subsidiaries	25	33
Tax-exempt income	(89,657)	15,895
Effect of different tax rates of group entities operating in other jurisdictions	6,794	5,676
Adjustments for prior years' tax	(10,923)	8,011
Others	<u>68,997</u>	<u>(28,480)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 280,874</u>	<u>\$ (4,903,889)</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
In respect of the current year		
Other comprehensive losses (income) reclassified under overlay approach	\$ 29,938	\$ (9,840)
Remeasurement of defined benefit plans	<u>456</u>	<u>6,847</u>
Total income tax recognized in other comprehensive income (losses)	<u>\$ 30,394</u>	<u>\$ (2,993)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	\$ 11,029	\$ -	\$ (11,029)	\$ -	\$ -
FVTPL financial assets	44,888	(26,527)	-	-	18,361
Defined benefit obligations	88,631	25)	(456)	-	88,150
Allowance for loss	11,122	25,279	-	-	36,401
Others	90	83	-	-	173
Loss carryforwards	<u>4,425,244</u>	<u>(55,407)</u>	<u>-</u>	<u>-</u>	<u>4,369,837</u>
	<u>\$ 4,581,004</u>	<u>\$ (56,597)</u>	<u>\$ (11,485)</u>	<u>\$ -</u>	<u>\$ 4,512,922</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	\$ -	\$ -	\$ 18,909	\$ -	\$ 18,909
Unrealized foreign exchange gains and losses	36,322	3,438	-	19	39,779
Associates	270,948	-	-	-	270,948
	<u>\$ 307,270</u>	<u>\$ 3,438</u>	<u>\$ 18,909</u>	<u>\$ 19</u>	<u>\$ 329,636</u>
					(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	\$ 1,189	\$ -	\$ 9,840	\$ -	\$ 11,029
FVTPL financial assets	8,345	36,543	-	-	44,888
Defined benefit obligations	95,490	(12)	(6,847)	-	88,631
Allowance for impairment loss	13,419	(2,297)	-	-	11,122
Unrealized foreign exchange gains and losses	120,659	(120,659)	-	-	-
Others	960	(870)	-	-	90
Loss carryforwards	-	4,425,244	-	-	4,425,244
	<u>\$ 240,062</u>	<u>\$ 4,337,949</u>	<u>\$ 2,993</u>	<u>\$ -</u>	<u>\$ 4,581,004</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized foreign exchange gains and losses	\$ 93	\$ 36,221	\$ -	\$ 8	\$ 36,322
Associates	270,948	-	-	-	270,948
	<u>\$ 271,041</u>	<u>\$ 36,221</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 307,270</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investment accounted for using the equity method	<u>\$ 791,977</u>	<u>\$ 738,788</u>

- e. Unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
<u>\$ 21,849,185</u>	2032

f. Income tax assessments

Income tax returns through 2017 of the Company have been assessed by the tax authorities.

## 25. EARNINGS (LOSS) PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the capital reduction to offset accumulated losses, with the record date of June 19, 2023. The basic earnings per share adjusted retroactively for the year ended December 31, 2022 were as follows:

	<b>Unit: NT\$ Per Share</b>	
	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	\$ <u>(47.56)</u>	\$ <u>(167.82)</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Profit (loss) for the year attributable to owners of the Company	\$ <u>1,245,511</u>	\$ <u>(19,621,531)</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	<u>200,000</u>	<u>116,920</u>

## 26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2023

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ <u>9,465,788</u>	\$ <u>-</u>	\$ <u>9,237,128</u>	\$ <u>-</u>	\$ <u>9,237,128</u>
<u>Other assets</u>					
Domestic government bonds (deposits in the Central Bank)	\$ <u>299,602</u>	\$ <u>-</u>	\$ <u>293,498</u>	\$ <u>-</u>	\$ <u>293,498</u>

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 8,853,285	\$ -	\$ 8,347,471	\$ -	\$ 8,347,471
Other assets					
Domestic government bonds (deposits in the Central Bank)	\$ 1,099,466	\$ -	\$ 1,085,923	\$ -	\$ 1,085,923

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 59,225	\$ -	\$ 59,225
Listed shares	6,313,540	-	-	6,313,540
Beneficiary certificates	4,167,315	-	-	4,167,315
Domestic financial bonds	-	258,268	-	258,268
	<u>\$ 10,480,855</u>	<u>\$ 317,493</u>	<u>\$ -</u>	<u>\$ 10,798,348</u>
Financial assets at FVTOCI				
Domestic government bonds	\$ -	\$ 678,881	\$ -	\$ 678,881
Financial liabilities at FVTPL				
Derivatives instruments	\$ -	\$ 63,746	\$ -	\$ 63,746

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 41,646	\$ -	\$ 41,646
Listed shares	4,482,184	-	-	4,401,146
Beneficiary certificates	2,769,775	-	-	2,769,775
Domestic financial bonds	-	263,192	-	263,192
	<u>\$ 7,251,959</u>	<u>\$ 304,838</u>	<u>\$ -</u>	<u>\$ 7,556,797</u>
Financial assets at FVTOCI				
Domestic government bonds	\$ -	\$ 685,847	\$ -	\$ 685,847
Financial liabilities at FVTPL				
Derivatives instruments	\$ -	\$ 178,805	\$ -	\$ 178,805

There were no transfers between Levels 1 and 2 in the current and prior years.



2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - currency swaps contract	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Domestic financial bonds	Quotation by Taipei Exchange
Domestic government bonds	Reference to quotation by the investment system

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 10,798,348	\$ 7,556,797
Financial assets at amortized cost (1)	22,713,219	31,205,799
Financial assets at FVTOCI		
Debt instruments	678,881	685,847
<u>Financial liabilities</u>		
FVTPL		
Held for trading	63,746	178,805
Amortized cost (2)	4,102,639	3,308,293

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables, loan and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, derivatives, receivables, and payables. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

Market risk is the risk that changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, may decrease the Group's income or value of investment portfolio.

The Group continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. The Group calculates VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

In addition to the VaR model, the Group periodically use stress testing to assess the potential risk of extreme and abnormal events.

The Group conducts stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

Simple sensitivity test measures the changes in value of the investment portfolio caused by specific risk factors.

ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the follows scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

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

The risk management department performs stress testing with historical and hypothetical scenarios regularly. The Group's risk analysis, early warning, and business management are in accordance with the stress testing report.

<b>Table of Stress Testing</b>			
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity price risk (index)	-10%	\$ (1,034,864)	\$ (682,146)
Interest rate risk (yield curve)	+20bps	(160,607)	(152,371)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(133,847)	(137,826)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

i) Foreign currency risk

The Group has foreign currency-denominated assets and liability, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

ii) Price risk

The Group was exposed to equity price risk through its investments in listed shares and beneficiary certificates.

iii) Sensitivity analysis

<b>For the Year Ended December 31, 2023</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 28,917	\$ 6,622
	CNY appreciates 1%	696	-
	HKD appreciates 1%	4	230
	EUR appreciates 1%	8	-
	VND appreciates 1%	-	7,008
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,778)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(22)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,358)	(810)
Equity securities price sensitivity	Increases 1% in equity price	-	103,486
<b>For the Year Ended December 31, 2022</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 30,462	\$ 4,978
	CNY appreciates 1%	667	-
	HKD appreciates 1%	912	545
	EUR appreciates 1%	492	117
	VND appreciates 1%	-	7,008
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,511)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(28)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,128)	(897)
Equity securities price sensitivity	Increases 1% in equity price	-	68,215

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Impacts of changes in profit or loss are not included in those of changes in equity.

Note 4: Information of subsidiaries is not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

## 2) Credit risk

a) The Group's credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

- i. Issuer credit risk is the risk that the Group may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations in accordance with agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that the Group 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 Group may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to a financial instruments.

b) Credit concentration risk analysis

- The amounts of credit risk exposure of the Group's financial assets are as follows:

### December 31, 2023

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,068,096	\$ -	\$ -	\$ -	\$ 280,964	\$ 9,349,060
Financial assets at FVTPL	317,493	-	-	-	-	317,493
Financial assets at FVTOCI	678,881	-	-	-	-	678,881
Financial assets at amortized cost	2,927,058	182,575	950,813	4,008,391	1,696,553	9,765,390
Total	\$ 12,991,528	\$ 182,575	\$ 950,813	\$ 4,008,391	\$ 1,977,517	\$ 20,110,824
Proportion	64.60%	0.91%	4.73%	19.93%	9.83%	100.00%

### December 31, 2022

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 17,436,617	\$ -	\$ -	\$ -	\$ 288,862	\$ 17,725,479
Financial assets at FVTPL	304,838	-	-	-	-	304,838
Financial assets at FVTOCI	685,847	-	-	-	-	685,847
Financial assets at amortized cost	3,071,874	-	1,434,559	3,647,593	1,798,725	9,952,751
Total	\$ 21,499,176	\$ -	\$ 1,434,559	\$ 3,647,593	\$ 2,087,587	\$ 28,668,915
Proportion	74.99%	-	5.01%	12.72%	7.28%	100.00%

- c) Determinants for whether the credit risk has increased significantly since initial recognition
- i. The Group assesses at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.
  - ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of the Group is the same as a credit-impaired financial asset. If one or more of the criteria below is met, a default occurs and a financial asset is credit-impaired:

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.
- ii. Qualitative factor: Evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
  - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
  - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
  - iii) The collaterals of the borrowers are seized provisionally or enforced.
  - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
- iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

e) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, the Group measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Group multiplies exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Group also considers the effect of the time value of money when calculating the 12-month and lifetime expected credit losses.

The default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers, while the loss given default is the loss rate that resulted from the default of issuers, guarantee agencies and borrowers. The loss given default used by the Group in impairment assessment is based on information regularly issued by Moody's, while the probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. The exposure at default is measured at amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Group take forward-looking information into consideration while measuring expected credit losses of the financial assets.

f) Gross carrying amount of maximum credit risk exposure and category of credit quality

i. Financial assets of the Group

	December 31, 2023					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit- impaired Financial Assets	Loss Allowance	
<u>Investment grade</u>						
Debt instruments at FVOCI	\$ 678,881	\$ -	\$ -	\$ -	\$ -	\$ 678,881
Financial assets measured at amortized cost	9,779,572	-	-	-	(14,182)	9,765,390
	December 31, 2022					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit- impaired Financial Assets	Loss Allowance	
<u>Investment grade</u>						
Debt instruments at FVOCI	\$ 685,847	\$ -	\$ -	\$ -	\$ -	\$ 685,847
Financial assets measured at amortized cost	9,956,466	-	-	-	(3,715)	9,952,751

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

ii. Secured loans of the Group

	December 31, 2023					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3			Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit- impaired Financial Assets	Loss Allowance	
Secured loans	\$ 124,832	\$ -	\$ -	\$ -	\$ (1,755)	\$ 123,077

	December 31, 2022					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
			12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	
Secured loans	\$ 139,828	\$ -	\$ -	\$ -	\$ (1,884)	\$ 137,944

g) Reconciliation for loss allowance is summarized below:

i. Debt instrument at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2023	\$ 34	\$ -	\$ -	\$ -	\$ 34
Changes in models/risk parameters	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>
December 31, 2023	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>
January 1, 2022	\$ 19	\$ -	\$ -	\$ -	\$ 19
Changes in models/risk parameters	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
December 31, 2022	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2023	\$ 3,715	\$ -	\$ -	\$ -	\$ 3,715
Changes in models/risk parameters	<u>10,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,467</u>
December 31, 2023	<u>\$ 14,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,182</u>
January 1, 2022	\$ 2,280	\$ -	\$ -	\$ -	\$ 2,280
Changes in models/risk parameters	<u>1,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,435</u>
December 31, 2022	<u>\$ 3,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,715</u>

iii. Secured loans

	Lifetime Expected Credit Losses					Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2023	\$ 70	\$ -	\$ -	\$ -	\$ 70	\$ 1,814	\$ 1,884
Changes in models/risk parameters	(57)	-	-	-	(57)	-	(57)
Difference from impairment charged in accordance with guidelines for handling assessment of assets	-	-	-	-	-	(72)	(72)
December 31, 2023	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 1,742</u>	<u>\$ 1,755</u>
January 1, 2022	\$ 43	\$ -	\$ -	\$ -	\$ 43	\$ 2,415	\$ 2,458
Changes in models/risk parameters	27	-	-	-	27	-	27
Difference from impairment charged in accordance with guidelines for handling assessment of assets	-	-	-	-	-	(601)	(601)
December 31, 2022	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 1,814</u>	<u>\$ 1,884</u>

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

h) Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Group's notes receivable and premiums 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:

December 31, 2023	Not Overdue	Overdue	Total
Carrying amount	\$ 2,071,170	\$ 844,584	\$ 2,915,754
Expected loss rate	1.01%	2.12%	
Lifetime expected credit losses	\$ 20,955	\$ 17,919	\$ 38,874
December 31, 2022	Not Overdue	Overdue	Total
Carrying amount	\$ 1,595,293	\$ 647,179	\$ 2,242,472
Expected loss rate	1.04%	8.05%	
Lifetime expected credit losses	\$ 16,578	\$ 52,077	\$ 68,655

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the risk that the Group is unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value when dealing with or offsetting positions held due to insufficient market depth or disorder.



b) Liquidity risk management

The Group established a completed capital liquidity management mechanism by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

According to the actual management need or special situations, the Group uses cash flow model and stress testing to assess cash flow risk. Moreover, the Group has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to 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 financial liabilities were based on the agreed repayment dates.

December 31, 2023

	<b>Less than 6 Month</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,966,976	\$ 82,479	\$ 43,294	\$ 3,863	\$ 6,027
Lease liabilities	73,965	70,591	98,709	14,901	18,405
<u>Derivative financial liabilities</u>					
Currency swaps contract	2,329,026	266,182	-	-	-

December 31, 2022

	<b>Less than 6 Month</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,239,952	\$ 45,023	\$ 8,319	\$ 9,002	\$ 5,997
Lease liabilities	77,773	30,880	5,306	1,552	-
<u>Derivative financial liabilities</u>					
Currency swaps contract	2,464,561	934,060	-	-	-

## 27. TRANSACTIONS WITH RELATED PARTIES

All transactions, account balances, incomes and expenses between the Company and its subsidiaries, which are related parties of the Company, are eliminated upon consolidation and are therefore not disclosed in this note. Except as disclosed in other notes, the transactions between the Consolidated Company and other related parties were as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Cathay Financial Holdings Co., Ltd.	The Company's parent
Cathay Insurance Co., Ltd. (China)	Associate
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Life Insurance Co., Ltd. (Vietnam)	Subsidiary of the fellow subsidiary
Indovina Bank Limited	Subsidiary of the fellow subsidiary
Cathay Futures Co., Ltd.	Subsidiary of the fellow subsidiary
Cathay Power Inc.	Subsidiary of the fellow subsidiary (Note)
Tien-Chi Power Co., Ltd.	Subsidiary of the fellow subsidiary (Note)
Neo Cathay Power Corp.	Subsidiary of the fellow subsidiary (Note)
Funds managed by Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd	Other related party
Hong-Sui Co., Ltd.	Other related party
TPIsoftware Co., Ltd.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Supernova Energy Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party before August 2023
Longquan Water Resources Co., Ltd.	Subsidiary of the fellow subsidiary before December 2022
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

Note: Other related parties before November 2022.

b. Operating transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Premium income	Fellow subsidiary and its subsidiary		
	Cathay Life Insurance Co., Ltd.	\$ 123,193	\$ 115,000
	Cathay United Bank Co., Ltd.	166,936	169,888
	Neo Cathay Power Corp.	8,948	-
	Tien-Chi Power Co., Ltd.	3,395	-
	Cathay Power Inc.	13,760	-
	Longquan Water Resources Co., Ltd.	-	4,442
	Other related parties		
	San Ching Engineering Co., Ltd.	7,361	12,860
	Ally Logistic Property Co., Ltd.	3,108	3,636
	Cathay Real Estate Development Co., Ltd.	5,544	8,465
	Cathay Medical Care Corp.	4,517	4,230
	Cathay Hospitality Management Co., Ltd.	4,563	4,993
	Cathay Hospitality Consulting Co., Ltd.	5,075	3,128
	Yua-Yung Marketing (Taiwan) Co., Ltd.	1,341	5,696
	Hong-Sui Co., Ltd.	10,356	10,086
	TPIsoftware Co., Ltd.	7,502	17,680
	Supernova Energy Co., Ltd.	5,033	-
	Neo Cathay Power Corp.	-	8,381
	Tien-Chi Power Co., Ltd.	-	4,839
Cathay Power Inc.	<u>-</u>	<u>9,886</u>	
		<u>\$ 370,632</u>	<u>\$ 383,210</u>
Operating costs			
Marketing cost	Fellow subsidiary and its subsidiary		
	Cathay Life Insurance Co., Ltd.	\$ 866,331	\$ 719,141
	Cathay United Bank Co., Ltd.	121,457	116,420
	Cathay Life Insurance Co., Ltd. (Vietnam)	9,172	8,705
Commission cost	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	<u>144,397</u>	<u>104,134</u>
		<u>\$ 1,141,357</u>	<u>\$ 948,400</u>

(Continued)

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Operating expenses			
Group insurance expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	\$ 27,634	\$ 29,481
Other equipment expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	4,664	5,121
Building management fee	Fellow subsidiary Cathay Life Insurance Co., Ltd.	10,003	9,377
Management fee	Fellow subsidiary Cathay Securities Investment Trust Co., Ltd.	11,212	4,566
Other expenses	Fellow subsidiary Cathay United Bank Co., Ltd.	5,293	2,483
	Other related parties Symphox Information Co., Ltd.	35,068	38,695
	Seaward Card Co., Ltd.	<u>2,862</u>	<u>4,295</u>
		<u>\$ 96,736</u>	<u>\$ 94,018</u>
			(Concluded)

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Premiums receivable	Fellow subsidiary and its subsidiary Cathay Life Insurance Co., Ltd.	\$ 8,011	\$ 1,384
	Cathay United Bank Co., Ltd.	64,278	67,637
	Cathay Power Inc.	3,777	4,516
	Neo Cathay Power Corp.	-	3,950
	Tien-Chi Power Co., Ltd.	-	4,601
	Other related parties San Ching Engineering Co., Ltd.	3,700	4
Other receivable	The Company's parent Cathay Financial Holdings Co., Ltd. (Note)	<u>-</u>	<u>612,702</u>
		<u>\$ 79,766</u>	<u>\$ 694,794</u>

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

d. Payable to related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Other payables	The Company's parent Cathay Financial Holdings Co., Ltd. (Note)	\$ 189,832	\$ -
	Fellow subsidiary Cathay Life Insurance Co., Ltd.	<u>80,749</u>	<u>131,089</u>
		<u>\$ 270,581</u>	<u>\$ 131,089</u>

Note: Including (1) Income tax payable under the integrated income tax system. (2) Payable for remuneration of directors and supervisors.

e. Cash in bank

Line Item	Related Party Category/Name	December 31	
		2023	2022
Checking accounts and demand deposits	Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	\$ 2,505,546	\$ 3,770,340
	Indovina Bank Limited	10,548	29,776
Time deposits	Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd.	20,059	20,030
	Indovina Bank Limited	<u>261,778</u>	<u>242,908</u>
		<u>\$ 2,797,931</u>	<u>\$ 4,063,054</u>

As of December 31, 2023 and 2022, time deposits pledged recognized in guarantee deposits were \$27,819 thousand and \$28,004 thousand, respectively.

f. Interest income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Fellow subsidiary and its subsidiary Cathay United Bank Co., Ltd. Indovina Bank Limited	\$ 20,586	\$ 7,074
	<u>17,394</u>	<u>14,001</u>
	<u>\$ 37,980</u>	<u>\$ 21,075</u>

g. Financial asset at FVTPL (beneficiary certificates)

Related Party Category/Name	December 31	
	2023	2022
Other related parties Funds managed by Cathay Securities Investment Trust Co., Ltd.	<u>\$ 741,869</u>	<u>\$ 360,558</u>

h Discretionary account management balance

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fellow subsidiary Cathay Securities Investment Trust Co., Ltd.	<u>\$ 1,697,518</u>	<u>\$ 1,307,709</u>

i. Guarantee deposits

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fellow subsidiary and its subsidiary Cathay Life Insurance Co., Ltd.	\$ 35,818	\$ 33,772
Cathay United Bank Co., Ltd.	22,062	22,023
Cathay Futures Co., Ltd.	58,378	58,121
Indovina Bank Limited	<u>7,760</u>	<u>7,974</u>
	<u>\$ 124,018</u>	<u>\$ 121,890</u>

j. Secured loans

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2023</b>			
	<b>Maximum Amount</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
Other related parties	<u>\$ 21,388</u>	<u>\$ 20,927</u>	2.07-2.10%	<u>\$ 269</u>

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31, 2022</b>			
	<b>Maximum Amount</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
Other related parties	<u>\$ 24,171</u>	<u>\$ 12,732</u>	1.82-2.21%	<u>\$ 239</u>

k. Lease arrangements

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Acquisitions of right-of-use assets</u>		
Fellow subsidiary Cathay Life Insurance Co., Ltd.	\$ 267,012	\$ 300
Cathay United Bank Co., Ltd.	<u>2,377</u>	<u>15,877</u>
	<u>\$ 269,389</u>	<u>\$ 16,177</u>

Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	\$ 226,960	\$ 81,520
	Cathay United Bank Co., Ltd.	<u>3,945</u>	<u>9,602</u>
		<u>\$ 230,905</u>	<u>\$ 91,122</u>

Related Party Category/Name	For the Year Ended December 31	
	2023	2022

Lease expense

Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	<u>\$ 11,507</u>	<u>\$ 5,019</u>

1. Currency swaps contract

As of December 31, 2023 and 2022, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	December 31	
	2023	2022
Fellow subsidiary		
Cathay United Bank Co., Ltd.	US\$ 88,400	US\$ 90,900
	EUR -	EUR 1,750

m. Shares transactions

Related Party Category/Name	Items	For the Year Ended December 31	
		2023	2022
The Company's parent			
Cathay Financial Holdings Co., Ltd.	Ordinary shares	<u>\$ -</u>	<u>\$ 20,000,000</u>

n. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 78,784	\$ 58,808
Post-employment benefits	<u>7,626</u>	<u>8,065</u>
	<u>\$ 86,410</u>	<u>\$ 66,873</u>

The remuneration of directors and key executives was based on the performance of individuals and market trends.

**28. 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.

**29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

a. The Company

Item of Assets	December 31	
	2023	2022
Guarantee deposits - government bonds	\$ 299,602	\$ 1,099,466
Guarantee deposits - time deposits	<u>20,059</u>	<u>20,030</u>
	<u>\$ 319,661</u>	<u>\$ 1,119,496</u>

The pledged assets are stated at book value. As of December 31, 2023 and 2022, the Company provided government bonds amounting to \$299,615 thousand and \$1,099,504 thousand to the Central Bank for insurance business in accordance with the Insurance Act, respectively. Loss allowance amounted to \$13 thousand and \$38 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

b. Cathay Insurance Co., Ltd. (Vietnam)

Item of Assets	December 31	
	2023	2022
Government deposits paid - time deposits	<u>\$ 7,760</u>	<u>\$ 7,974</u>

The pledged assets are stated at book value. As of December 31, 2023 and 2022, according to the Insurance Act of Vietnam, Cathay Insurance Co., Ltd. (Vietnam) provides guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance Co., Ltd. (Vietnam) are time deposits.

**30. OTHER ITEMS**

a. Capital management

1) Management objectives

In order to ensure a robust 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.



2) Management policies

To ensure there is adequate capital to assume all types of risks, the Company applies risk-based capital (RBC) ratio as the management indicator for capital adequacy. The Company calculates RBC ratio periodically and aperiodically to monitor the status of short- and mid-term capital adequacy and the calculation would serve as reference for business objectives, asset allocation and dividend policy.

3) Management procedures

a) Periodical calculation

The Company provides RBC report every half year by the authority and analyzes the possible changes of owned capital and risk-based capital when making the next-year financial forecast of business and investment development plan at the end of every year, which ensure the soundness of capital structure and implement capital adequacy management.

b) 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.

4) Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with the Regulations Governing Capital Adequacy of Insurance Companies, is above 200% and the net worth ratio is more than 3% for the previous two years, which complied with the regulations.

b. Total amount of assets and liabilities expected to recover or settle within/over 12 months

Items	December 31, 2023		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Cash and cash equivalents	\$ 9,382,963	\$ -	\$ 9,382,963
Receivables	3,173,036	-	3,173,036
Investments			
Financial assets at FVTPL	10,540,080	258,268	10,798,348
Financial assets at FVTOCI	-	678,881	678,881
Financial assets at amortized cost	1,121,383	8,344,405	9,465,788
Investments accounted for using the equity method	-	2,317,577	2,317,577
Loans	262	122,815	123,077
Total investments	<u>11,661,725</u>	<u>11,721,946</u>	<u>23,383,671</u>
Reinsurance assets	2,841,206	10,638,044	13,479,250
Property and equipment	-	466,157	466,157
Right-of-use assets	-	270,871	270,871
Intangible assets	-	121,840	121,840
Deferred tax assets	-	4,512,922	4,512,922
Other assets	<u>54,984</u>	<u>600,109</u>	<u>655,093</u>
Total assets	<u>\$ 27,113,914</u>	<u>\$ 28,331,889</u>	<u>\$ 55,445,803</u>

(Continued)

<b>December 31, 2023</b>			
<b>Items</b>	<b>Recovery/ Settlement within 12 Months</b>	<b>Recovery/ Settlement Over 12 Months</b>	<b>Total</b>
Payables	\$ 4,049,454	\$ 53,185	\$ 4,102,639
Financial liabilities at FVTPL	63,746	-	63,746
Insurance liabilities			
Unearned premium reserve	14,509,053	2,978,322	17,487,375
Loss reserve	125,208	14,347,905	14,473,113
Policy reserve	-	88	88
Special reserve	-	1,753,336	1,753,336
Premium deficiency reserve	-	12	12
Total insurance liabilities	<u>14,634,261</u>	<u>19,079,663</u>	<u>33,713,924</u>
Provisions	-	427,572	427,572
Lease liabilities	141,309	127,994	269,303
Deferred tax liabilities	-	329,636	329,636
Other liabilities	<u>1,528,360</u>	<u>28,244</u>	<u>1,556,604</u>
Total liabilities	<u>\$ 20,417,132</u>	<u>\$ 20,046,292</u>	<u>\$ 40,463,424</u>

(Concluded)

<b>December 31, 2022</b>			
<b>Items</b>	<b>Recovery/ Settlement within 12 Months</b>	<b>Recovery/ Settlement Over 12 Months</b>	<b>Total</b>
Cash and cash equivalents	\$ 17,758,712	\$ -	\$ 17,758,712
Receivables	3,153,166	-	3,153,166
Investments			
Financial assets at FVTPL	7,293,605	263,192	7,556,797
Financial assets at FVTOCI	-	685,847	685,847
Financial assets at amortized cost	573,786	8,279,499	8,853,285
Investments accounted for using the equity method	-	2,370,722	2,370,722
Loans	-	137,944	137,944
Total investments	<u>7,867,391</u>	<u>11,737,204</u>	<u>19,604,595</u>
Reinsurance assets	2,669,482	10,872,639	13,542,121
Property and equipment	-	346,411	346,411
Right-of-use assets	-	115,031	115,031
Intangible assets	-	138,427	138,427
Deferred tax assets	-	4,581,004	4,581,004
Other assets	<u>24,861</u>	<u>1,331,332</u>	<u>1,356,193</u>
Total assets	<u>\$ 31,473,612</u>	<u>\$ 29,122,048</u>	<u>\$ 60,595,660</u>

(Continued)

Items	December 31, 2022		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement Over 12 Months	Total
Payables	\$ 3,284,976	\$ 23,317	\$ 3,308,293
Financial liabilities at FVTPL	178,805	-	178,805
Insurance liabilities			
Unearned premium reserve	13,248,550	2,589,722	15,838,272
Loss reserve	9,201,923	14,336,968	23,538,891
Policy reserve	-	170	170
Special reserve	-	1,628,369	1,628,369
Premium deficiency reserve	<u>1,200,000</u>	<u>40,260</u>	<u>1,240,260</u>
Total insurance liabilities	<u>23,650,473</u>	<u>18,595,489</u>	<u>42,245,962</u>
Provisions	-	429,975	429,975
Lease liabilities	107,939	6,778	114,717
Deferred tax liabilities	-	307,270	307,270
Other liabilities	<u>1,186,899</u>	<u>24,013</u>	<u>1,210,912</u>
Total liabilities	<u>\$ 28,409,092</u>	<u>\$ 19,386,842</u>	<u>\$ 47,795,934</u>

(Concluded)

c. Impact of severe special infectious pneumonia epidemic

The written premium revenues of the insurance products the Group issued for the severe special infectious pneumonia epidemic amounted to \$0 thousand and \$567,332 thousand for the years ended December 31, 2023 and 2022, respectively, and the claims and payments were \$10,714,643 thousand and \$21,681,650 thousand, respectively.

As of December 31, 2023 and 2022, the loss reserves for those insurance products amounted to \$125,208 thousand and \$9,201,923 thousand, respectively, and the premium deficiency reserves amounted to \$0 thousand and \$1,200,000 thousand, respectively. Moreover, the claims and payments for those insurance products from January 1, 2024 to March 4, 2024 amounted to \$10,991 thousand.

The Group evaluated the economic impact resulting from the severe special infectious pneumonia epidemic. As of December 31, 2022, the Group performed stress tests to evaluate the losses resulting from issuing insurance products for the severe special infectious pneumonia epidemic caused by the stimulation of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Group decided to respond to this by enhancing its equities. As a result, the Group obtained approval from the FSC to increase its capital in cash by \$10,000,000 thousand and \$10,000,000 thousand on June 10 and December 13, 2022, respectively, with the record dates of June 24, 2022 and December 28, 2022, and completed the change of registration on July 5, 2022, and February 3, 2023, respectively.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 255,938	30.735 (USD:NTD)	\$ 7,873,673
EUR	6,197	34.011 (EUR:NTD)	210,785
CNY	19,020	4.334 (CNY:NTD)	82,416
Non-monetary items			
USD	42,030	30.735 (USD:NTD)	1,291,788
HKD	5,845	3.934 (HKD:NTD)	22,993
SGD	4,284	23.309 (SGD:NTD)	99,847
Investments accounted for using the equity method			
CNY	534,768	4.334 (CNY:NTD)	2,317,577
Derivative instruments (Note)			
USD	90,200	30.735 (USD:NTD)	59,225

Financial liabilities

Monetary items			
USD	6,174	30.735 (USD:NTD)	196,849
EUR	799	34.011 (EUR:NTD)	27,394
CNY	4,950	4.334 (CNY:NTD)	21,764
THB	10,149	0.897 (THB:NTD)	9,265
Non-monetary items			
Derivative instruments (Note)			
USD	83,400	30.735 (USD:NTD)	63,746

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 253,838	30.708 (USD:NTD)	\$ 7,794,512
EUR	9,168	32.709 (EUR:NTD)	299,210
CNY	22,058	4.419 (CNY:NTD)	97,413
Non-monetary items			
USD	28,928	30.708 (USD:NTD)	888,322
EUR	728	32.709 (EUR:NTD)	23,813
HKD	6,773	3.940 (HKD:NTD)	26,663
SGD	4,242	22.868 (SGD:NTD)	97,007

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Investments accounted for using the equity method			
CNY	\$ 536,666	4.419 (CNY:NTD)	\$ 2,370,722
Derivative instruments (Note)			
USD	53,500	30.708 (USD:NTD)	41,646
<b><u>Financial liabilities</u></b>			
Monetary items			
USD	4,963	30.708 (USD:NTD)	155,305
EUR	530	32.709 (EUR:NTD)	16,800
GBP	78	37.055 (GBP:NTD)	2,830
CNY	7,360	4.419 (CNY:NTD)	32,416
HKD	3,011	3.940 (HKD:NTD)	12,190
JPY	105,492	0.233 (JPY:NTD)	23,303
INR	33,101	0.371 (INR:NTD)	12,271
KRW	387,361	0.025 (KRW:NTD)	9,020
Non-monetary items			
Derivative instruments (Note)			
USD	116,100	30.708 (USD:NTD)	176,744
EUR	1,750	32.709 (EUR:NTD)	2,061
			(Concluded)

Note: The foreign currency amount of the derivatives is the nominal amount of the contract.

For the years ended December 31, 2023 and 2022 (realized and unrealized) net foreign exchange gains (losses) were \$9,915 thousand and \$658,878 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions.

### 32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 2) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- 3) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 3)
- 4) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (None)
- 5) Trading in derivative instruments (Note 7)
- 6) Intercompany relationships and significant intercompany transactions (Table 4)
- 7) Information on investees (Table 5)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
  - a) For transactions involving each other's main business, such as underwriting an insurance policy where the proposer is the investee, the amount and percentage of transactions and the balance and percentage of the related payables at the end of the period.
  - b) The amount of property transactions and the amount of the resultant gains or losses
  - c) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - d) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
  - e) The amount or balance of transactions mentioned in subitems a - d above that reaches 10% or more of the insurance enterprise's total amount or balance of such transactions shall be separately presented, while the rest may be added up and reported as an aggregate amount.
- c. Information of major shareholders: The insurance enterprise whose stock is listed on the TWSE or listed on the TPEX shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the insurance enterprise's equity. For this purpose, the insurance enterprise may request the centralized securities depository enterprise to provide relevant information: None.

### 33. SEGMENT INFORMATION

The Group operates property insurance in accordance with the Insurance Act. In accordance with IFRS 8, the Group only provides insurance contracts products, and it has no different channel, client type and supervision environment. The supervisor of the Group also allocates resources on an overall basis and therefore considers the Group as a single operating segment.

### 34. INSURANCE CONTRACT RESERVES

#### a. Retained earned premium

For the year ended December 31, 2023

Insurance Type	Written Premium (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Retained Earned Premium (6)=(4)-(5)
Fire insurance	\$ 4,868,970	\$ 220,892	\$ 3,796,487	\$ 1,293,375	\$ (326,455)	\$ 1,619,830
Marine insurance	1,172,509	20,896	909,095	284,310	(8,548)	292,858
Land and air insurance	14,261,514	20	924,861	13,336,673	649,972	12,686,701
Liability insurance	2,780,766	4,059	928,197	1,856,628	150,378	1,706,250
Guarantee insurance	137,410	3,711	118,583	22,538	(6,995)	29,533
Other property insurance	1,960,508	74,955	1,575,277	460,186	25,702	434,484
Accident insurance	4,173,511	8,354	269,094	3,912,771	161,737	3,751,034
Health insurance	291,115	(63)	(25)	291,077	(87,322)	378,399
Policy-oriented residential earthquake insurance	470,077	57,817	470,077	57,817	39	57,778
Compulsory automobile liability insurance	<u>2,996,114</u>	<u>770,333</u>	<u>1,259,534</u>	<u>2,506,913</u>	<u>16,055</u>	<u>2,490,858</u>
	<u>\$ 33,112,494</u>	<u>\$ 1,160,974</u>	<u>\$ 10,251,180</u>	<u>\$ 24,022,288</u>	<u>\$ 574,563</u>	<u>\$ 23,447,725</u>

For the year ended December 31, 2022

Insurance Type	Written Premium (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Retained Earned Premium (6)=(4)-(5)
Fire insurance	\$ 4,089,674	\$ 408,623	\$ 2,877,190	\$ 1,621,107	\$ (223,714)	\$ 1,844,821
Marine insurance	1,003,546	28,920	775,712	256,754	(12,395)	269,149
Land and air insurance	12,615,687	13,802	471,942	12,157,547	697,048	11,460,499
Liability insurance	2,304,146	1,592	735,045	1,570,693	94,916	1,475,777
Guarantee insurance	115,950	5,932	71,850	50,032	(4,000)	54,032
Other property insurance	1,499,231	78,507	1,107,631	470,107	(55,511)	525,618
Accident insurance	3,277,569	5,399	339,596	2,943,372	(53,136)	2,996,508
Health insurance	581,266	8,856	100,867	489,255	(79,134)	568,389
Policy-oriented residential earthquake insurance	468,290	59,219	468,289	59,220	277	58,943
Compulsory automobile liability insurance	<u>2,942,130</u>	<u>758,002</u>	<u>1,233,778</u>	<u>2,466,354</u>	<u>17,113</u>	<u>2,449,241</u>
	<u>\$ 28,897,489</u>	<u>\$ 1,368,852</u>	<u>\$ 8,181,900</u>	<u>\$ 22,084,441</u>	<u>\$ 381,464</u>	<u>\$ 21,702,977</u>

Refer to Note 30 for the disclosure of the impact of severe specific infectious pneumonia epidemic to the Group.

Information on compulsory insurance and non-compulsory insurance of earned retained premium:

For the year ended December 31, 2023

Insurance Type	Written Premium (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	\$ 2,996,114	\$ 770,333	\$ 1,259,534	\$ 2,506,913
Non-compulsory insurance	<u>30,116,380</u>	<u>390,641</u>	<u>8,991,646</u>	<u>21,515,375</u>
	<u>\$ 33,112,494</u>	<u>\$ 1,160,974</u>	<u>\$ 10,251,180</u>	<u>\$ 24,022,288</u>

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	\$ 1,267,647	\$ 1,250,469	\$ 474,151	\$ 464,968	\$ 26,361
Non-compulsory insurance	<u>15,640,982</u>	<u>13,951,310</u>	<u>115,875</u>	<u>206,174</u>	<u>1,599,373</u>
	<u>\$ 16,908,629</u>	<u>\$ 15,201,779</u>	<u>\$ 590,026</u>	<u>\$ 671,142</u>	<u>\$ 1,625,734</u>

Insurance Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	\$ 760,588	\$ 750,282	\$ 10,306	\$ 2,490,858
Non-compulsory insurance	<u>4,782,861</u>	<u>3,741,996</u>	<u>1,040,865</u>	<u>20,956,867</u>
	<u>\$ 5,543,449</u>	<u>\$ 4,492,278</u>	<u>\$ 1,051,171</u>	<u>\$ 23,447,725</u>

For the year ended December 31, 2022

Insurance Type	Written Premium (1)	Reinsurance Premium (2)	Reinsurance Expenses (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	\$ 2,942,130	\$ 758,002	\$ 1,233,778	\$ 2,466,354
Non-compulsory insurance	<u>25,955,359</u>	<u>610,850</u>	<u>6,948,122</u>	<u>19,618,087</u>
	<u>\$ 28,897,489</u>	<u>\$ 1,368,852</u>	<u>\$ 8,181,900</u>	<u>\$ 22,084,441</u>

Insurance Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	\$ 1,250,469	\$ 1,237,536	\$ 464,968	\$ 453,028	\$ 24,873
Non-compulsory insurance	<u>13,909,531</u>	<u>13,294,532</u>	<u>206,174</u>	<u>369,937</u>	<u>451,236</u>
	<u>\$ 15,160,000</u>	<u>\$ 14,532,068</u>	<u>\$ 671,142</u>	<u>\$ 822,965</u>	<u>\$ 476,109</u>

Insurance Type	Unearned Premium Reserves under Ceded Reinsurance Business		Net Changes in for Unearned Ceded Premium Reserve	Retained Premium
	Provision (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	\$ 750,282	\$ 742,522	\$ 7,760	\$ 2,449,241
Non-compulsory insurance	<u>3,728,222</u>	<u>3,641,337</u>	<u>86,885</u>	<u>19,253,736</u>
	<u>\$ 4,478,504</u>	<u>\$ 4,383,859</u>	<u>\$ 94,645</u>	<u>\$ 21,702,977</u>



b. Retained claims

<b>For the Year Ended December 31, 2023</b>				
<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Fire insurance	\$ 1,746,625	\$ 447,798	\$ 1,076,945	\$ 1,117,478
Marine insurance	403,543	34,672	248,379	189,836
Land and air insurance	7,489,434	18,782	274,088	7,234,128
Liability insurance	1,133,580	1,015	362,743	771,852
Guarantee insurance	52,881	6,918	45,525	14,274
Other property insurance	2,126,098	42,015	1,384,882	783,231
Accident insurance	1,434,557	5,745	131,178	1,309,124
Health insurance	10,329,606	247	97,349	10,232,504
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	<u>2,108,008</u>	<u>721,677</u>	<u>1,241,744</u>	<u>1,587,941</u>
	<u>\$ 26,824,332</u>	<u>\$ 1,278,869</u>	<u>\$ 4,862,833</u>	<u>\$ 23,240,368</u>
<b>For the Year Ended December 31, 2022</b>				
<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Fire insurance	\$ 1,308,054	\$ 416,312	\$ 635,006	\$ 1,089,360
Marine insurance	587,891	46,786	398,332	236,345
Land and air insurance	6,280,450	41,993	205,785	6,116,658
Liability insurance	971,171	1,151	360,576	611,746
Guarantee insurance	(2,982)	12,353	(2,394)	11,765
Other property insurance	2,044,136	63,913	189,537	1,918,512
Accident insurance	1,107,753	7,638	111,717	1,003,674
Health insurance	20,225,827	11,578	3,110,355	17,127,050
Policy-oriented residential earthquake insurance	-	311	-	311
Compulsory automobile liability insurance	<u>2,075,979</u>	<u>708,812</u>	<u>1,223,516</u>	<u>1,561,275</u>
	<u>\$ 34,598,279</u>	<u>\$ 1,310,847</u>	<u>\$ 6,232,430</u>	<u>\$ 29,676,696</u>

Retained claims of compulsory insurance and non-compulsory insurance:

<b>For the Year Ended December 31, 2023</b>				
<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 2,108,008	\$ 721,677	\$ 1,241,744	\$ 1,587,941
Non-compulsory insurance	<u>24,716,324</u>	<u>557,192</u>	<u>3,621,089</u>	<u>21,652,427</u>
	<u>\$ 26,824,332</u>	<u>\$ 1,278,869</u>	<u>\$ 4,862,833</u>	<u>\$ 23,240,368</u>

<b>For the Year Ended December 31, 2022</b>				
<b>Insurance Type</b>	<b>Loss Incurred (Claims Expense Included) (1)</b>	<b>Reinsurance Claims (2)</b>	<b>Claims Recovered from Reinsurances (3)</b>	<b>Retained Claims (4)=(1)+(2)-(3)</b>
Compulsory insurance	\$ 2,075,979	\$ 708,812	\$ 1,223,516	\$ 1,561,275
Non-compulsory insurance	<u>32,522,300</u>	<u>602,035</u>	<u>5,008,914</u>	<u>28,115,421</u>
	<u>\$ 34,598,279</u>	<u>\$ 1,310,847</u>	<u>\$ 6,232,430</u>	<u>\$ 29,676,696</u>

c. Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

<b>Insurance Type</b>	<b>Claims Filed and Paid</b>	
	<b>December 31 2023</b>	<b>2022</b>
Fire insurance	\$ 382,340	\$ 63,991
Marine insurance	87,706	13,770
Land and air insurance	75,949	43,477
Liability insurance	89,521	162,195
Guarantee insurance	601	268
Other property insurance	28,374	20,619
Accident insurance	15,419	24,291
Health insurance	67	146,651
Policy-oriented residential earthquake insurance	-	-
Compulsory automobile liability insurance	<u>163,910</u>	<u>202,982</u>
	843,887	678,244
Less: Loss allowance	<u>(8,439)</u>	<u>(6,782)</u>
Net amount	<u>\$ 835,448</u>	<u>\$ 671,462</u>

d. Receivables and payables of insurance contracts

Receivables

Insurance Type	Premiums Receivable	
	December 31	
	2023	2022
Fire insurance	\$ 1,008,491	\$ 759,964
Marine insurance	340,128	333,658
Land and air insurance	157,690	151,422
Liability insurance	581,224	387,820
Guarantee insurance	56,504	36,401
Other property insurance	412,614	203,528
Accident insurance	124,222	137,203
Health insurance	2,814	2,554
Policy-oriented residential earthquake insurance	34,831	34,303
Compulsory automobile liability insurance	<u>15,904</u>	<u>16,865</u>
	2,734,422	2,063,718
Less: Loss allowance	<u>(36,950)</u>	<u>(66,707)</u>
Net amount	<u>\$ 2,697,472</u>	<u>\$ 1,997,011</u>

Aging analysis of premiums receivable:

	December 31	
	2023	2022
Up to 90 days	\$ 1,889,950	\$ 1,416,701
Over 90 days	<u>844,472</u>	<u>647,017</u>
	<u>\$ 2,734,422</u>	<u>\$ 2,063,718</u>

The overdue amounts as of December 31, 2023 and 2022 in the above premiums receivable were \$844,472 thousand and \$647,017 thousand, respectively, and loss allowance of \$17,807 thousand and \$51,915 thousand were provided, respectively.

Payables

Insurance Type	December 31, 2023		
	Commission Payable	Others	Total
Fire insurance	\$ 25,158	\$ 15,750	\$ 40,908
Marine insurance	16,184	14,163	30,347
Land and air insurance	266,124	131,847	397,971
Liability insurance	39,418	41,115	80,533
Guarantee insurance	5,312	780	6,092
Other property insurance	15,938	13,938	29,876
Accident insurance	10,117	40,920	51,037
Health insurance	562	2,256	2,818
Policy-oriented residential earthquake insurance	309	3,602	3,911
Compulsory automobile liability insurance	<u>18,930</u>	<u>-</u>	<u>18,930</u>
	<u>\$ 398,052</u>	<u>\$ 264,371</u>	<u>\$ 662,423</u>

Insurance Type	December 31, 2022		
	Commission Payable	Others	Total
Fire insurance	\$ 35,093	\$ 17,968	\$ 53,061
Marine insurance	16,012	13,468	29,480
Land and air insurance	211,671	171,261	382,932
Liability insurance	36,985	38,931	75,916
Guarantee insurance	3,869	974	4,843
Other property insurance	9,852	8,823	18,675
Accident insurance	10,709	44,745	55,454
Health insurance	1,154	1,386	2,540
Policy-oriented residential earthquake insurance	296	3,795	4,091
Compulsory automobile liability insurance	<u>20,447</u>	<u>-</u>	<u>20,447</u>
	<u>\$ 346,088</u>	<u>\$ 301,351</u>	<u>\$ 647,439</u>

Due from (to) reinsurers and ceding companies - reinsurance

	December 31, 2023	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
AON	\$ 246,402	\$ 31,611
Central Re	6,824	158,859
Hannover Re in Shanghai	220,822	52,283
Marsh	1,027,541	251,987
Non-Life Insurance Association of the R.O.C.	132,972	447,550
Others (individually below 5%)	<u>560,619</u>	<u>1,569,530</u>
	2,195,180	2,511,820
Less: Loss allowance	<u>(189,422)</u>	<u>-</u>
Net amount	<u>\$ 2,005,758</u>	<u>\$ 2,511,820</u>

	December 31, 2022	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Central Re	44,525	248,652
Hannover Re in Shanghai	200,869	62,337
Marsh	1,105,438	206,638
Non-Life Insurance Association of the R.O.C.	133,226	348,927
Others (individually below 5%)	<u>538,477</u>	<u>1,217,615</u>
	2,022,535	2,084,169
Less: Loss allowance	<u>(24,515)</u>	<u>-</u>
Net amount	<u>\$ 1,998,020</u>	<u>\$ 2,084,169</u>

The overdue amounts as of December 31, 2023 and 2022 in the above amounts due from (to) reinsurers and ceding companies were \$1,185,311 thousand and \$13,887 thousand, respectively, and loss allowances of \$174,157 thousand and \$4,163 thousand were provided, respectively.

Due from and due to the reinsurers and ceding companies cannot be offset, except for those meeting requirements in Article 42 of IAS 32.

e. Reserve required for specific assets

The accounting of the compulsory automobile liability insurance (“CAL Insurance”) held by the Company is based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, for the special reserve set aside for CAL Insurance, the insurer should purchase treasury bills or deposit the reserve with a financial institution as a time deposit. Provided that with the approval of the competent authority, the insurer may purchase the following domestic securities:

- 1) Government bonds, not including exchangeable government bonds.
- 2) Financial bonds, negotiable certificates of deposit, banker’s acceptances, and commercial papers are guaranteed by a financial institution, provided that financial bonds shall be limited to ordinary financial bonds only.

The amount of treasury bills purchased or time deposits placed in a financial institution under the preceding paragraph shall not be less than 30% of the total amount of the Group’s retained earned pure premiums for CAL Insurance in the most recent period, as audited or reviewed by a certified public accountant. The competent authority may raise that percentage to a level they deem appropriate based on the Group’s operating status.

If the balance of the Group’s special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for the special reserve mentioned above, held by an insurer for CAL Insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

- 1) Treasury bills.
- 2) Negotiable certificates of deposit, banker’s acceptances, and commercial paper guaranteed by a financial institution.
- 3) Government bonds under repurchase agreements.

The term “funds” in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

The amount of demand deposits placed in financial institutions, which are mentioned in the preceding paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than (b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Group to a level they deem appropriate on the basis of the Group's operating status.

If the total amount of unearned premium reserve and loss reserve of the Group for the CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling this insurance by the other insurer or other property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend its business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

f. Acquisition cost of insurance contracts

Insurance Type	For the Year Ended December 31, 2023				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	\$ 218,679	\$ 6,301	\$ 58,314	\$ 40,123	\$ 323,417
Marine insurance	90,888	318	2,010	3,469	96,685
Land and air insurance	1,607,241	(1)	5,566	660,925	2,273,731
Liability insurance	300,604	12	370	54,915	355,901
Guarantee insurance	13,156	(8)	1,237	787	15,172
Other property insurance	153,704	809	16,553	8,296	179,362
Accident insurance	494,540	20	158	193,174	687,892
Health insurance	47,029	(2)	(6)	12,669	59,690
Policy-oriented residential earthquake insurance	11,342	66	-	13,882	25,290
Compulsory automobile liability insurance	-	326,044	-	-	326,044
	<u>\$ 2,937,183</u>	<u>\$ 333,559</u>	<u>\$ 84,202</u>	<u>\$ 988,240</u>	<u>\$ 4,343,184</u>

Insurance Type	For the Year Ended December 31, 2022				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	\$ 212,202	\$ 9,970	\$ 80,934	\$ 40,130	\$ 343,236
Marine insurance	93,746	185	2,027	3,174	99,132
Land and air insurance	1,386,902	123	3,276	591,304	1,981,605
Liability insurance	261,183	102	(185)	49,954	311,054
Guarantee insurance	11,955	112	1,462	762	14,291
Other property insurance	143,459	1,158	16,843	6,761	168,221
Accident insurance	367,739	75	(759)	130,132	497,187
Health insurance	104,312	221	886	3,179	108,598
Policy-oriented residential earthquake insurance	11,431	139	-	13,646	25,216
Compulsory automobile liability insurance	-	322,298	-	-	322,298
	<u>\$ 2,592,929</u>	<u>\$ 334,383</u>	<u>\$ 104,484</u>	<u>\$ 839,042</u>	<u>\$ 3,870,838</u>

Acquisition costs of the insurance contracts were not deferred.

g. Profit and loss analysis of the insurance business

Direct underwriting business

For the Year Ended December 31, 2023						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 4,868,970	\$ 285,433	\$ 265,103	\$ 1,746,625	\$ (1,436,592)	\$ 4,008,401
Marine insurance	1,172,509	14,213	94,675	403,543	127,928	532,150
Land and air insurance	14,261,514	847,631	2,268,166	7,489,434	525,760	3,130,523
Liability insurance	2,780,766	258,865	355,530	1,133,580	595,882	436,909
Guarantee insurance	137,410	12,392	13,934	52,881	(1,588)	59,791
Other property insurance	1,960,508	263,749	162,809	2,126,098	(35,523)	(556,625)
Accident insurance	4,173,511	127,235	687,734	1,434,557	14,836	1,909,149
Health insurance	291,115	(120,484)	59,697	10,329,606	(8,600,550)	(1,377,154)
Policy-oriented residential earthquake insurance	470,077	638	25,290	-	-	444,149
Compulsory automobile liability insurance	2,996,114	17,178	326,044	2,108,008	(58,540)	603,424
	<u>\$ 33,112,494</u>	<u>\$ 1,706,850</u>	<u>\$ 4,258,982</u>	<u>\$ 26,824,332</u>	<u>\$ (8,868,387)</u>	<u>\$ 9,190,717</u>

For the Year Ended December 31, 2022						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 4,089,674	\$ (8,498)	\$ 262,303	\$ 1,308,054	\$ 823,917	\$ 1,703,898
Marine insurance	1,003,546	6,975	97,104	587,891	291,854	19,722
Land and air insurance	12,615,687	719,530	1,978,329	6,280,450	699,885	2,937,493
Liability insurance	2,304,146	205,326	311,239	971,171	148,387	668,023
Guarantee insurance	115,950	2,291	12,829	(2,982)	1,703	102,109
Other property insurance	1,499,231	(70,580)	151,377	2,044,136	786,977	(1,412,679)
Accident insurance	3,277,569	4,203	497,946	1,107,753	143,962	1,523,705
Health insurance	581,266	(251,692)	107,712	20,225,827	8,679,925	(28,180,506)
Policy-oriented residential earthquake insurance	468,290	7,444	25,217	-	-	435,629
Compulsory automobile liability insurance	2,942,130	12,933	322,298	2,075,979	(12,303)	543,223
	<u>\$ 28,897,489</u>	<u>\$ 627,932</u>	<u>\$ 3,766,354</u>	<u>\$ 34,598,279</u>	<u>\$ 11,564,307</u>	<u>\$ (21,659,383)</u>

Reinsurance inward business

For the Year Ended December 31, 2023						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 220,892	\$ (85,571)	\$ 58,314	\$ 447,798	\$ (160,374)	\$ (39,275)
Marine insurance	20,896	(3,548)	2,010	34,672	(17,449)	5,211
Land and air insurance	20	(2,852)	5,566	18,782	(23,937)	2,461
Liability insurance	4,059	81	370	1,015	(331)	2,924
Guarantee insurance	3,711	(236)	1,237	6,918	419	(4,627)
Other property insurance	74,955	4,011	16,553	42,015	(7,359)	5,017
Accident insurance	8,354	(1,373)	158	5,745	(741)	4,565
Health insurance	(63)	(851)	(6)	247	(954)	1,501
Policy-oriented residential earthquake insurance	57,817	40	-	-	-	57,777
Compulsory automobile liability insurance	770,333	9,183	-	721,677	1,973	37,500
	<u>\$ 1,160,974</u>	<u>\$ (81,116)</u>	<u>\$ 84,202</u>	<u>\$ 1,278,869</u>	<u>\$ (194,035)</u>	<u>\$ 73,054</u>

**For the Year Ended December 31, 2022**

Insurance Type	Net Changes in				Net Changes in Loss Reserve	Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim		
Fire insurance	\$ 408,623	\$ (113,777)	\$ 80,934	\$ 416,312	\$ 122,633	\$ (97,479)
Marine insurance	28,920	(9,600)	2,027	46,786	11,860	[(22,153)]
Land and air insurance	13,802	(16,212)	3,276	41,993	4,229	(19,484)
Liability insurance	1,592	(2,907)	(184)	1,151	139	3,393
Guarantee insurance	5,932	(3,122)	1,462	12,353	(5,472)	711
Other property insurance	78,507	(11,731)	16,842	63,913	(34,610)	44,093
Accident insurance	5,399	(6,470)	(759)	7,638	(2,081)	7,071
Health insurance	8,856	(220)	886	11,578	(3,000)	(388)
Policy-oriented residential earthquake insurance	59,219	276	-	311	-	58,632
Compulsory automobile liability insurance	<u>758,002</u>	<u>11,940</u>	<u>-</u>	<u>708,812</u>	<u>32,171</u>	<u>5,079</u>
	<u>\$ 1,368,852</u>	<u>\$ (151,823)</u>	<u>\$ 104,484</u>	<u>\$ 1,310,847</u>	<u>\$ 125,869</u>	<u>\$ (20,525)</u>

Reinsurance outward business

**For the Year Ended December 31, 2023**

Insurance Type	Reinsurance Expenses	Net Changes in Ceded		Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
		Unearned Premium Reserve	Unearned Premium Reserve				
Fire insurance	\$ 3,796,487	\$ 526,317	\$ 224,843	\$ 1,076,945	\$ (1,074,767)	\$ 3,043,149	
Marine insurance	909,095	19,213	87,087	248,379	75,555	478,861	
Land and air insurance	924,861	194,807	279,389	274,088	7,641	168,936	
Liability insurance	928,197	108,568	172,533	362,743	387,992	(103,639)	
Guarantee insurance	118,583	19,151	18,533	45,525	9,860	25,514	
Other property insurance	1,575,277	242,058	266,091	1,384,882	311,460	(629,214)	
Accident insurance	269,094	(35,875)	68,160	131,178	5,181	100,450	
Health insurance	(25)	(34,013)	(13)	97,349	(976,945)	913,597	
Policy-oriented residential earthquake insurance	470,077	639	-	-	-	469,438	
Compulsory automobile liability insurance	<u>1,259,534</u>	<u>10,306</u>	<u>-</u>	<u>1,241,744</u>	<u>(32,970)</u>	<u>40,454</u>	
	<u>\$ 10,251,180</u>	<u>\$ 1,051,171</u>	<u>\$ 1,116,623</u>	<u>\$ 4,862,833</u>	<u>\$ (1,286,993)</u>	<u>\$ 4,507,546</u>	

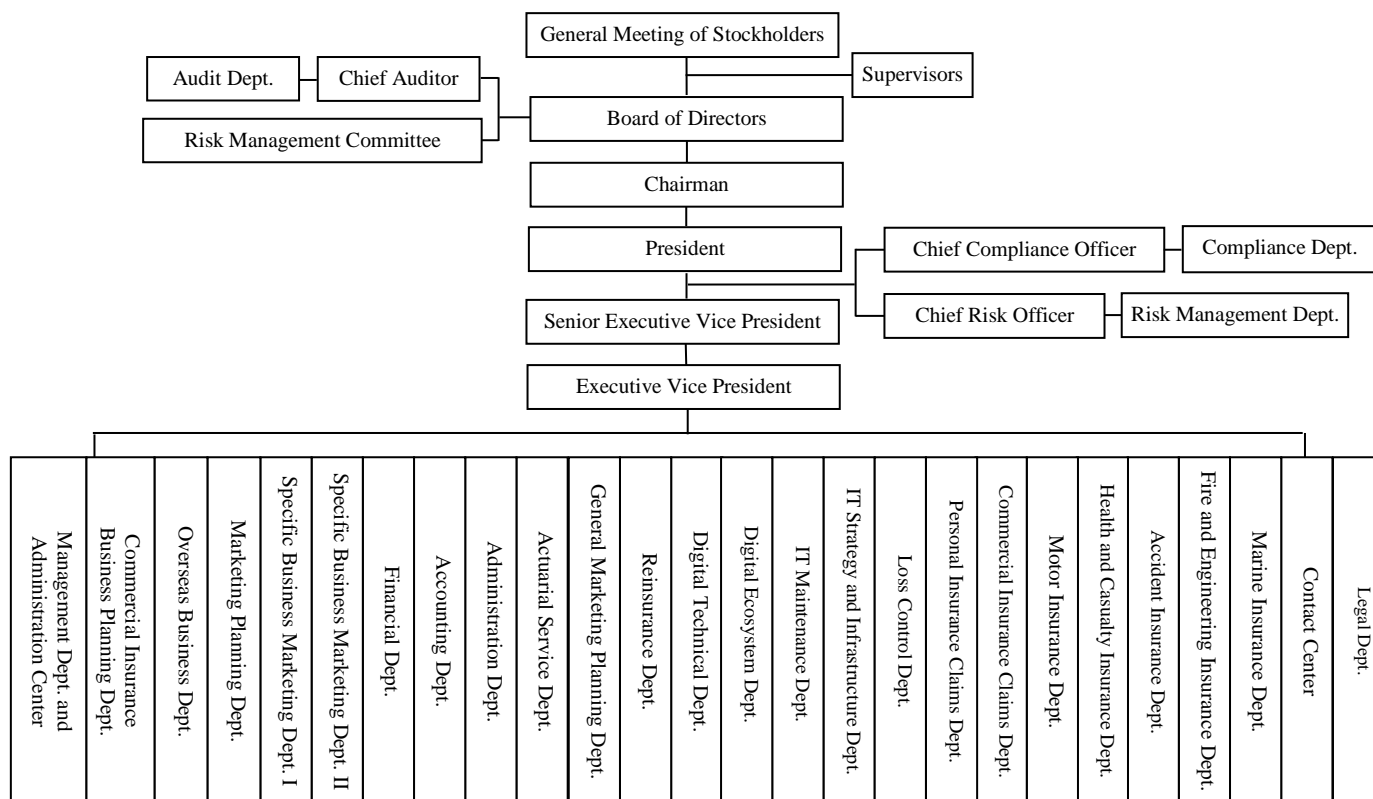
**For the Year Ended December 31, 2022**

Insurance Type	Reinsurance Expenses	Net Changes in Ceded		Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
		Unearned Premium Reserve	Unearned Premium Reserve				
Fire insurance	\$ 2,877,190	\$ 101,439	\$ 237,667	\$ 635,006	\$ 712,822	\$ 1,190,256	
Marine insurance	775,712	9,770	81,247	398,332	240,508	45,855	
Land and air insurance	471,942	6,270	114,497	205,785	41,949	103,441	
Liability insurance	735,045	107,503	155,322	360,576	(31,383)	143,027	
Guarantee insurance	71,850	3,169	13,243	(2,394)	3,037	54,795	
Other property insurance	1,107,631	(26,800)	182,263	189,537	322,095	440,536	
Accident insurance	339,596	50,869	78,332	111,717	27,416	71,262	
Health insurance	100,867	(172,778)	37,860	3,110,355	957,030	(3,831,600)	
Policy-oriented residential earthquake insurance	468,289	7,443	-	-	-	460,846	
Compulsory automobile liability insurance	<u>1,233,778</u>	<u>7,760</u>	<u>-</u>	<u>1,223,516</u>	<u>(13,463)</u>	<u>15,965</u>	
	<u>\$ 8,181,900</u>	<u>\$ 94,645</u>	<u>\$ 900,431</u>	<u>\$ 6,232,430</u>	<u>\$ 2,260,011</u>	<u>\$ (1,305,617)</u>	



## h. Organization chart and responsibilities of risk management

### 1) Organization chart of risk management



### 2) Responsibility of each department:

#### Board of directors

- 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.
- The board of directors should establish an appropriate risk management system and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- The board of directors should consider the effect of the aggregated risks from the Company's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

#### Risk management department

##### a) Risk management committee

- The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.

- ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of the overall management mechanisms regularly.
- iii. The committee should assist and monitor the risk management activities performed by each department.
- iv. The committee should assist in deliberating related procedures for formulating risk limits.
- v. The committee should arrange the risk category, risk limit allocation and risk-taking method according to the changes in environment.
- vi. The committee should enhance cross-department interaction and communication.

b) Chief risk officer

The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect the Group's risk overview.

- i. The chief risk officer should be in charge of the overall risk management.
- ii. The chief risk officer should participate in the important decision-making process and provide appropriate suggestions from a risk management perspective.
- iii. The chief risk officer should be a member of risk management committee.

c) Risk management department

- i. The Group established a risk management department, which is responsible for monitoring, measuring and evaluating major risks; the department is independent from the business units.
- ii. Responsibilities of the risk management department are as follows:
  - 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 and its use of each business unit.
  - vi) Assist to execute stress testing and back testing if necessary.
  - vii) Other risk management related issues.

### Business units

- a) The risk management duties of the manager of a business unit are as follows:
  - i. Manage and report daily risk of the business unit and take necessary responsive actions.
  - ii. Supervise regular submission of risk management information to the risk management department.
- b) The risk management duties of a business unit are as follows:
  - i. Identify and measure risks and report risk exposures.
  - ii. Evaluate the quantitative or qualitative impacts when risks occur and deliver the risk information in a timely and accurate manner.
  - iii. Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
  - iv. Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
  - v. Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
  - vi. Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
  - vii. Assist to collect data related to operational risk.

### Audit department

The department is responsible for the audit of each department's performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

- i. Risk reporting and range and nature of risk assessment for property insurance business
  - 1) Risks management report
    - a) Each business unit should regularly deliver risk information to the risk management department and report the excess of risk limits and responding measures when the risk exposure exceeds the limit.
    - b) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the chairman, and makes quarterly report to the risk management committee and the board of directors.
  - 2) The scope and nature of risk assessment

The risk management departments of the Group and its parent company, Cathay Financial Holdings, collaborated in building the market risk management system. The system's structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the system environment. The front-end of the investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by the middle-end department, and would only be accessible to authorized risk management personnel.

- j. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level.

The risk management department of the Group is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and the managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to the risk management department in accordance with the laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

- k. The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of the Group covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

- l. Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When the Group undertakes a new business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk exposure.

In addition, for the reinsurance business, the risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities for undertaking risk are considered in developing the reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk assessment of the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds the contract limit or self-retained limit, risk is diversified through reinsurance.

According to the Group's reinsurance risk management policy, the basis for managing the maximum accumulated risk limit of each risk unit requires the risk management and each insurance department to jointly review and discuss the accumulated retained risk limit of a risk unit for each insurance type every year, which is submitted to the general manager for approval before implementation. The following table summarizes the maximum accumulated retained risk limit of a risk unit by insurance type:

Insurance Type	For the Year Ended December 31	
	2023	2022
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

m. Risk coordinated asset-liability management

1) Asset-liability coordinated with risk identification and measurement

Financial accounting and actuarial department should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured by cash flow test method (or other method) to evaluate whether the amount of inflows is sufficient to cover the cash outflow for liabilities, that is, whether the asset allocation has reasonable liquidity to pay liabilities for expenditures in future years.

2) Asset-liability coordinated with risk response

When market risk, liquidity risk and insurance risk events occur, financial, accounting and actuarial service department should take appropriate reactions to coordinated asset-liability risk, and report to the risk management department and propose to the risk management committee evaluation of the risk.

n. Procedures to manage, monitor and control a special event for which property insurance business is committed to assuming additional liabilities or raising additional capital.

The Group has established a set of capital adequacy management standards, including risk-based capital management indicators for regular review, under which risk-based capital is calculated each quarter and risk-based capital management report is prepared every half year as implementation of risk-based capital management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose reactions to the risk management committee and inform the parent company, Cathay Financial Holdings Co., Ltd., to review the impact on the capital adequacy ratio of Cathay Financial Holdings Co., Ltd. and its subsidiaries.

o. Sensitivity to insurance risk

1) The Company

For the year ended December 31, 2023

Insurance Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 4,500,418	51.15%	\$ (225,021)	\$ (89,741)
Marine insurance	1,161,433	66.58%	(58,072)	(22,575)
Land and air insurance	13,971,159	60.40%	(698,558)	(678,542)
Liability insurance	2,778,268	48.74%	(138,913)	(97,769)
Guarantee insurance	137,410	17.71%	(6,871)	(3,435)
Other property insurance	1,954,456	46.52%	(97,723)	(54,205)
Accident insurance	4,119,860	44.41%	(205,993)	(189,302)
Health insurance	291,115	37.26%	(14,556)	(10,920)
Policy-oriented residential earthquake insurance	470,077	4.07%	(23,504)	(18,803)
Compulsory automobile liability insurance	<u>2,996,114</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 32,380,310</u>		<u>\$ (1,469,211)</u>	<u>\$ (1,165,292)</u>

For the year ended December 31, 2022

Insurance Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 3,760,441	41.68%	\$ (188,022)	\$ (74,985)
Marine insurance	994,461	50.43%	(49,723)	(19,330)
Land and air insurance	12,364,988	61.01%	(618,249)	(600,534)
Liability insurance	2,300,538	50.45%	(115,027)	(80,958)
Guarantee insurance	115,950	26.79%	(5,797)	(2,899)
Other property insurance	1,492,370	47.46%	(74,619)	(41,390)
Accident insurance	3,234,700	44.22%	(161,735)	(148,630)
Health insurance	581,266	35.14%	(29,063)	(21,803)
Policy-oriented residential earthquake insurance	468,290	4.10%	(23,415)	(18,732)
Compulsory automobile liability insurance	<u>2,942,130</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 28,255,134</u>		<u>\$ (1,265,650)</u>	<u>\$ (1,009,261)</u>

Note: Expected loss rate is calculated based on the simple average loss rate of the past five years, among the health insurance excludes the impact of 2023 and 2022 epidemic prevention insurance.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of the Company, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

2) Cathay Insurance Co., Ltd. (Vietnam)

For the year ended December 31, 2023

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 290,355	15.52%	\$ (14,518)	\$ (14,475)
Marine insurance	11,076	12.09%	(554)	(203)
Fire insurance	368,552	38.16%	(18,428)	(900)
Engineering insurance	6,052	26.44%	(297)	(46)
Accident insurance	53,651	35.17%	(2,683)	(2,667)
Liability insurance	<u>2,498</u>	1.30%	<u>(130)</u>	<u>(68)</u>
	<u>\$ 732,184</u>		<u>\$ (36,610)</u>	<u>\$ (18,359)</u>

For the year ended December 31, 2022

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 250,699	16.85%	\$ (12,535)	\$ (12,474)
Marine insurance	9,085	19.80%	(454)	(163)
Fire insurance	329,233	40.48%	(16,462)	(1,324)
Engineering insurance	6,861	53.45%	(337)	(64)
Accident insurance	42,869	36.42%	(2,143)	(2,124)
Liability insurance	<u>3,608</u>	8.27%	<u>(186)</u>	<u>(73)</u>
	<u>\$ 642,355</u>		<u>\$ (32,117)</u>	<u>\$ (16,222)</u>

Note: Expected loss rate is calculated based on the weighted average loss rate of the past five years.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

p. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of December 31, 2023, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii. Exposure to unanticipated change in trend

As of December 31, 2023, there are no other unexpected changes in exposure.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of the Company and the insured and to implement process control of lawsuit cases of insurance claims. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2023, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, and liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the

Company established “points for handling teams of catastrophe and major events” and “Operation Standards under Crisis”, under which the crisis handling team is set up in response to the event and execute emergency actions such as resource coordination and fund procurement to protect the rights of the insured and the Company and to ensure financial stability. As of December 31, 2023, measures have been taken to deal with the impact of lift rates on the operating, insurance, and investment businesses.

- v. When a non-linear relationship as a certain key variable has approached to the extent that future cash flows may be materially influenced

Since the 3rd stage of liberalization of property insurance premium rate took effect, the Company has conducted regular reviews in accordance with the regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be adjusted to avoid increased losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on a sporadic basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing, to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk, and the major risk factors are identified and dealt with in a timely manner.

- vi. Concentration of geographic regions and operating segments

The Company’s catastrophe insurance for earthquakes, typhoon and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

- b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature.

The following table summarizes Cathay Century’s concentration of risk before and after for the years ended 2023 and 2022 reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2023				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 4,500,418	\$ 209,151	\$ 3,444,349	\$ 1,265,220	5.35
Marine insurance	1,161,433	18,466	899,378	280,521	1.19
Land and air insurance	13,971,159	(470)	924,762	13,045,927	55.19
Liability insurance	2,778,268	2,767	926,428	1,854,607	7.85
Guarantee insurance	137,410	3,711	118,583	22,538	0.10
Other property insurance	1,954,456	65,976	1,563,796	456,636	1.93
Accident insurance	4,119,860	8,068	269,094	3,858,834	16.32
Health insurance	291,115	(63)	(25)	291,077	1.23
Policy-oriented residential earthquake insurance	470,077	57,817	470,077	57,817	0.24
Compulsory automobile liability insurance	2,996,114	770,333	1,259,534	2,506,913	10.60
Total	\$ 32,380,310	\$ 1,135,756	\$ 9,875,976	\$ 23,640,090	100.00



Insurance Type	For the Year Ended December 31, 2022				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 3,760,441	\$ 435,562	\$ 2,605,982	\$ 1,590,021	7.31
Marine insurance	994,461	26,617	767,682	253,396	1.17
Land and air insurance	12,364,988	12,942	471,909	11,906,021	54.74
Liability insurance	2,300,538	774	733,488	1,567,824	7.21
Guarantee insurance	115,950	5,932	71,850	50,032	0.23
Other property insurance	1,492,370	71,692	1,098,209	465,853	2.14
Accident insurance	3,234,700	5,204	339,596	2,900,308	13.34
Health insurance	581,266	8,856	100,867	489,255	2.25
Policy-oriented residential earthquake insurance	468,290	59,219	468,289	59,220	0.27
Compulsory automobile liability insurance	2,942,130	758,002	1,233,778	2,466,354	11.34
Total	\$ 28,255,134	\$ 1,384,800	\$ 7,891,650	\$ 21,748,284	100.00

- c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes, such as earthquake, typhoon, and flood along with related huge claims, result in tremendous impact to the property insurance business.

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

## 2) Cathay Insurance Co., Ltd. (Vietnam)

- a) Situations that may cause concentration of insurance risk:

- i. Single insurance contract or several related contracts

As of December 31, 2023, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meetings.

- ii. Exposure to unanticipated change in trend

As of December 31, 2023, the premium revenues of comprehensive travel insurance of Cathay Insurance Co., Ltd. (Vietnam) have increased year-on-year resulting from the increased demand for traveling since Vietnam has returned to pre-pandemic normalcy. Cathay Insurance Co., Ltd. (Vietnam) will continue monitoring the changes in risk exposure.

- iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance Co., Ltd. (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claims. In addition, each unit has appointed staff for compliance matters to minimize possible legal risk. As of December 31, 2023, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

- iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, and liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which an emergency team is set up in response to the event and execute emergency actions such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of December 31, 2023, there is no interaction among risks resulting from a catastrophe.

- v. Concentration of geographic regions and operating segments

Cathay Insurance Co., Ltd. (Vietnam)’s catastrophe insurance for earthquakes and floods are mainly in the areas of Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

- b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance for the years ended 2023 and 2022 insurance type:

Insurance Type	For the Year Ended December 31, 2023				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 290,355	\$ 490	\$ 99	\$ 290,746	76.07
Flood insurance	11,076	2,430	9,717	3,789	0.99
Fire insurance	368,552	30,533	370,930	28,155	7.37
Engineering insurance	6,052	8,979	11,481	3,550	0.93
Accident insurance	53,651	286	-	53,937	14.11
Liability insurance	2,498	1,292	1,769	2,021	0.53
Total	\$ 732,184	\$ 44,010	\$ 393,996	\$ 382,198	100.00

Insurance Type	For the Year Ended December 31, 2022				
	Premium Income	Reinsurance Premium	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 250,699	\$ 860	\$ 33	\$ 251,526	74.82
Flood insurance	9,085	2,303	8,030	3,358	1.00
Fire insurance	329,233	23,181	321,328	31,086	9.25
Engineering insurance	6,861	6,815	9,422	4,254	1.27
Accident insurance	42,869	195	-	43,064	12.81
Liability insurance	3,608	818	1,557	2,869	0.85
Total	\$ 642,355	\$ 34,172	\$ 340,370	\$ 336,157	100.00

- 3) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the users of financial statements to assess the uncertainty of cash flows related to risks

Catastrophes, such as typhoon and flood along with related huge claims, result in tremendous impact to the property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance Co., Ltd. (Vietnam) assesses the risk of natural disasters and special insured items and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

q. Development trend of claims

1) The Company

December 31, 2023

Accident Year	2016	2017	2018	2019	2020	2021	2022	2023	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	\$ 14,539,239	
After the first year	-	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	44,819,446	-	
After the second year	-	7,965,701	8,479,083	9,915,122	11,009,236	10,420,320	-	-	
After the third year	-	8,000,179	8,447,631	9,900,713	10,856,230	-	-	-	
After the fourth year	-	7,977,104	8,413,409	10,203,863	-	-	-	-	
After the fifth year	-	7,993,176	8,415,865	-	-	-	-	-	
After the sixth year	-	8,020,320	-	-	-	-	-	-	
Final estimated claim payment	-	8,020,320	8,415,865	10,203,863	10,856,230	10,420,320	44,819,446	14,539,239	
Accumulated claim disbursed		<u>7,988,110</u>	<u>8,384,897</u>	<u>9,884,786</u>	<u>10,538,970</u>	<u>9,597,612</u>	<u>41,965,320</u>	<u>8,168,724</u>	
	224,492	32,210	30,968	319,077	317,260	822,708	2,854,126	6,370,515	\$ 10,971,356
Adjustment	-	-	-	-	-	-	-	246,769	246,769
Amount recognized in balance sheet	<u>\$ 224,492</u>	<u>\$ 32,210</u>	<u>\$ 30,968</u>	<u>\$ 319,077</u>	<u>\$ 317,260</u>	<u>\$ 822,708</u>	<u>\$ 2,854,126</u>	<u>\$ 6,617,284</u>	<u>\$ 11,218,125</u>

December 31, 2022

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	
After the first year	-	11,455,620	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	-	
After the second year	-	10,970,548	7,965,701	8,479,083	9,915,122	11,009,236	-	-	
After the third year	-	11,133,431	8,000,179	8,447,631	9,900,713	-	-	-	
After the fourth year	-	11,177,663	7,977,104	8,413,409	-	-	-	-	
After the fifth year	-	11,102,224	7,993,176	-	-	-	-	-	
After the sixth year	-	11,106,898	-	-	-	-	-	-	
Final estimated claim payment	-	11,106,898	7,993,176	8,413,409	9,900,713	11,009,236	10,637,168	43,545,821	
Accumulated claim disbursed		<u>11,077,996</u>	<u>7,938,428</u>	<u>8,361,416</u>	<u>9,573,719</u>	<u>9,589,714</u>	<u>8,670,464</u>	<u>27,852,950</u>	
	236,539	28,902	54,748	51,993	326,994	1,419,522	1,966,704	15,692,871	\$ 19,778,273
Adjustment	-	-	-	-	-	-	-	174,073	174,073
Amount recognized in balance sheet	<u>\$ 236,539</u>	<u>\$ 28,902</u>	<u>\$ 54,748</u>	<u>\$ 51,993</u>	<u>\$ 326,994</u>	<u>\$ 1,419,522</u>	<u>\$ 1,966,704</u>	<u>\$ 15,866,944</u>	<u>\$ 19,952,346</u>

Note 1: The upper part of table illustrates claim payments estimated in underwriting years by property insurance business. The lower part of the table illustrates the reconciliation of the accumulated claims disbursed to the balance sheet.

Note 2: The above tables exclude direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,565,904 thousand and \$1,511,891 thousand as of December 31, 2023, \$1,624,445 thousand and \$1,705,926 thousand as of December 31, 2022.

2) Cathay Insurance Co., Ltd. (Vietnam)

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance 2842/BTC/QLBH.

r. Credit risk of insurance contract

The main source of credit risk of insurance contract is reinsurance business. The Group arranges its reinsurance business under the Regulations Governing Insurance Enterprises, and it is engaged in operating reinsurance and other risk-diversification mechanisms. Most of the insurance enterprises chose to have a certain level of credit rating and are qualified for reinsurance business. The Group regularly monitors the net changes in the credit rating of these enterprises. The Group discloses its transactions with unqualified ceded reinsurer as follows, based on Regulations for the Management of the Reserve for Unqualified Reinsurance.

1) The summary of unqualified reinsurance contracts and related insurance type are listed below:

December 31, 2023

<u>Name</u>	<u>Type</u>
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine insurance and Facultative reinsurance of fire insurance
Asia Capital Reinsurance Group Pte Ltd	Facultative reinsurance of marine insurance
S-Squared Insurance Company, Inc.	Facultative reinsurance of fire insurance

December 31, 2022

<u>Name</u>	<u>Type</u>
Tugu Insurance Company HK	Facultative reinsurance of marine insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Trust International Insurance and Reinsurance Company B.S.C	Treaty reinsurance of marine insurance and Facultative reinsurance of fire insurance
Asia Capital Reinsurance Group Pte Ltd	Facultative reinsurance of marine insurance
S-Squared Insurance Company, Inc.	Facultative reinsurance of fire insurance

2) For the years ended December 31, 2023 and 2022, the unqualified ceded reinsurance expense is \$14,747 thousand and \$9,999 thousand, respectively.

3) The reserve for unauthorized reinsurance and the components of this account include:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unearned premium reserve	\$ 7,373	\$ 4,999
Claims recoverable from reinsurers of paid claims overdue in nine months	1,032	145
Claims recoverable from reinsurers which were reported but unpaid	<u>207</u>	<u>1,326</u>
	<u>\$ 8,612</u>	<u>\$ 6,470</u>

### 35. DETAILS OF THE PORTFOLIOS MANAGED

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Listed stocks	\$ 2,245,254	\$ 1,345,603
Short-term transactions instruments		-
Bank deposit	593,738	794,743
Future margins	<u>38,437</u>	<u>38,272</u>
	<u>\$ 2,877,429</u>	<u>\$ 2,178,618</u>

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

As of December 31, 2023 and 2022 the discretionary investment limits is \$1,200,000 thousand.

### 36. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

a. Unconsolidated structured entities

The Group does not provide financial support or other support to the unconsolidated structured entities. The Group's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets the Group recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Securitization vehicle		
Financial assets at FVTPL	\$ 329,684	\$ 343,499
Financial assets at amortized cost	<u>312,255</u>	<u>324,346</u>
	<u>\$ 641,939</u>	<u>\$ 667,845</u>

**TABLE 1****CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES****BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE  
(In Thousands of New Taiwan Dollars)**

Items Asset	Amount		Items Liabilities	Amount	
	December 31, 2023	December 31, 2022		December 31, 2023	December 31, 2022
Cash and bank deposit	\$ 2,564,668	\$ 2,397,857	Notes payable	\$ -	\$ -
Notes receivable	5,789	6,559	Claims payable	-	-
Premiums receivable	6,735	6,832	Reinsurance indemnity payable	-	-
Claims recoverable from reinsurers	163,910	202,982	Due to reinsurers and ceding companies	222,513	225,486
Due from reinsurers and ceding companies	128,026	125,846	Unearned premium reserves	1,741,798	1,715,437
Other receivables	-	-	Loss reserves	2,219,445	2,276,012
FVTOCI financial assets	678,881	685,847	Special reserves	1,070,300	926,605
Ceded unearned premium reserve	760,588	750,282	Temporary receivable	-	-
Ceded loss reserve	932,488	965,458	Other liabilities	-	-
Temporary payments	12,971	1,877			
Other assets	-	-			
<b>Total assets</b>	<b>\$ 5,254,056</b>	<b>\$ 5,143,540</b>	<b>Total liabilities</b>	<b>\$ 5,254,056</b>	<b>\$ 5,143,540</b>

**TABLE 2****CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES****OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY  
(In Thousands of New Taiwan Dollars)**

Item	For the Year Ended December 31	
	2023	2022
Operating revenues	\$ 1,608,275	\$ 1,572,594
Written premium	2,099,224	2,056,296
Reinsurance premium	770,333	758,002
Premiums income	2,869,557	2,814,298
Less: Reinsurance expenses	1,259,534	1,233,778
Net changes in unearned premium reserve	16,055	17,113
Earned retained premium	1,593,968	1,563,407
Interest income	14,307	9,187
Operating costs (Note)	1,708,039	1,669,789
Retained claims payments	2,108,008	2,075,979
Reinsurance claims payments	721,677	708,812
Less: Claim and payments recoverable from reinsurers	1,241,744	1,223,516
Retained claims payments	1,587,941	1,561,275
Net change in loss reserve	(23,597)	33,331
Net change in special reserve	143,695	75,183

Note: Pursuant to Instruction Jin-Guan-Bao-Chan-Zi No. 11004107771, the Company is required to make reserve (recognized as expenses) in relation to this particular service at NT\$30 per insurance policy on a monthly basis starting from April 1, 2021.

## CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

TRANSACTIONS WITH RELATED PARTIES INVOLVING MAIN BUSINESS ITEMS REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

The Company Involving Main Business Items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Century Insurance Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	Premiums income	\$ 123,193	0.36	Based on agreement	\$ -	-	\$ 8,011	0.27	
	Cathay United Bank Co., Ltd.	Fellow subsidiary	Premiums income	166,936	0.49	Based on agreement	-	-	64,278	2.20	

Note 1: If the transaction terms of related parties are different with the general terms, the differences and reasons should be described in the column of unit price and payment terms.

Note 2: If there is any payments (receipts) in advance, it should be stated the reason, contractual terms, amount, and differences from the general transaction type in the remarks column.

Note 3: Paid-up capital refers to the paid-up capital of the Company.



## CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	1	Reinsurance premium	\$ 18,792	Based on agreement	0.07
				Claims incurred payments	20,046	Based on agreement	0.08
				Due from reinsurers and ceding companies	14,376	Based on agreement	0.03

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary;
- b. From subsidiary to parent company; and
- c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: Information disclosed in this Table includes balances and transactions that have been eliminated on consolidation between the Group and its subsidiaries.

**CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Vietnam	Property insurance businesses	\$ 845,585	\$ 845,585	-	100	\$ 700,761	\$ 18,813	\$ 18,813	Note

Note: Share of profit or loss and OCI are recognized on the basis of the audited financial statements.

## CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	\$ 12,196,844 (CNY2,632,653 thousand)	(1)	\$ 2,964,730	\$ -	\$ -	\$ 2,964,730	\$ 20,355	24.5	\$ 4,987	\$ 2,317,577	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
\$2,964,730 (CNY645,000 thousand)	\$2,964,730 (CNY645,000 thousand)	\$8,989,427

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on December 31, 2022.

Note 2: Investment type is as follows:

- The Company made the investment directly.
- The Company made the investment through a company registered in a third region.
- Others.

Note 3: The limit is up to 60% of the investor's net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note 4: On December 31, 2006, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC), the Company is authorized to invest US\$28,963 thousand and establish an insurance subsidiary, engaging in the property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by China Insurance Regulatory Commission (CIRC), the Company is authorized to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) was established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, according to letter No. 10200136010 issued by the MOEAIC, the Company is authorized to remit CNY200,000 thousand to increase the share capital. The Company was authorized by CIRC to remit CNY100,000 thousand each on June 13, 2013 and March 18, 2014. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 issued by the MOEAIC, the Company was authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company's board of directors resolved to suspend capital increase on January 26, 2022. On March 31, 2022, according to No. 11100514060 issued by the MOEAIC, the Company was authorized to write down CNY245,000 thousand which had been remitted according to No. 10800291980 issued by the MOEAIC. As of December 31, 2022, the Company has remitted US\$97,292 thousand in total.

(Continued)

Note 5: The relevant information about Cathay Insurance Co., Ltd. (China) is as follows:

- a. The location: Shanghai, China.
- b. Status of capital operation and related income: As of December 31, 2023, the assets for investments of Cathay Insurance Co., Ltd. (China) were \$9,429,129 thousand, and the net investment income was \$341,642 thousand.
- c. Reserves recognized and balances of reserves:

As of December 31, 2023, the balances of reserves of Cathay Insurance Co., Ltd. (China) were as follows:

	<b>December 31, 2023</b>
Unearned premium reserve	\$ 6,995,881
Loss reserve	3,895,080
Policy reserve	<u>64,629</u>
	<u>\$ 10,955,590</u>

Reserves recognized as follows:

- 1) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of the 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 past experiences with 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 the premium income: For the year ended December 31, 2023, the premium income of Cathay Insurance Company Limited (China) amounted to \$29,595,823 thousand, and the percentage of the Company's premium income is 88.30%.
  - e. Percentage of insurance claim and payments: For the year ended December 31, 2023, the insurance claim and payments of Cathay Insurance Company Limited (China) amounted to \$20,763,008 thousand, and the percentage of the Company's insurance claim and payments is 74.12%.