

**Cathay Financial Holding Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Cathay Financial Holding Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries (collectively, the “Group”) as of March 31, 2024 and 2023, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 15, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 30)	\$ 310,087,265	2	\$ 320,831,824	2	\$ 424,399,997	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	297,753,006	2	336,768,960	3	367,448,806	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7 and 30)	1,935,812,010	15	2,009,183,691	16	1,762,976,288	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 30 and 31)	951,433,283	7	876,261,075	7	908,659,837	7
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 31)	4,800,968,914	37	4,728,733,650	37	4,480,740,539	37
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	70,944	-	1,109	-	103,678	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	46,402,697	-	43,324,997	-	30,714,619	-
RECEIVABLES, NET (Notes 4, 5, 10 and 30)	281,671,665	2	248,258,371	2	215,390,152	2
CURRENT TAX ASSETS	5,719,735	-	5,788,596	-	5,347,205	-
DISPOSAL GROUPS HELD FOR SALE, NET (Notes 4 and 11)	25,955,138	-	-	-	-	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 12 and 30)	2,797,404,826	22	2,684,520,400	21	2,549,486,779	21
REINSURANCE CONTRACT ASSETS, NET	15,816,126	-	15,778,910	-	15,726,701	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 14 and 30)	34,906,408	-	34,212,316	-	33,134,382	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 25)	788,923,831	6	739,364,082	6	685,478,378	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 15, 30 and 31)	468,695,281	4	461,686,710	4	449,882,148	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	108,175,655	1	109,370,464	1	108,840,710	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 30)	5,057,725	-	5,556,600	-	5,188,427	-
INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)	34,268,462	-	49,669,714	-	51,059,230	-
DEFERRED TAX ASSETS (Notes 4 and 28)	87,224,698	1	74,165,978	1	75,117,517	1
OTHER ASSETS, NET (Notes 30 and 31)	84,660,842	1	66,946,615	-	78,116,647	1
TOTAL	\$ 13,081,008,511	100	\$ 12,810,424,062	100	\$ 12,247,812,040	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 124,403,847	1	\$ 117,130,854	1	\$ 150,581,874	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	182,038,241	1	146,895,790	1	128,793,295	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	1,498,788	-	2,038,001	-	3,436,279	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	32,031,582	-	25,757,726	-	43,988,999	-
COMMERCIAL PAPER PAYABLE, NET (Note 19)	69,363,803	1	76,528,247	1	76,899,211	1
PAYABLES (Note 30)	99,670,773	1	89,768,181	1	75,245,617	1
CURRENT TAX LIABILITIES (Note 4)	1,111,498	-	540,590	-	5,741,041	-
LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUPS HELD FOR SALE (Notes 4 and 11)	7,615,778	-	-	-	-	-
DEPOSITS AND REMITTANCES (Notes 20 and 30)	3,449,622,131	26	3,496,982,688	27	3,236,475,625	27
BONDS PAYABLE (Note 21)	187,114,620	1	175,941,430	2	132,146,179	1
OTHER BORROWINGS (Note 22)	15,942,547	-	12,988,127	-	12,661,567	-
PROVISIONS (Notes 4, 22 and 23)	7,080,406,324	54	6,958,614,203	54	6,856,818,289	56
OTHER FINANCIAL LIABILITIES (Notes 4 and 25)	848,873,358	7	800,999,585	6	743,537,208	6
LEASE LIABILITIES (Notes 4, 17 and 30)	19,365,514	-	20,030,215	-	19,414,697	-
DEFERRED TAX LIABILITIES (Notes 4 and 28)	66,123,104	1	49,491,154	1	40,650,413	-
OTHER LIABILITIES (Note 30)	20,960,836	-	35,271,619	-	25,574,584	-
Total liabilities	12,206,142,744	93	12,008,978,410	94	11,551,964,878	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)						
Share capital						
Ordinary shares	146,692,102	1	146,692,102	1	146,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	202,835,087	2	202,793,453	2	215,335,184	2
Retained earnings						
Legal reserve	72,994,637	-	72,994,637	1	73,747,059	1
Special reserve	378,461,911	3	378,461,911	3	150,768,651	1
Unappropriated earnings	88,475,047	1	50,240,458	-	237,313,217	2
Other equity	(43,964,560)	-	(78,460,876)	(1)	(156,777,802)	(1)
Total equity attributable to owners of the Company	860,827,224	7	788,054,685	6	682,411,411	6
NON-CONTROLLING INTERESTS (Notes 4 and 26)	14,038,543	-	13,390,967	-	13,435,751	-
Total equity	874,865,767	7	801,445,652	6	695,847,162	6
TOTAL	\$ 13,081,008,511	100	\$ 12,810,424,062	100	\$ 12,247,812,040	100

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 30)	\$ 78,594,609	68	\$ 71,954,132	108
INTEREST EXPENSE (Notes 4 and 30)	<u>(16,169,523)</u>	<u>(14)</u>	<u>(12,435,379)</u>	<u>(19)</u>
NET INTEREST INCOME	<u>62,425,086</u>	<u>54</u>	<u>59,518,753</u>	<u>89</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 25, 27 and 30)	3,418,390	3	2,198,239	3
Net income (loss) on insurance operations (Notes 4, 27 and 30)	7,097,208	6	(3,046,037)	(4)
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	(53,299,075)	(46)	78,819,088	118
Gain on investment properties (Notes 4, 15 and 30)	3,177,277	3	3,148,179	5
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	1,235,941	1	133,931	-
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	156,283	-	2,027,063	3
Foreign exchange gain (loss) (Note 4)	130,852,097	112	(24,214,836)	(36)
Impairment loss on assets (Note 4)	(380,310)	-	(133,903)	-
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	549,747	-	684,549	1
Loss on reclassification using the overlay approach (Notes 4 and 7)	(27,606,469)	(24)	(60,499,654)	(91)
Net other non-interest (loss) gain (Note 30)	<u>(11,058,431)</u>	<u>(9)</u>	<u>7,931,413</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>116,567,744</u>	<u>100</u>	<u>66,566,785</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 23 and 27)	<u>(46,209,644)</u>	<u>(40)</u>	<u>(38,219,189)</u>	<u>(57)</u>
(PROVISION) REVERSAL OF PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(2,302,172)</u>	<u>(2)</u>	<u>346,238</u>	<u>-</u>
OPERATING EXPENSES (Notes 27 and 30)				
Employee benefit expenses	(15,039,152)	(13)	(12,923,221)	(19)
Depreciation and amortization expenses	(2,017,163)	(2)	(1,936,318)	(3)
Other general and administrative expenses	<u>(7,770,682)</u>	<u>(6)</u>	<u>(6,444,566)</u>	<u>(10)</u>
Total operating expenses	<u>(24,826,997)</u>	<u>(21)</u>	<u>(21,304,105)</u>	<u>(32)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 43,228,931	37	\$ 7,389,729	11
INCOME TAX EXPENSE (Notes 4 and 28)	(5,442,168)	(5)	(5,746)	-
NET PROFIT FROM CONTINUING OPERATIONS	<u>37,786,763</u>	<u>32</u>	<u>7,383,983</u>	<u>11</u>
LOSS FROM DISCONTINUED OPERATIONS (Note 11)	(224,334)	-	(210,599)	-
NET INCOME	<u>37,562,429</u>	<u>32</u>	<u>7,173,384</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (Notes 4 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,330)	-	(2,723)	-
Gain on equity instruments at fair value through other comprehensive income	16,000,350	14	9,295,512	14
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	209,796	-	175,608	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(76,119)	-	(479,961)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	(155,801)	-	(93,523)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	3,697,031	3	164,867	-
(Loss) gain on hedging instruments	(372,051)	-	128,015	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(11,676,934)	(10)	14,175,614	21
Share of other comprehensive income of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	323,479	-	45,910	-

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
Other comprehensive income reclassified using the overlay approach	\$ 27,606,469	24	\$ 60,499,654	91
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>685,372</u>	<u>-</u>	<u>(6,941,704)</u>	<u>(10)</u>
Total other comprehensive income for the period, net of income tax	<u>36,239,262</u>	<u>31</u>	<u>76,967,269</u>	<u>115</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 73,801,691</u>	<u>63</u>	<u>\$ 84,140,653</u>	<u>126</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 38,108,670	33	\$ 7,009,028	11
Non-controlling interests	<u>(546,241)</u>	<u>(1)</u>	<u>164,356</u>	<u>-</u>
	<u>\$ 37,562,429</u>	<u>32</u>	<u>\$ 7,173,384</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 72,875,554	62	\$ 83,553,949	125
Non-controlling interests	<u>926,137</u>	<u>1</u>	<u>586,704</u>	<u>1</u>
	<u>\$ 73,801,691</u>	<u>63</u>	<u>\$ 84,140,653</u>	<u>126</u>
EARNINGS PER SHARE (Note 29)				
From continuing operations and discontinued operations				
Basic earnings per share	<u>\$ 2.60</u>		<u>\$ 0.48</u>	
From continuing operations				
Basic earnings per share	<u>\$ 2.62</u>		<u>\$ 0.50</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company															Non-controlling Interests	Total Equity
	Share Capital						Retained Earnings			Other Equity							
	Ordinary Shares	Preferred Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using the Overlay Approach	Others	Total		
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340	\$ 12,867,695	\$ 611,708,035
Changes from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	598	-	-	(15)	-	-	-	-	-	-	-	-	583	-	583
Net income for the three months ended March 31, 2023	-	-	-	-	-	7,009,028	-	-	-	-	-	-	-	-	7,009,028	164,356	7,173,384
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	76,544,921	422,348	76,967,269
Total comprehensive income (loss) for three months ended March 31, 2023	-	-	-	-	-	7,009,028	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	83,553,949	586,704	84,140,653
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539	-	16,539
Disposal of equity instruments at fair value through other comprehensive loss	-	-	-	-	-	(27,558)	-	27,558	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,648)	(18,648)
BALANCE AT MARCH 31, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,335,184	\$ 73,747,059	\$ 150,768,651	\$ 237,313,217	\$ (12,836,193)	\$ (37,783,629)	\$ 1,051,999	\$ (288,308)	\$ (1,213,231)	\$ 12,609,000	\$ (115,824,114)	\$ (2,493,326)	\$ 682,411,411	\$ 13,435,751	\$ 695,847,162
BALANCE AT JANUARY 1, 2024	\$ 146,692,102	\$ 15,333,000	\$ 202,793,453	\$ 72,994,637	\$ 378,461,911	\$ 50,240,458	\$ (12,961,984)	\$ (14,758,415)	\$ 510,499	\$ (833,793)	\$ (1,117,660)	\$ 12,612,706	\$ (60,150,205)	\$ (1,762,024)	\$ 788,054,685	\$ 13,390,967	\$ 801,445,652
Changes from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	41,634	-	-	(144,649)	-	-	-	-	-	-	-	-	(103,015)	-	(103,015)
Net income for the three months ended March 31, 2024	-	-	-	-	-	38,108,670	-	-	-	-	-	-	-	-	38,108,670	(546,241)	37,562,429
Other comprehensive income (loss) for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	-	3,375,529	6,061,344	(297,722)	167,837	(3,683)	(3,706)	25,467,285	-	34,766,884	1,472,378	36,239,262
Total comprehensive income (loss) for three months ended March 31, 2024	-	-	-	-	-	38,108,670	3,375,529	6,061,344	(297,722)	167,837	(3,683)	(3,706)	25,467,285	-	72,875,554	926,137	73,801,691
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	270,568	-	(270,568)	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(278,561)	(278,561)
BALANCE AT MARCH 31, 2024	\$ 146,692,102	\$ 15,333,000	\$ 202,835,087	\$ 72,994,637	\$ 378,461,911	\$ 88,475,047	\$ (9,586,455)	\$ (8,967,639)	\$ 212,777	\$ (665,956)	\$ (1,121,343)	\$ 12,609,000	\$ (34,682,920)	\$ (1,762,024)	\$ 860,827,224	\$ 14,038,543	\$ 874,865,767

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax from continuing operations	\$ 43,228,931	\$ 7,389,729
Loss before income tax from discontinued operations	(136,297)	(152,305)
Adjustments for:		
Depreciation expense	1,384,062	1,316,984
Amortization expense	806,688	787,702
Bad debt expense (reversal of bad debt expense)	2,302,172	(346,238)
Loss (gain) on financial assets and liabilities at fair value through profit or loss	54,931,448	(77,136,259)
Interest expense	16,195,736	12,456,799
Net gain on derecognition of financial assets at amortized cost	(156,283)	(2,027,063)
Interest income	(78,628,260)	(71,970,065)
Dividend income	(2,598,233)	(1,826,854)
Net change in insurance liabilities	110,461,971	23,011,135
Net changes in other provisions	11,788,726	(7,336,536)
Compensation cost of share-based payments	-	16,539
Share of profit of associates and joint ventures accounted for using the equity method	(549,747)	(684,549)
Loss on reclassification using the overlay approach	27,606,469	60,499,654
(Gain) loss on disposal and retirement of property and equipment	(66,193)	4,252
Gain on disposal of investment properties	(1,740)	(4,926)
Gain on disposal of investments	(838,547)	(95,629)
Expected credit loss on financial assets	380,310	133,903
Loss on changes in fair value of investment properties	2,777	9,390
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,013,153)	(1,505,209)
Financial assets at fair value through profit or loss	131,399,629	3,983,839
Financial assets at fair value through other comprehensive income	(68,782,738)	46,317,556
Debt instruments at amortized cost	(71,653,964)	32,180,405
Financial assets for hedging	(441,987)	58,422
Receivables	(31,917,222)	4,348,879
Loans	(115,023,064)	(53,491,468)
Reinsurance assets	(251,028)	30,371
Other financial assets	(640,150)	663,235
Other assets	1,248,417	(4,194,764)
Deposits from the Central Bank and banks	7,272,993	53,272,635
Financial liabilities at fair value through profit or loss	(77,578,501)	(68,264,017)
Financial liabilities for hedging	(539,112)	(284,006)
Notes and bonds sold under repurchase agreements	6,052,740	9,279,501
Payables	9,255,865	(3,205,694)
Deposits and remittances	(47,360,557)	51,039,536
Provisions for employee benefits	(319,166)	(703,819)
Provisions	53,837	(189,034)

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CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
Other financial liabilities	\$ (1,049,954)	\$ 6,578,951
Other liabilities	<u>(8,518,448)</u>	<u>1,336,840</u>
Cash (used in) generated from operations	(83,691,573)	21,297,822
Interest received	75,896,576	69,560,529
Dividends received	2,567,819	1,820,970
Interest paid	(12,484,705)	(7,662,272)
Income tax paid	<u>(883,215)</u>	<u>(754,985)</u>
Net cash (used in) generated from operating activities	<u>(18,595,098)</u>	<u>84,262,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(6,957,088)	(6,043,737)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,836,780	3,721,925
Acquisition of financial assets at fair value through profit or loss	(203,108)	(597,905)
Proceeds from disposal of financial assets at fair value through profit or loss	592,071	139,125
Net of cash outflow on acquisition of subsidiaries (after deduction of cash and cash equivalent balances acquired)	-	(163,929)
Acquisition of property and equipment	(831,545)	(1,204,987)
Proceeds from disposal of property and equipment	153,282	346
Acquisition of intangible assets	(155,518)	(99,136)
Acquisition of investment properties	(5,888,863)	(1,295,385)
Proceeds from disposal of investment properties	13,520	58,236
Other assets	<u>(20,001,217)</u>	<u>25,727,578</u>
Net cash (used in) generated from investing activities	<u>(27,441,686)</u>	<u>20,242,131</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Commercial paper payable	(7,160,000)	3,020,000
Proceeds from issuance of corporate bonds	11,000,000	-
Other borrowings	2,941,492	(91,320)
Repayment of the principal portion of lease liabilities	(488,313)	(628,917)
Other liabilities	(3,273,354)	(1,935,723)
Changes in non-controlling interests	<u>(278,561)</u>	<u>(34,233)</u>
Net cash generated from financing activities	<u>2,741,264</u>	<u>329,807</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(467,156)</u>	<u>(188,808)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (43,762,676)	\$ 104,645,194
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>602,451,757</u>	<u>620,603,407</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 558,689,081</u>	<u>\$ 725,248,601</u>
Reconciliation of cash and cash equivalents:		
	March 31	
	2024	2023
Cash and cash equivalents presented in the consolidated balance sheets	\$ 310,087,265	\$ 424,399,997
Cash and cash equivalents included in disposal groups held for sale	3,939,034	-
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	198,260,085	270,133,985
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>46,402,697</u>	<u>30,714,619</u>
Cash and cash equivalents at the end of the period	<u>\$ 558,689,081</u>	<u>\$ 725,248,601</u>

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

On December 31, 2001, Cathay Financial Holding Co., Ltd. (the “Company” or “Cathay Financial Holdings”) was incorporated through a share swap with Cathay Life Insurance Co., Ltd. (“Cathay Life”) pursuant to the Financial Holding Company Act, Company Act and related laws and regulations and Cathay Life became a wholly-owned subsidiary of the Company. On the same day, Cathay Life’s shares were delisted and the Company’s shares have been listed on the Taiwan Stock Exchange.

On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay Commercial Bank Co., Ltd. (“Cathay Bank”) became wholly-owned subsidiaries of the Company through share swaps. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) also became a wholly-owned subsidiary of the Company through a share swap. On October 27, 2003, UWCCB was merged with Cathay Bank in accordance with the Financial Institutions Merger Act and related laws and regulations; UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). The Company acquired all issued shares of Lucky Bank Inc. through a share swap on August 25, 2006. To expand its business scale and improve competitiveness, Cathay United Bank merged with Lucky Bank Inc. on January 1, 2007 and acquired specific assets, liabilities, and business of China United Trust & Investment Corporation on December 29, 2007.

On May 12, 2004, the Company incorporated Cathay Securities Corporation (“Cathay Securities”) as a wholly-owned subsidiary. Cathay Venture Inc. (“Cathay Venture”) was incorporated on April 10, 2003; as resolved by the board of directors on August 10, 2009, Cathay Venture was merged with Cathay VC Inc., Cathay II NC Inc. and Cathay Capital Management Inc., in which Cathay Venture was the surviving company. On June 13, 2011, the Company was approved to acquire Cathay Securities Investment Trust Co., Ltd. (“Cathay Securities Investment Trust”) by the Financial Supervisory Commission (“FSC”) and acquired all issued shares of Cathay Securities Investment Trust by cash on June 24, 2011.

Cathay Life participated in and won the bid for the takeover of the assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by the Taiwan Insurance Guaranty Fund. Cathay Life entered into the general assignment and assumption agreement on March 27, 2015. Cathay Life assumed all assets, liabilities and operations of Global Life and Singfor Life, except for their reserved assets and liabilities on July 1, 2015.

Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs). The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C. The Company is mainly engaged in the business of financial holding company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on May 15, 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).

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027
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 to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

1) 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:

- A group of contracts that are onerous at initial recognition;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- 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:

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

Measurement on initial recognition

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

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

Subsequent measurement

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

Onerous contracts

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

- a) 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
- b) 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:

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

Redesignation of financial assets

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

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

2) IFRS 18 “Presentation and Disclosures in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- a) Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- b) The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- c) Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- d) Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Business Combinations

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

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

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

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

Foreign Currencies

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which 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 that interests in the associate are not related to the Group.

Property and Equipment

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

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

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

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property and equipment and if the exchange transaction has commercial substance.

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.

Investment Properties

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill

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

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

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

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

Disposal Groups Held for Sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 38.

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, Cathay Life and Cathay Century classify their credit assets as normal (“First Category”), assets that require special attention (“Second Category”), assets that are substandard (“Third Category”), assets that are doubtful (“Fourth Category”) and assets for which there is loss (“Fifth Category”) based on the borrower’s financial conditions and the delay for payment of principal and interests as well as the status of the loan collaterals and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:

- a) 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 of loan assets, 10% of the Third Category of loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.
- b) 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.
- c) Total unsecured portion of non-performing loans and non-accrual loans.

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

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, Cathay United Bank assesses the customers' financial position, the overdue payments of the principal and interest and the value of collaterals to classify credit assets into normal credit assets (excluding loans to the R.O.C. government) and unsound assets which should be further classified by special mention, substandard, doubtful and losses, for which minimum provisions of 1%, 2%, 10%, 50% and 100% of the outstanding balance, respectively. Furthermore, the FSC stipulates that banks should recognize the provision by at least 1.5% of normal credit assets in the mainland China (including short-term advances for trade finance) and loans for the mortgage and construction loans that have been classified as normal assets, and further determine the allowance for losses based on the higher of the above-mentioned provision and the assessment of the expected credit losses.

Cathay United Bank and its subsidiaries write off credits deemed uncollectable after the write-off is proposed and approved by the board of directors. Recoveries of credits written off are recognized as a reversal of loss provision in current period.

3) Derecognition of financial assets

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

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

4) Offsetting of financial instruments

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

5) Reclassification of financial assets

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

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

b. 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 type and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement (any interest paid on such financial liabilities) recognized in profit or loss.

A financial liability may upon initial recognition be designated as at FVTPL only in one of the following circumstances:

- a) Such designation eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 38.

Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses and the amount after amortization.

2) 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.

d. Derivative financial instruments

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

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

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

e. Modification of financial instrument

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

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

Hedge Accounting

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

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

c. Hedges of net investments in foreign operations

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

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

Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements

Notes and bonds purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense over the life of each agreement.

Separate Accounts Insurance Products

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

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

Insurance Liability

a. Cathay Life

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 11004925801. Provision of reserve for the other insurance liabilities is as follows:

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

In accordance with Jin Guan Bao Tsai No. 11004931041 issued on August 24, 2021, starting from the 2003 policy year, the downward adjustments of the bonus due to the offset between mortality gain (loss) and gain (loss) from the difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

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

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

4) Special reserve

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

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

Insurance liabilities 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 unexpired insured risk, the calculation of unearned premium reserve is based on the unexpired risk of each insurance policy.

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 premiums 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.

2) Loss reserve

Loss reserve is provided for claims filed but not yet paid and claims 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 claims 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 automobile liability 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, fluctuation of risk and other special purpose.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Cathay Century 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 Insurances (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 insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and were 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 in accordance with 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 Notice, when the actual claims net of the debit amounts to special reserves for catastrophic events exceed the expected claims after deducting the special reserve for major accidents, or the total accumulated deposit reaches the full water level, an appropriate amount should be written off or recovered from the special reserves for fluctuation of risk pursuant to the third point of the “Regulations Governing the Reserves for Commercial-business Earthquake Insurance and Typhoon and Flood Insurance”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic events

Special reserves for catastrophic events are provided at the rates for each insurance type required by the authorities.

As a single event that meets the government’s definition of a major accident, special reserves for catastrophic events 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 reaches \$2,000 million.

Special reserves for catastrophic events that have been provided for more than 15 years may be reversed in the manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserves for commercial-business 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 amount 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 events 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 for other insurance types. 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 deficiencies 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 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

The contracts that need to be tested for liability adequacy required by IFRS 4 should use estimated future cash flow based on the current information on each balance sheet date for the test, and the contracts with recognized insurance liability are tested for liability adequacy. If the test shows that the liability is inadequate, the entire deficiency is recognized in liability adequacy reserve.

Liability Adequacy Test

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

Reserve for Insurance Contracts with the Nature of Financial Products

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

Reserve for Foreign Exchange Valuation

Cathay Life provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of various Reserve by Insurance Enterprises and Direction for Foreign Exchange Volatility Reserve by Life Insurance Enterprises.

Revenue and the Related Expenses Recognition

a. Cathay Life and its subsidiaries

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

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

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

- 2) Cathay Lujiazui Life

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

- 3) Cathay Life (Vietnam)

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

b. Cathay United Bank and its subsidiaries

1) Recognition of interest revenue and expense

Except for the financial assets and liabilities at FVTPL, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant provisions and recognized in the consolidated statement of profit or loss under “interest revenue” and “interest expense” items.

2) Recognition of service fee revenue and expense

The service fee revenue and expense are recognized once after the completion of the provision of the loan or other services; the service fee earned by the execution of the major project is recognized at the completion of the major project, service fee revenue and expense related to subsequent lending services are either amortized over the service period or included in the calculation of the effective interest rate on loans and receivables.

3) Customer loyalty program

The points earned by customers under loyalty programs are treated as multiple-element revenue arrangements, in which consideration is allocated to the goods or services and the award credits based on their fair values. The consideration is not recognized as earnings at the time of the original sales transaction but at the time when the points are redeemed and the obligation is fulfilled.

c. Cathay Century and its subsidiaries

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements delivered, and, on the balance sheet date, reinsurance premiums 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 on the insurance premiums are recognized pursuant to the Value-added and Non-value-added Business Tax Act and Stamp Tax Act on an accrual basis.

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 not discounted.

d. Cathay Securities

Revenue are mainly generated from brokerage, underwriting and advisory services. The services are based on stand-alone or negotiated pricing and provided based on the number of times services are provided. These services belong to the category where performance obligations are fulfilled at a point in time; thus, revenue is recognized when performance obligations are fulfilled.

Classification of Insurance Products

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

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

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

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

- a. Additional payments may be a significant portion of total contractual benefits.
- b. The amounts or timing for additional payments are contractually at the Group's discretion.
- c. Additional payments are contractually based on one of the following matters:
 - 1) The performance on a specified combination of contracts or a specified type of contract.
 - 2) The investment returns on a specified combination of assets held by the Group.
 - 3) The profit or loss of the Group, funds, or other entities.

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

Reinsurance

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

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

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

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

Provisions

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

Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 pandemic, and there is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Employee Benefits

a. 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.

b. Retirement benefits

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

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

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

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

c. 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.

d. Employee preferential interest rate deposits

Cathay United Bank offers preferential interest rate deposits for its current employees, which include preferential deposits and post-retirement preferential deposits for its current employees as well as preferential deposits for its retired employees, limited to a certain amount. The difference between the preferential interest rate and the market rate is considered as employee benefits.

In accordance with Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred in post-employment preferential interest deposits over those imputed at the market rate should qualify as post-employment benefits under IAS 19 “Employee Benefits” since the beneficiaries are retired employees. The retirement benefits should be accrued by actuarial method.

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

The Group has applied the exception to the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

c. Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of the inflation and interest rate fluctuations on the cash flow projection, discount rates and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

a. Estimated impairment of loans

The estimated impairment of loans is made with reference to the collateral status of the credit assets, the amount of the accumulated principal and interest due, and the length of the overdue period. The loans are classified after considering the changes in the credit of individual credit assets and the collection status. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment, based on the Group's historical experience, existing market conditions as well as forward looking estimates (i.e. probability of default and expected credit loss rates) as of the end of each reporting period. Refer to Note 38 for the key assumptions and inputs used.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 15 and 38.

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

Policy reserves for insurance contracts and investment contracts with discretionary participation features are based on actuarial models and assumptions made as the insurance contracts were established, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The assumptions are made based on the related laws and regulations.

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

2) Cathay Century and its subsidiaries

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

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 22,815,685	\$ 27,803,563	\$ 23,521,722
Cash in banks	152,463,422	158,001,481	196,573,679
Time deposits	60,108,288	53,839,934	120,276,124
Checks for clearing	5,605,526	5,947,591	3,193,747
Cash equivalents	10,776,460	3,093,800	20,142,597
Due from banks	58,360,196	72,206,499	60,732,714
Less: Loss allowance	<u>(42,312)</u>	<u>(61,044)</u>	<u>(40,586)</u>
	<u>\$ 310,087,265</u>	<u>\$ 320,831,824</u>	<u>\$ 424,399,997</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 516,096,294	\$ 506,051,539	\$ 434,514,310
Funds and beneficiary certificates	809,680,394	809,402,295	716,846,780
Government bonds	4,071,557	3,632,895	2,812,813
Corporate bonds	16,259,782	18,347,608	14,161,658
Financial debentures	75,943,852	88,703,390	87,093,779
Overseas bonds	296,884,051	285,765,963	279,018,956
Short-term notes	121,632,331	152,398,099	140,853,909
Futures trading margin	430,632	177,930	160,965
Structured time deposits	14,036,495	14,172,336	14,073,504
Derivative instruments	<u>80,776,622</u>	<u>130,531,636</u>	<u>73,439,614</u>
	<u>\$ 1,935,812,010</u>	<u>\$ 2,009,183,691</u>	<u>\$ 1,762,976,288</u>

Financial liabilities at FVTPL

Designated as at FVTPL			
Bonds	\$ 41,505,268	\$ 40,481,221	\$ 39,660,890
Held for trading			
Derivative instruments	139,384,412	105,791,323	88,612,352
Security lending payable (non-hedging)	1,147,129	620,605	502,791
Security lending payable (hedging)	<u>1,432</u>	<u>2,641</u>	<u>17,262</u>
	<u>\$ 182,038,241</u>	<u>\$ 146,895,790</u>	<u>\$ 128,793,295</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 501,984,732	\$ 497,172,467	\$ 425,911,760
Funds and beneficiary certificates	792,193,279	790,060,459	681,952,031
Financial debentures	20,840,148	20,403,467	20,242,897
Overseas bonds	277,959,997	284,895,978	277,867,689
Structured time deposits	<u>14,036,495</u>	<u>14,172,336</u>	<u>14,073,504</u>
	<u>\$ 1,607,014,651</u>	<u>\$ 1,606,704,707</u>	<u>\$ 1,420,047,881</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months ended March 31, 2024 and 2023 are as below:

	For the Three Months Ended March 31	
	2024	2023
Gain due to application of IFRS 9 to profit or loss	\$ 76,207,684	\$ 81,756,747
Gain if applying IAS 39 to profit or loss	<u>(48,601,215)</u>	<u>(21,257,093)</u>
Loss reclassified due to application of overlay approach	<u>\$ 27,606,469</u>	<u>\$ 60,499,654</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months ended March 31, 2024 and 2023 had increased from loss of \$53,299,075 thousand to \$80,905,544 thousand, and decreased from gain of \$78,819,088 thousand to \$18,319,434 thousand, respectively.

b. Financial liabilities designated as at FVTPL

In September 2014, Cathay United Bank was authorized to issue subordinated financial debentures amounting to US\$990 million; as of October 8, 2014, the issued subordinated financial debentures amounted to US\$660 million (perpetual) and US\$330 million (fifteen years) with a fixed interest rate of 5.10% and 4.00%, respectively, and the interest is payable annually. Cathay United Bank is authorized by the authorities to redeem the bonds at US\$660 million of bonds value after 12 years and after fulfilling the specified conditions.

In March 2017, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$300 million (thirty years), which were subsequently issued on November 24, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.10%.

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the three months ended March 31, 2024 and 2023, such interest rate swaps were valued with a net loss of \$618,494 thousand and net profit of \$1,077,319 thousand, respectively.

c. As of March 31, 2024, certain financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$445,579 thousand. The proceeds amounting to \$440,731 thousand were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$441,089 thousand before the end of April 2024. As of December 31, 2023 and March 31, 2023, none of the aforementioned financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in equity instrument at FVTOCI			
Stocks	<u>\$ 195,862,206</u>	<u>\$ 168,478,976</u>	<u>\$ 134,827,415</u>
Investments in debt instrument at FVTOCI			
Government bonds	143,159,022	114,422,572	91,402,076
Corporate bonds	88,025,297	79,128,665	75,007,669
Financial debentures	57,611,700	53,277,684	56,052,899
Overseas bonds	424,583,019	413,933,096	345,570,430
Asset-backed securities	24,569,332	18,546,743	13,361,246
Negotiable certificates of deposits	26,874,575	31,934,434	198,768,423
Less: Litigation deposits	(36,968)	(37,511)	(36,756)
Less: Deposits in the Central Bank	(2,065,429)	(2,112,072)	(2,084,881)
Less: Derivative collateral	<u>(7,149,471)</u>	<u>(1,311,512)</u>	<u>(4,208,684)</u>
	<u>755,571,077</u>	<u>707,782,099</u>	<u>773,832,422</u>
	<u>\$ 951,433,283</u>	<u>\$ 876,261,075</u>	<u>\$ 908,659,837</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the three months ended March 31, 2024 and 2023 were \$378,015 thousand and \$38,302 thousand, respectively. Those related to investment derecognized for the three months ended March 31, 2024 and 2023 were 0 thousand and \$256 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$2,300,947 thousand and \$2,009,477 thousand at the time of sale, and transferred unrealized gain of \$270,568 thousand and unrealized loss of \$27,558 thousand from other equity to retained earnings for the three months ended March 31, 2024 and 2023, respectively.
- d. As of March 31, 2024, December 31, 2023 and March 31, 2023, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$25,792,797 thousand, \$21,084,718 thousand and \$21,614,468 thousand, respectively. The proceeds amounting to \$22,259,503 thousand, \$17,909,086 thousand and \$19,434,573 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and will be/were repurchased for \$22,448,296 thousand, \$18,024,511 thousand and \$19,655,822 thousand before the end of September 2024, May 2024 and September 2023, respectively.
- e. As of March 31, 2024, December 31, 2023 and March 31, 2023, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$9,554,001 thousand, \$8,024,505 thousand and \$5,672,670 thousand, respectively.
- f. Refer to Note 31 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 38 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.
- h. Refer to Note 38 for information relating to reclassified debt instruments at FVTOCI to debt instruments at amortized cost.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits	\$ 12,942,486	\$ 11,522,602	\$ 8,802,978
Financial debentures	122,322,351	110,675,974	78,266,078
Corporate bonds	47,951,620	46,943,831	49,060,921
Government bonds	81,170,306	88,010,837	75,375,294
Overseas bonds	4,138,156,226	3,982,339,524	3,915,106,872
Financial asset beneficiary certificates	1,792,000	1,792,000	2,237,000
Asset-backed securities	73,545,309	70,746,917	64,200,249
Short-term notes	343,965,940	429,259,324	302,546,647
Less: Guarantee deposits	(1,497,573)	(1,497,930)	(1,526,962)
Less: Deposits in the Central Bank	(7,460,722)	(7,462,500)	(8,267,885)
Less: Derivative collateral	(8,606,856)	(145,703)	(1,685,403)
Less: Loss allowance (Note)	<u>(3,312,173)</u>	<u>(3,451,226)</u>	<u>(3,375,250)</u>
	<u>\$ 4,800,968,914</u>	<u>\$ 4,728,733,650</u>	<u>\$ 4,480,740,539</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of March 31, 2024, December 31, 2023 and March 31, 2023, the amounts were \$1,459 thousand, \$676 thousand and \$727 thousand, respectively.

- a. For the three months ended March 31, 2024 and 2023, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in losses on disposal of \$598,010 thousand and \$121,722 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$790,177 thousand and \$2,185,872 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in losses on disposal of \$35,884 thousand and \$37,087 thousand, respectively.
- b. As of March 31, 2024, December 31, 2023 and March 31, 2023, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$511,840 thousand, \$491,760 thousand and \$25,137,724 thousand, respectively. The proceeds amounting to \$473,459 thousand, \$409,406 thousand and \$19,296,338 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and will be/were repurchased for \$482,412 thousand, \$415,453 thousand and \$19,396,267 thousand before the end of July 2024, February 2024 and April 2023, respectively.
- c. Refer to Note 31 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 38 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

10. RECEIVABLES, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable	\$ 429,974	\$ 511,510	\$ 428,019
Accounts receivable	100,591,823	108,174,807	110,073,475
Interest receivables	75,197,124	70,899,120	66,438,665
Acceptances	965,963	1,316,484	1,087,748
Factoring receivables	3,531,463	2,695,574	3,993,331
Others	<u>106,751,217</u>	<u>70,005,353</u>	<u>37,616,092</u>
	287,467,564	253,602,848	219,637,330
Less: Loss allowance	<u>(5,795,899)</u>	<u>(5,344,477)</u>	<u>(4,247,178)</u>
	<u>\$ 281,671,665</u>	<u>\$ 248,258,371</u>	<u>\$ 215,390,152</u>

- a. The Group set aside an appropriate loss allowance for receivables and the movements in loss allowance for receivables were as follows:

For the three months ended March 31, 2024

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 565,354	\$ 393,971	\$ 1,730,384	\$ 2,689,709	\$ 57,255	\$ 2,746,964
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(24,473)	218,282	(4,985)	188,824	-	188,824
Transferred to credit-impaired financial assets	(6,165)	(77,875)	215,038	130,998	-	130,998
Transferred to 12-month ECLs	14,637	(93,823)	(2,258)	(81,444)	-	(81,444)
Derecognition of financial assets in the period	(176,633)	(79,721)	(86,666)	(343,020)	-	(343,020)
New financial assets purchased or originated	150,037	43,277	88,159	281,473	-	281,473
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	1,216	1,216
Written off as bad debt expense	-	-	(229,744)	(229,744)	-	(229,744)
Effects of exchange rate changes and others	<u>35,947</u>	<u>3,441</u>	<u>6,582</u>	<u>45,970</u>	<u>-</u>	<u>45,970</u>
Ending balance	<u>\$ 558,704</u>	<u>\$ 407,552</u>	<u>\$ 1,716,510</u>	<u>\$ 2,682,766</u>	<u>\$ 58,471</u>	<u>\$ 2,741,237</u>

For the three months ended March 31, 2023

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Beginning balance	\$ 506,839	\$ 360,011	\$ 1,591,166	\$ 2,458,016	\$ 58,994	\$ 2,517,010
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(18,186)	198,512	(3,327)	176,999	-	176,999
Transferred to credit-impaired financial assets	(3,579)	(25,314)	93,654	64,761	-	64,761
Transferred to 12-month ECLs	12,416	(96,498)	(2,864)	(86,946)	-	(86,946)
Derecognition of financial assets in the period	(154,487)	(81,924)	(45,155)	(281,566)	-	(281,566)
New financial assets purchased or originated	146,551	49,011	106,566	302,128	-	302,128
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(1,477)	(1,477)
Written off as bad debt expense	-	-	(126,297)	(126,297)	-	(126,297)
Effects of exchange rate changes and others	29,402	(2,377)	28,956	55,981	-	55,981
Ending balance	<u>\$ 518,956</u>	<u>\$ 401,421</u>	<u>\$ 1,642,699</u>	<u>\$ 2,563,076</u>	<u>\$ 57,517</u>	<u>\$ 2,620,593</u>

- b. Loss allowance for other receivables is provided by simplified approach and the reconciliation was as follows:

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 2,597,513	\$ 1,309,202
Provision for the period	457,144	320,945
Amounts written off	(18)	(3,589)
Amounts recovered	20	28
Foreign exchange	<u>3</u>	<u>(1)</u>
Ending balance	<u>\$ 3,054,662</u>	<u>\$ 1,626,585</u>

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On July 6, 2023, Cathay Life's Board of Directors resolved to dispose of all the shares of Conning Holdings Limited and its subsidiaries previously held by Cathay Life to Generali Investments Holding S.p.A. in exchange for approximately 16.75% of its shareholding. The transaction was approved by the Financial Supervisory Commission (FSC) and the Department of Investment Review, Ministry of Economic Affairs (MOEA) on December 21, 2023 and February 29, 2024, respectively, and the disposal was completed on April 3, 2024.

The above transaction met the criteria of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Therefore, the assets and liabilities related to the disposal of Conning Holdings Limited were reclassified as disposal groups held for sale, and the related profit or loss was expressed as profit or loss from discontinued operations. In order to conform to the presentation of discontinued operations in the consolidated statement of comprehensive income for the three months ended March 31, 2024, the Group reclassified the profit or loss of discontinued operations for the three months ended March 31, 2023 which made the information of comparison period more relevant.

a. Discontinued operation

The details of profit (loss) from discontinued operations and the related cash flow information were as follows:

	For the Three Months Ended March 31	
	2024	2023
Net income	\$ 2,442,660	\$ 2,167,791
Operating expense	<u>(2,227,532)</u>	<u>(1,995,768)</u>
Profit before tax	215,128	172,023
Income tax expense	<u>(88,037)</u>	<u>(58,294)</u>
Profit from discontinued operations before elimination	127,091	113,729
Elimination of transactions with related parties	<u>(351,425)</u>	<u>(324,328)</u>
Loss from discontinued operations	<u>\$ (224,334)</u>	<u>\$ (210,599)</u>
(Loss) profit from discontinued operations attributable to:		
Owners of the Company	\$ (275,252)	\$ (259,018)
Non-controlling interests	<u>50,918</u>	<u>48,419</u>
	<u>\$ (224,334)</u>	<u>\$ (210,599)</u>
Cash flows		
Operating activities	\$ (226,514)	\$ (401,463)
Investing activities	(18,222)	(229,925)
Financing activities	(280,487)	(69,426)
Effects of exchanges on cash and cash equivalents	<u>(815,782)</u>	<u>(839,949)</u>
Net cash outflows	<u>\$ (1,341,005)</u>	<u>\$ (1,540,763)</u>

b. Disposal groups held for sale

	March 31, 2024
Disposal groups held for sale	<u>\$ 25,955,138</u>
Liabilities directly associated with disposal groups classified as held for sale	<u>\$ 7,615,778</u>

Assets and liabilities held for sale related to the subsidiary Conning Holdings Limited are detailed below:

	March 31, 2024
<u>Disposal groups held for sale</u>	
Cash and cash equivalents	\$ 3,952,338
Receivables	2,114,257
Current tax assets	61,216
Financial assets at fair value through profit or loss	1,693,137
Financial assets at fair value through other comprehensive income	3,244
Property and equipment	1,050,842
Right-of-use assets	695,978
Intangible assets	15,470,518
Deferred tax assets	402,742
Other assets	<u>510,866</u>
	<u>\$ 25,955,138</u>
<u>Liabilities directly associated with disposal groups classified as held for sale</u>	
Payables	\$ 3,177,451
Lease liabilities	847,910
Deferred tax liabilities	1,024,188
Other liabilities	<u>2,566,229</u>
	<u>\$ 7,615,778</u>

The net proceeds from the disposal is expected to be higher than the carrying amount of the related net assets, and accordingly, no impairment loss should be recognized while reclassifying the assets and liabilities to disposal groups held for sale.

12. DISCOUNTS AND LOANS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Export negotiations	\$ 1,012,928	\$ 1,249,512	\$ 1,418,148
Loans	2,830,424,347	2,716,280,076	2,579,167,379
Discounts and overdrafts	1,240,930	1,279,933	1,237,775
Overdue loans	<u>9,781,372</u>	<u>8,670,902</u>	<u>7,905,775</u>
	2,842,459,577	2,727,480,423	2,589,729,077
Less: Loss allowance	<u>(45,054,751)</u>	<u>(42,960,023)</u>	<u>(40,242,298)</u>
	<u>\$ 2,797,404,826</u>	<u>\$ 2,684,520,400</u>	<u>\$ 2,549,486,779</u>

- a. As of March 31, 2024, the gross amount of domestic discounts and loans belonging to Cathay United Bank amounted to \$2,241,821,945 thousand and the allowance loss amounted to \$36,724,708 thousand.
- b. Refer to Note 38 for information relating to the credit risk management and impairment of discounts and loans.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Cathay Life	Life Insurance	100.00	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00	Note 1
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate-related business	99.00	99.00	99.00	
Cathay Life	Cathay Power Inc. ("Cathay Power")	Energy technical services	70.00	70.00	70.00	
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	77.89	77.89	69.44	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Security	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	87.24	87.24	86.34	
C&C	Pearlmark Real Estate, LLC ("Pearlmark")	Real estate investment and management	55.50	55.50	55.50	Note 3
Pearlmark	Pearlmark Real Estate Services, LLC	Real estate investment and management	100.00	100.00	100.00	Note 3
Pearlmark	PREP Investment Advisers, LLC	Real estate investment and management	100.00	100.00	100.00	Note 3
Pearlmark	PEP GP II, LLC	Real estate investment and management	52.00	52.00	52.00	Note 3
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP III LLC	Fund management services	100.00	100.00	100.00	Note 4
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.41	99.41	99.77	
Global Evolution Financial ApS	Global Evolution Fondsmaglerselskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Cathay Power	SUNRISE PV ONE CO., LTD. ("SUNRISE PV ONE")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Cathy Sunrise Two Co., Ltd. ("Cathy Sunrise Two")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Bai Yang Energy Co., Ltd. ("Bai Yang Energy")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. ("Cathy Sunrise Electric Power Two")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. ("Hong Cheng Sing Tech")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Shen Lyu Co., Ltd. ("Shen Lyu")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Nan Yang Power Co., Ltd. ("Nan Yang Power")	Energy technical services	80.00	80.00	80.00	
Cathay Power	CM Energy Co., Ltd. ("CM Energy")	Energy technical services	70.00	70.00	70.00	
Cathay Power	Neo Cathy Power Corp. ("Neo Cathy Power")	Energy technical services	100.00	100.00	100.00	
Cathay Power	Cathay Wind Power Holdings CO., LTD. ("Cathay Wind Power Holdings")	Energy technical services	100.00	100.00	-	Note 5
Cathay Power	Cathay Wind Power CO., LTD. ("Cathay Wind Power")	Energy technical services	-	100.00	-	Note 6
SUNRISE PV ONE	Shu Guang Energy Co., Ltd. ("Shu Guang Energy")	Energy technical services	70.00	70.00	70.00	
CM Energy	Hong Tai Energy Co., Ltd. ("Hong Tai Energy")	Energy technical services	100.00	100.00	100.00	
CM Energy	Tian Ji Energy Co., Ltd. ("Tian Ji Energy")	Energy technical services	100.00	100.00	100.00	
CM Energy	Tian Ji Power Co., Ltd. ("Tian Ji Power")	Energy technical services	100.00	100.00	100.00	
CM Energy	Chen Fong Power Co., Ltd. ("Chen Fong Power")	Energy technical services and electric power supply, electric transmission and power distribution machinery manufacturing	-	-	100.00	Note 7
Hong Tai Energy	Hong Tai Power Co., Ltd. ("Hong Tai Power")	Energy technical services	100.00	100.00	100.00	
Neo Cathy Power	Si Yi Co., Ltd. ("Si Yi")	Energy technical services	100.00	100.00	100.00	
Neo Cathy Power	Da Li Energy Co., Ltd. ("Da Li")	Energy technical services	100.00	100.00	100.00	
Neo Cathy Power	Yong Han Co., Ltd. ("Yong Han")	Energy technical services	100.00	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2024	December 31, 2023	March 31, 2023	
Cathay Wind Power Holdings	Cathay Wind Power CO., LTD. (“Cathay Wind Power”)	Energy technical services	100.00	-	-	Note 6
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. (“Cathay Insurance (Vietnam)”)	Property insurance	100.00	100.00	100.00	
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Banking	50.00	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited (“CUBC Bank”)	Banking	100.00	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. (“CUBCN Bank”)	Banking	100.00	100.00	100.00	
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Investment service	49.00	49.00	49.00	Note 8
Cathay Securities	Cathay Futures Co., Ltd. (“Cathay Futures”)	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Limited. (“Cathay Securities (Hong Kong)”)	Securities-related businesses	100.00	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited (“Cathay Capital (Asia)”)	Investment service	100.00	100.00	100.00	
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. (“Cathay Private Equity”)	Private equity	100.00	100.00	100.00	

(Concluded)

Note 1: On July 6, 2023, Cathay Life’s board of directors resolved to exchange all of its equity shares in CHL and its subsidiaries for approximately 16.75% of equity shares in Generali Investments Holding S.p.A. The Ministry of Economic Affairs, R.O.C. has approved the transaction on February 29, 2024 and the disposal was completed on April 3, 2024.

Note 2: On March 28, 2023, June 21, 2023 and September 12, 2023, non-controlling interests exercised the put options on the subsidiary’s shares, and CHL’s ownership interest increased from 69.19% to 69.44%, from 69.44% to 69.85% and from 69.85% to 77.89%.

Note 3: On March 28, 2023, C&C acquired 55.50% of Pearlmark shares in cash and obtained control of Pearlmark and its subsidiaries. Refer to Note 40 for information relating to the business combination.

Note 4: Octagon Funds GP III LLC was established on March 15, 2023.

Note 5: Cathay Wind Power Holdings was established on December 28, 2023.

Note 6: Cathay Wind Power was established on December 29, 2023 and held by Cathay Wind Power Holdings on January 12, 2024.

Note 7: On May 2, 2023, CM Energy disposed of Chen Fong Power’s shares. Refer to Note 41 for the description of the disposal of the subsidiaries.

Note 8: CUBC Bank substantially controls over CUBC-I’s operations and the composition of its board of directors with 49% ownership through proxy agreements with the remaining shareholders and holding 100% of economic benefit, therefore listing as a subsidiary of CUBC Bank.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			March 31, 2024	December 31, 2023	March 31, 2023	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Security investment consulting services	100.00	100.00	100.00	

The consolidated financial statements did not include the above-mentioned subsidiary because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Group.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in unconsolidated subsidiaries	\$ 768,487	\$ 696,540	\$ 733,173
Investments in associates	<u>34,137,921</u>	<u>33,515,776</u>	<u>32,401,209</u>
	<u>\$ 34,906,408</u>	<u>\$ 34,212,316</u>	<u>\$ 33,134,382</u>

a. Investments in unconsolidated subsidiaries

	March 31, 2024	December 31, 2023	March 31, 2023
Cathay Securities Investment Consulting	<u>\$ 768,487</u>	<u>\$ 696,540</u>	<u>\$ 733,173</u>

b. Investments in associates

	March 31, 2024	December 31, 2023	March 31, 2023
Rizal Commercial Banking Corporation	\$ 18,882,920	\$ 18,673,120	\$ 17,049,095
Cathay Insurance Company Limited (China)	5,045,406	4,851,410	5,080,415
CMG International Two Co., Ltd.	1,757,647	1,762,443	1,767,766
Taiwan Finance Corp.	1,704,855	1,693,418	1,534,509
CMG International One Co., Ltd.	1,546,570	1,550,749	1,553,552
PSS Co., Ltd.	1,132,886	1,091,135	1,015,535
Ding Teng Co., Ltd.	945,448	935,800	900,322
Dasheng IV Venture Capital Co., Ltd.	733,281	726,550	1,101,358
TaiYang Solar Power Co., Ltd.	575,804	557,707	514,149
Symphox Information Co., Ltd.	479,493	354,303	340,143
Dasheng Venture Capital Co., Ltd.	406,299	403,159	577,417
BSCOM Cathay Asset Management Co., Ltd.	230,462	230,536	283,055
ThrivEnergy Co., Ltd.	224,175	227,338	218,561
Tien-Tai Optronics Corporation	137,424	135,232	139,678
Tien-Tai II Optoelectronics Co., Ltd.	133,937	131,538	134,763
Taiwan Real-estate Management Corp.	99,282	99,255	94,905
Lin Yuan Property Management Co., Ltd.	81,460	70,934	75,783
Southern Electricity Corp.	17,476	17,882	18,026
Tien-Tai Management Consulting Co., Ltd.	<u>3,096</u>	<u>3,267</u>	<u>2,177</u>
	<u>\$ 34,137,921</u>	<u>\$ 33,515,776</u>	<u>\$ 32,401,209</u>

Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2024	2023
The Group's share of:		
Net income	\$ 478,311	\$ 639,745
Other comprehensive income (loss)	<u>246,849</u>	<u>(434,550)</u>
Total comprehensive income for the period	<u>\$ 725,160</u>	<u>\$ 205,195</u>

As the individual associates are not significant, the related financial information is disclosed aggregately. The amounts of the share of profit or loss and other comprehensive income (loss) of associates were based on non-reviewed financial statements.

The investments in associates were not pledged as collateral.

15. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
Balance at January 1, 2023	\$ 319,283,898	\$ 121,607,590	\$ 5,747,767	\$ 1,501,343	\$ 448,140,598
Additions	-	-	1,295,136	249	1,295,385
Disposals	(28,998)	(24,312)	-	-	(53,310)
Other reclassification	-	9,390	171,198	(180,588)	-
Loss on changes in fair value of investment property	-	(9,390)	-	-	(9,390)
Foreign exchange	178,140	309,979	11,440	20,537	520,096
Others (Note)	(11,231)	-	-	-	(11,231)
Balance at March 31, 2023	<u>\$ 319,421,809</u>	<u>\$ 121,893,257</u>	<u>\$ 7,225,541</u>	<u>\$ 1,341,541</u>	<u>\$ 449,882,148</u>
Balance at January 1, 2024	\$ 323,264,818	\$ 125,249,682	\$ 8,983,487	\$ 4,188,723	\$ 461,686,710
Additions	-	-	2,583,481	3,305,382	5,888,863
Disposals	(7,053)	(4,727)	-	-	(11,780)
Other reclassification	-	2,777	1,229,208	(1,232,351)	(366)
Loss on changes in fair value of investment property	-	(2,777)	-	-	(2,777)
Foreign exchange	306,960	633,653	93,227	112,022	1,145,862
Others (Note)	(11,231)	-	-	-	(11,231)
Balance at March 31, 2024	<u>\$ 323,553,494</u>	<u>\$ 125,878,608</u>	<u>\$ 12,889,403</u>	<u>\$ 6,373,776</u>	<u>\$ 468,695,281</u>

Note: It is the compensation for urban renewal and demolition of Cathay United Bank.

	For the Three Months Ended March 31	
	2024	2023
Rental income from investment properties	\$ 3,178,314	\$ 3,152,643
Direct operating expenses from investment properties that generate rental income	(170,456)	(179,193)
Direct operating expenses from investment properties that do not generate rental income	<u>(43,749)</u>	<u>(4,780)</u>
	<u>\$ 2,964,109</u>	<u>\$ 2,968,670</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- As of March 31, 2024, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$411,639,791 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum.

- c. The ownership of the Group’s investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other’s debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates of December 31, 2023 and 2022. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were still in effect on March 31, 2024 and 2023, respectively.

Name of Appraiser Firms	December 31	
	2023	2022
DTZ Real Estate Appraiser Firm	Changda, Yang; Genyuan, Li; Chiaho, Tsai; Chunchun, Hu	Changda, Yang; Genyuan, Li; Chiaho, Tsai; Chunchun, Hu
Savills plc Real Estate Appraiser Firm	Yufen, Ye; Yizhi, Zhang; Hongkai, Zhang; Chengye, Wu; Shiyu, Ye	Yufen, Ye; Yizhi, Zhang; Hongkai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Yuhsiang, Tsai; Hsiangyi, Hsu	Yuhsiang, Tsai; Hsiangyi, Hsu
V-LAND Real Estate Appraiser Firm	Hischung, Wang	Hischung, Wang
Shang-shang Real Estate Appraiser Firm	Hongyuan, Wang; Jianhao, Huang	Hongyuan, Wang; Jianhao, Huang
Sinyi Real Estate Appraiser Firm	Weixin, Chi; Liangan, Ji; Wenzhe, Cai; Shiming, Wang	Weixin, Chi; Liangan, Ji; Wenzhe, Cai; Shiming, Wang
Elite Real Estate Appraiser Firm	Yulin, Chen; Yihui, Luo; Xiuying, Zhan	Yulin, Chen; Yihui, Luo
CBRE Real Estate Appraiser Firm	Fuxue Shi	Fuxue, Shi; Chihwei, Li
China Credit Information Service Ltd.	ZhiHao, Wu; WeiRu, Li	ZhiHao, Wu; WeiRu, Li
LinkU Real Estate Appraisal and Consulting Services	LinYu, Lian	LinYu, Lian; ShengFeng, Lai
Colliers International Group Inc.	Fengru Ke; Jianhui Gu	FengRu, Ke

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

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

The main inputs used are as follows:

	December 31	
	2023	2022
Direct capitalization rates (net)	0.43%-5.50%	0.44%-5.15%
Discount rates	2.82%-4.63%	2.82%-4.50%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate. The discount rates for the properties acquired after May 11, 2020 had been determined in accordance with the amendment to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

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

- e. Cathay United Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2023 and 2022, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation dates and clarified that the valuation reports were still in effect on March 31, 2024 and 2023, respectively.

Name of Appraiser Office	December 31	
	2023	2022
Euro-Asia Real Estate Appraisers Firm	Zongting Xie	-
REPro Knight Frank Real Estate Appraiser Firm	-	XiangYi, Hsu; YouXiang, Cai

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include the income approach (such as discounted cash flow model and direct capitalization approach), comparison approach and cost approach. The significant unobservable inputs mainly include discount rates and the related adjustments, and categorized as level 3 of fair value hierarchy.

- 1) As office buildings have market liquidity and the rentals are similar to those of comparable properties in neighboring areas, the fair values have been mainly determined using the comparison approach and the income approach.

Net rental income is based on current market practices, assuming an annual rental increase between 0% to 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

According to the ROC Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values provided by each city/county to estimate the total current house value considering the area of the subject property and related public utilities. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

Land value tax is calculated based on the changes in the announced land values of the underlying property in the past years and the actual payment data.

According to the ROC Real Estate Appraisers Association Gazette No. 5, replacement allowance for significant renovation cost is calculated based on 10% of construction costs and amortized over its estimated useful life of 20 years.

The main inputs used are as follows:

	December 31	
	2023	2022
Direct capitalization rates	1.50%-1.94%	1.13%-4.03%
Overall capital interest rate	1.09%-1.18%	0.84%-2.50%

- 2) The fair values of hillside conservation zones, farmlands, scenic areas and suburban residences had been determined mainly by the land development analysis, cost approach and comparison approaches due to fewer market transactions in such areas as a result of legal restrictions and furthermore, no significant changes are expected in these areas that will affect the market in the near future.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei, Luo) that met the qualification requirements for real estate appraisers in the R.O.C., respectively, with valuation dates at December 31, 2023 and 2022, respectively. The appraiser reviewed the original valuation reports issued on December 31, 2023 and 2022 and clarified that the valuation reports were still in effect on March 31, 2024 and 2023, respectively.

The fair value of investment property is determined by income approach with significant assumptions as follows. If estimated future cash inflows increase or discount rate decreases, the fair value will increase.

	December 31	
	2023	2022
Estimated future cash inflows	\$ 464,900	\$ 460,417
Estimated future cash outflows	<u>(15,298)</u>	<u>(15,041)</u>
Estimated net cash inflows	<u>\$ 449,602</u>	<u>\$ 475,458</u>
Discount rate	2.845%	2.72%
Direct capitalization rate	2.46%	2.48%

The market monthly rentals in 2023 and 2022 ranged from \$4 thousand to \$6 thousand per ping in the areas where the investment property is located.

The investment properties were entirely leased under operating leases, and generated rental income of \$\$1,992 thousand and \$1,954 thousand for the three months ended March 31, 2024 and 2023, respectively.

The estimated future cash inflows consist of rental income, interest of deposit and value of disposal at the final of the period. Rental income is estimated for the current rent and the annual growth rate of the rent. The period of benefit analysis is estimated for 10 years. Interest of deposit is estimated based on the interest rate on a 1-year time deposit of the 5 largest banks for the past year. The value of disposal at the final of the period is estimated using the direct capitalization method. The estimated future cash outflows consist of land tax, house tax, and replacement allowance, which are estimated on the basis of current expenditures, adjustments to the future announced land value, and tax rates in accordance with the House Tax Act.

The discount rate on December 31, 2023 and 2022 are determined based on the interest rate on a 2-year time deposit of petty cash plus 5 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium.

- g. Reconciliations for Level 3 fair value measurements are as follows:

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 418,882,038	\$ 416,636,209
Amount recognized in profit or loss		
Loss from investment property	(2,777)	(9,390)
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	940,613	488,119
Disposals	(11,780)	(53,310)
Transfers from investment property under construction	2,777	9,390
Others	<u>(11,231)</u>	<u>(11,231)</u>
Ending balance	<u>\$ 419,799,640</u>	<u>\$ 417,059,787</u>

The above amount excludes those measured at cost.

- h. Refer to Note 31 for information relating to investment properties pledged as collateral for short-term bank borrowings.

16. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost								
Balance at January 1, 2023	\$ 69,408,189	\$ 45,560,623	\$ 10,907,605	\$ 1,502,267	\$ 133,897	\$ 24,189,936	\$ 2,335,971	\$ 154,038,488
Additions	-	-	158,136	7,129	1,154	451,887	586,681	1,204,987
Acquisitions through business combinations (Note 40)	-	-	6,946	-	-	1,077	-	8,023
Disposals	-	-	(53,791)	-	-	(83,995)	-	(137,786)
Reclassification	-	15,313	85,747	-	1,963	919,506	(1,014,549)	7,980
Foreign exchange	(4,809)	(708)	(10,685)	(80)	(1,000)	(3,688)	(156)	(21,126)
Balance at March 31, 2023	<u>69,403,380</u>	<u>45,575,228</u>	<u>11,093,958</u>	<u>1,509,316</u>	<u>136,014</u>	<u>25,474,723</u>	<u>1,907,947</u>	<u>155,100,566</u>
Depreciation and impairment								
Balance at January 1, 2023	98,268	24,682,675	7,422,110	1,024,463	98,577	12,161,504	-	45,487,597
Depreciation	-	220,746	298,272	29,091	2,147	355,687	-	905,943
Acquisitions through business combinations (Note 40)	-	-	5,618	-	-	1,043	-	6,661
Disposals	-	-	(51,932)	-	-	(81,256)	-	(133,188)
Reclassification	-	-	1,465	-	-	(1,465)	-	-
Foreign exchange	-	(95)	(4,319)	437	(715)	(2,465)	-	(7,157)
Balance at March 31, 2023	<u>98,268</u>	<u>24,903,326</u>	<u>7,671,214</u>	<u>1,053,991</u>	<u>100,009</u>	<u>12,433,048</u>	<u>-</u>	<u>46,259,856</u>
Carrying amount at March 31, 2023	<u>\$ 69,305,112</u>	<u>\$ 20,671,902</u>	<u>\$ 3,422,744</u>	<u>\$ 455,325</u>	<u>\$ 36,005</u>	<u>\$ 13,041,675</u>	<u>\$ 1,907,947</u>	<u>\$ 108,840,710</u>
Cost								
Balance at January 1, 2024	\$ 69,374,162	\$ 45,718,031	\$ 11,862,914	\$ 1,523,438	\$ 139,648	\$ 27,497,427	\$ 1,772,604	\$ 157,888,224
Additions	-	-	130,249	9,042	558	196,484	494,395	830,728
Disposals	(85,353)	-	(47,559)	(130)	(1,223)	(134,431)	-	(268,696)
Reclassification	-	1,049	55,220	1,760	1,811	351,651	(439,589)	(28,098)
Reclassified as held for sale	-	-	(1,364,751)	(306,334)	-	(113,757)	-	(1,784,842)
Foreign exchange	22,163	26,888	85,555	29,822	5,283	17,395	1,015	188,121
Balance at March 31, 2024	<u>69,310,972</u>	<u>45,745,968</u>	<u>10,721,628</u>	<u>1,257,598</u>	<u>146,077</u>	<u>27,814,769</u>	<u>1,828,425</u>	<u>156,825,437</u>
Depreciation and impairment								
Balance at January 1, 2024	98,268	25,553,727	8,303,277	1,100,038	105,034	13,357,416	-	48,517,760
Depreciation	-	217,711	305,108	30,935	2,170	400,029	-	955,953
Disposals	-	-	(47,479)	(130)	(1,223)	(132,775)	-	(181,607)
Reclassified as held for sale	-	-	(483,686)	(162,799)	-	(87,515)	-	(734,000)
Foreign exchange	-	11,461	43,128	19,876	3,930	13,281	-	91,676
Balance at March 31, 2024	<u>98,268</u>	<u>25,782,899</u>	<u>8,120,348</u>	<u>987,920</u>	<u>109,911</u>	<u>13,550,436</u>	<u>-</u>	<u>48,649,782</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 69,275,894</u>	<u>\$ 20,164,304</u>	<u>\$ 3,559,637</u>	<u>\$ 423,400</u>	<u>\$ 34,614</u>	<u>\$ 14,140,011</u>	<u>\$ 1,772,604</u>	<u>\$ 109,370,464</u>
Carrying amount at March 31, 2024	<u>\$ 69,212,704</u>	<u>\$ 19,963,069</u>	<u>\$ 2,601,280</u>	<u>\$ 269,678</u>	<u>\$ 36,166</u>	<u>\$ 14,264,333</u>	<u>\$ 1,828,425</u>	<u>\$ 108,175,655</u>

- Refer to Note 11 for information relating to the assets and liabilities of Conning Holdings Limited reclassified as the disposal groups held for sale on March 31, 2024.
- The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and construction	1-70 years
Computer equipment	3-8 years
Leasehold improvements	3-6 years or lease term
Transportation equipment	3-7 years
Other equipment	2-22 years
- Refer to Note 31 for the property and equipment that were pledged as collateral.

17. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Land	\$ 254,515	\$ 258,198	\$ 254,604
Buildings	4,678,108	5,192,036	4,843,237
Office equipment	40,660	19,633	14,236
Machine equipment	1,501	1,710	2,204
Transportation equipment	<u>82,941</u>	<u>85,023</u>	<u>74,146</u>
	<u>\$ 5,057,725</u>	<u>\$ 5,556,600</u>	<u>\$ 5,188,427</u>
Right-of-use assets presented as investment properties	<u>\$ 13,127,027</u>	<u>\$ 13,127,027</u>	<u>\$ 13,499,663</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 572,543</u>	<u>\$ 928,222</u>
Depreciation expense for right-of-use assets		
Land	\$ 3,661	\$ 3,497
Buildings	408,232	392,036
Office equipment	3,222	2,472
Machine equipment	232	237
Transportation equipment	<u>12,762</u>	<u>12,799</u>
	<u>\$ 428,109</u>	<u>\$ 411,041</u>

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amount	<u>\$ 19,365,514</u>	<u>\$20,030,215</u>	<u>\$ 19,414,697</u>

Range of discount rates for lease liabilities is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Land	1.24%-2.63%	1.24%-2.63%	1.24%-2.63%
Buildings	0.05%-8.57%	0.05%-8.57%	0.05%-8.57%
Office equipment	1.35%-4.75%	1.35%-4.76%	1.35%-4.76%
Machine equipment	0.36%-3.49%	0.36%-3.49%	0.36%-4.15%
Transportation equipment	0.25%-8.22%	0.25%-8.76%	0.22%-8.76%
Investment property - superficies right	2.82%-4.24%	2.82%-4.24%	2.82%-4.24%

18. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2023	\$ 7,565,876	\$ 37,659,600	\$ 402,858	\$ 5,995,545	\$ 23,566,077	\$ 216,149	\$ 75,406,105
Addition - acquired separately	99,136	-	-	-	-	-	99,136
Acquisitions through business combinations (Note 40)	-	-	-	-	147,658	-	147,658
Disposal	(87,517)	-	-	-	-	-	(87,517)
Reclassification	90,445	-	-	-	-	-	90,445
Foreign exchange	(42)	-	(3,332)	(49,592)	(98,141)	(1,801)	(152,908)
Balance at March 31, 2023	<u>\$ 7,667,898</u>	<u>\$ 37,659,600</u>	<u>\$ 399,526</u>	<u>\$ 5,945,953</u>	<u>\$ 23,615,594</u>	<u>\$ 214,348</u>	<u>\$ 75,502,919</u>
Amortization and impairment							
Balance at January 1, 2023	\$ 5,336,050	\$ 15,304,406	\$ -	\$ 2,914,844	\$ -	\$ 214,188	\$ 23,769,488
Amortization	244,800	447,103	-	95,799	-	-	787,702
Disposal	(87,517)	-	-	-	-	-	(87,517)
Foreign exchange	(257)	-	-	(23,956)	-	(1,771)	(25,984)
Balance at March 31, 2023	<u>\$ 5,493,076</u>	<u>\$ 15,751,509</u>	<u>\$ -</u>	<u>\$ 2,986,687</u>	<u>\$ -</u>	<u>\$ 212,417</u>	<u>\$ 24,443,689</u>
Carrying amount at March 31, 2023	<u>\$ 2,174,822</u>	<u>\$ 21,908,091</u>	<u>\$ 399,526</u>	<u>\$ 2,959,266</u>	<u>\$ 23,615,594</u>	<u>\$ 1,931</u>	<u>\$ 51,059,230</u>
Cost							
Balance at January 1, 2024	\$ 7,908,772	\$ 37,659,600	\$ 465,912	\$ 6,097,632	\$ 23,722,583	\$ 223,794	\$ 76,078,293
Addition - acquired separately	155,518	-	-	-	-	-	155,518
Acquisitions through business combinations (Note 40)	-	-	-	-	11,991	-	11,991
Disposal	(186,278)	-	-	-	-	-	(186,278)
Reclassification	78,038	-	-	-	-	-	78,038
Reclassified as held for sale	(35,765)	-	(484,936)	(6,346,616)	(12,187,864)	(223,130)	(19,278,311)
Foreign exchange	28,782	-	19,024	248,984	491,519	8,832	797,141
Balance at March 31, 2024	<u>\$ 7,949,067</u>	<u>\$ 37,659,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,038,229</u>	<u>\$ 9,496</u>	<u>\$ 57,656,392</u>
Amortization and impairment							
Balance at January 1, 2024	\$ 5,790,565	\$ 17,092,822	\$ -	\$ 3,310,815	\$ -	\$ 214,377	\$ 26,408,579
Amortization	258,442	447,103	-	101,143	-	-	806,688
Disposal	(186,278)	-	-	-	-	-	(186,278)
Reclassified as held for sale	(35,765)	-	-	(3,548,898)	-	(223,130)	(3,807,793)
Foreign exchange	21,041	-	-	136,940	-	8,753	166,734
Balance at March 31, 2024	<u>\$ 5,848,005</u>	<u>\$ 17,539,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,387,930</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 2,118,207</u>	<u>\$ 20,566,778</u>	<u>\$ 465,912</u>	<u>\$ 2,786,817</u>	<u>\$ 23,722,583</u>	<u>\$ 9,417</u>	<u>\$ 49,669,714</u>
Carrying amount at March 31, 2024	<u>\$ 2,101,062</u>	<u>\$ 20,119,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,038,229</u>	<u>\$ 9,496</u>	<u>\$ 34,268,462</u>

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

Computer software	1-10 years
Franchises	20 years
Customer relationships	5-15 years
Other intangible assets	3-6 years

b. The acquisition and primary movements in goodwill were as follows:

1) Cathay Life

Cathay Life recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., on July 1, 2015; (2) 100% interest in Conning Holdings Limited on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% on November 25, 2022; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022; (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Conning Holdings Limited) on March 28, 2023.

Refer to Note 11 for information relating to the assets and liabilities of Conning Holdings Limited reclassified as the disposal groups held for sale on March 31, 2024.

On May 2, 2023, CM Energy disposed of the interest in Chen Fong Power and the obtained goodwill was written off. Refer to Note 41 for information.

An annual impairment test for goodwill is performed regularly. Cathay Life and its subsidiaries estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

2) Cathay United Bank

Cathay United Bank acquired China United Trust & Investment Corporation on December 29, 2007 and recognized goodwill amounting to \$6,673,083 thousand.

Cathay United Bank acquired 70% of the shares of CUBC Bank on December 13, 2012 and recognized goodwill amounting to US\$10,570 thousand, then further acquired the remaining 30% of shares on September 16, 2013.

During impairment testing of goodwill, Cathay United Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

19. COMMERCIAL PAPER PAYABLE, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Nominal amount	\$ 69,370,000	\$ 76,530,000	\$ 76,900,000
Less: Discount on commercial paper payable	<u>(6,197)</u>	<u>(1,753)</u>	<u>(789)</u>
	<u>\$ 69,363,803</u>	<u>\$ 76,528,247</u>	<u>\$ 76,899,211</u>
Interest rate range	1.42%-1.86%	1.42%-1.58%	1.22%-1.48%

The above-mentioned commercial paper payable are guaranteed or accepted by the bill companies and banks.

20. DEPOSITS AND REMITTANCES

	March 31, 2024	December 31, 2023	March 31, 2023
Checking deposits	\$ 15,052,028	\$ 17,005,560	\$ 13,113,462
Demand deposits	754,860,597	756,651,235	739,947,827
Demand savings deposits	1,456,521,083	1,417,582,060	1,365,117,748
Time deposits	776,550,852	866,280,695	700,995,434
Time savings deposits	439,862,386	432,986,511	405,447,341
Negotiable certificates of deposit	4,894,725	3,906,933	5,908,732
Outward remittances and remittances payable	<u>1,880,460</u>	<u>2,569,694</u>	<u>5,945,081</u>
	<u>\$ 3,449,622,131</u>	<u>\$ 3,496,982,688</u>	<u>\$ 3,236,475,625</u>

21. BONDS PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
Financial debentures	\$ 27,100,000	\$ 27,100,000	\$ 37,146,179
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000	45,000,000
Unsecured corporate bonds	80,000,000	69,000,000	50,000,000
Unsecured cumulative subordinated corporate bonds	<u>35,014,620</u>	<u>34,841,430</u>	<u>-</u>
	<u>\$ 187,114,620</u>	<u>\$ 175,941,430</u>	<u>\$ 132,146,179</u>

a. Financial debentures

	March 31, 2024	December 31, 2023	March 31, 2023
1st of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	\$ -	\$ -	\$ 9,900,000
1st of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000	2,400,000
US dollars exchange rate structured note 6 months; interest rate between 4.8%-5.6%; maturity: June 2023 (US\$4,800 thousand)	<u>-</u>	<u>-</u>	<u>146,179</u>
	<u>\$ 27,100,000</u>	<u>\$ 27,100,000</u>	<u>\$ 37,146,179</u>

b. Cumulative perpetual subordinated corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. The key terms and conditions are as follows:
 - a) Issue amount: \$35,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$10,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.

c. Unsecured corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

- f) Form of bonds: Book-entry securities.
- 4) Pursuant to Order No. Securities-TPEX-Bond-11200056252 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 16, 2023 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$19,000,000 thousand, which is divided into A Note of \$10,100,000 thousand, and B Note of \$8,900,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each and is issued at par.
 - c) Years to maturity: A Note is 5 years and B Note is 10 years.
 - d) Coupon rate: Fixed rate of 1.62% for A Note and 1.82% for B Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- 5) Pursuant to Order No. Securities-TPEX-Bond-11300014662 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on March 26, 2024 through public offering. Key terms and conditions are as follows:
- a) Issue amount: \$11,000,000 thousand, which is divided into A Note of \$7,500,000 thousand, and B Note of \$3,500,000 thousand by period issued.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each and is issued at par.
 - c) Years to maturity: A Note is 5 years and B Note is 10 years.
 - d) Coupon rate: Fixed rate of 1.65% for A Note and 1.78% for B Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.
- d. Unsecured cumulative subordinated corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-11200070741 of the Taipei Exchange, Cathy Life issued its first unsecured cumulative subordinated ordinary corporate bonds on August 1, 2023. The key terms and conditions are as follows:
- a) Issue amount: \$25,100,000 thousand. According to the different issuance conditions, it is divided into two classes, A and B bonds, of which the issuance amount of Class A bond is \$17,600,000 thousand, and the issuance amount of Class B bond is \$7,500,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Class A Notes with 10 years, and Class B Notes with 15 years.
 - d) Coupon rate: Fixed rate of 3.70% for Class A Notes and 3.85% for Class B Notes.

- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: After 10 years of issuance of Class B Notes, if Cathay Life's risk-based capital ratio is greater than two times the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Forms of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-11200073801 of the Taipei Exchange, Cathy Life issued the second tranche of US-denominated unsecured cumulative subordinated corporate bonds on August 7, 2023 through public offering. The key terms and conditions are as follows:
- a) Issue amount: US\$113,000 thousand.
 - b) Principal amount and issue price: The face value is US\$100 thousand each, and is issued at par.
 - c) Years to maturity: 10 years.
 - d) Coupon rate: Fixed rate of 6.1%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: None.
 - g) Forms of bonds: Book-entry securities.
- 3) Pursuant to Order No. Securities-TPEX-Bond-11200097881 of the Taipei Exchange, Cathy Life issued the third tranche of US-denominated unsecured cumulative subordinated corporate bonds on October 4, 2023 through public offering. The key terms and conditions are as follows:
- a) Issue amount: US\$25,000 thousand.
 - b) Principal amount and issue price: The face value is US\$100 thousand each, and is issued at par.
 - c) Years to maturity: 10 years.
 - d) Coupon rate: Fixed rate of 6.1%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: None.
 - g) Forms of bonds: Book-entry securities.
- 4) Pursuant to Order No. Securities-TPEX-Bond-11200099051 of the Taipei Exchange, Cathy Life issued its fourth unsecured cumulative subordinated ordinary corporate bonds on October 12, 2023. The key terms and conditions are as follows:
- a) Issue amount: \$5,500,000 thousand. According to the different issuance conditions, it is divided into two classes, A and B bonds, of which the issuance amount of Class A bond is \$2,500,000 thousand, and the issuance amount of Class B bond is \$3,000,000 thousand.

- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Class A Notes with 10 years, and Class B Notes with 15 years.
- d) Coupon rate: Fixed rate of 3.70% for Class A Notes and 3.85% for Class B Notes.
- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
- f) Right of early redemption: After 10 years of issuance of Class B Notes, if Cathay Life's risk-based capital ratio is greater than two times the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
- g) Forms of bonds: Book-entry securities.

22. OTHER BORROWINGS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Secured borrowings (Note 31)</u>			
Bank loans	\$ 7,666,146	\$ 7,512,773	\$ 6,967,888
<u>Unsecured borrowings</u>			
Bank loans	<u>8,276,401</u>	<u>5,475,354</u>	<u>5,693,679</u>
	<u>\$ 15,942,547</u>	<u>\$ 12,988,127</u>	<u>\$ 12,661,567</u>
Borrowing interest rate	1.52%-10.25%	1.63%-9.95%	1.18%-6.21%

Certificates of deposits, New Taiwan dollar demand deposits, equipment and investment properties are pledged as collateral for the bank loans; refer to Note 31.

23. PROVISIONS

	March 31, 2024	December 31, 2023	March 31, 2023
Insurance liability			
Unearned premium reserve	\$ 39,068,626	\$ 39,198,209	\$ 35,730,510
Loss reserve	28,388,249	27,783,951	28,248,038
Policy reserve	6,928,358,921	6,820,368,466	6,704,101,300
Special reserve	12,860,539	12,843,875	12,725,078
Premium deficiency reserve	6,656,061	6,770,620	7,715,230
Reserve for insurance contracts with the nature of financial products	25,425,648	23,524,199	19,857,383

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
Reserve for foreign exchange valuation	\$ 32,562,052	\$ 20,773,326	\$ 42,166,921
Other reserve	<u>1,834,253</u>	<u>1,834,253</u>	<u>1,842,253</u>
	7,075,154,349	6,953,096,899	6,852,386,713
Provisions for employee benefits	3,260,385	3,579,551	3,364,348
Other provisions	<u>1,991,590</u>	<u>1,937,753</u>	<u>1,067,228</u>
	<u>\$ 7,080,406,324</u>	<u>\$ 6,958,614,203</u>	<u>\$ 6,856,818,289</u>

(Concluded)

As of March 31, 2024, policy reserve belonging to Cathay Life amounted to \$6,833,624,736 thousand.

a. Cathay Life and its subsidiaries

As of March 31, 2024, December 31, 2023 and March 31, 2023, the details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

	March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 81,134	\$ -	\$ 81,134
Individual injury insurance	7,976,310	-	7,976,310
Individual health insurance	11,278,817	-	11,278,817
Group insurance	1,739,682	-	1,739,682
Investment-linked insurance	<u>124,326</u>	-	<u>124,326</u>
	<u>21,200,269</u>	-	<u>21,200,269</u>
Less ceded unearned premium reserve			
Individual life insurance	779,814	-	779,814
Individual injury insurance	19,046	-	19,046
Individual health insurance	293,210	-	293,210
Group insurance	<u>529</u>	-	<u>529</u>
	<u>1,092,599</u>	-	<u>1,092,599</u>
	<u>\$ 20,107,670</u>	<u>\$ -</u>	<u>\$ 20,107,670</u>

December 31, 2023			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 79,580	\$ -	\$ 79,580
Individual injury insurance	8,248,894	-	8,248,894
Individual health insurance	11,840,331	-	11,840,331
Group insurance	1,416,029	-	1,416,029
Investment-linked insurance	<u>126,000</u>	<u>-</u>	<u>126,000</u>
	<u>21,710,834</u>	<u>-</u>	<u>21,710,834</u>
Less ceded unearned premium reserve			
Individual life insurance	917,216	-	917,216
Individual injury insurance	22,636	-	22,636
Individual health insurance	302,017	-	302,017
Group insurance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,241,869</u>	<u>-</u>	<u>1,241,869</u>
	<u>\$ 20,468,965</u>	<u>\$ -</u>	<u>\$ 20,468,965</u>

March 31, 2023			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 81,554	\$ -	\$ 81,554
Individual injury insurance	7,533,755	-	7,533,755
Individual health insurance	10,621,917	-	10,621,917
Group insurance	1,524,197	-	1,524,197
Investment-linked insurance	<u>124,008</u>	<u>-</u>	<u>124,008</u>
	<u>19,885,431</u>	<u>-</u>	<u>19,885,431</u>
Less ceded unearned premium reserve			
Individual life insurance	823,247	-	823,247
Individual injury insurance	22,535	-	22,535
Individual health insurance	232,919	-	232,919
Group insurance	<u>392</u>	<u>-</u>	<u>392</u>
	<u>1,079,093</u>	<u>-</u>	<u>1,079,093</u>
	<u>\$ 18,806,338</u>	<u>\$ -</u>	<u>\$ 18,806,338</u>

The changes in unearned premium reserve are summarized below:

	For the Three Months Ended March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 21,710,834	\$ -	\$ 21,710,834
Provision	20,860,782	-	20,860,782
Recovery	(21,380,683)	-	(21,380,683)
Foreign exchange	<u>9,336</u>	<u>-</u>	<u>9,336</u>
Ending balance	<u>21,200,269</u>	<u>-</u>	<u>21,200,269</u>
Less ceded unearned premium reserve			
Beginning balance	1,241,869	-	1,241,869
Decrease	<u>(149,270)</u>	<u>-</u>	<u>(149,270)</u>
Ending balance	<u>1,092,599</u>	<u>-</u>	<u>1,092,599</u>
Net ending balance	<u>\$ 20,107,670</u>	<u>\$ -</u>	<u>\$ 20,107,670</u>
	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 20,547,570	\$ -	\$ 20,547,570
Provision	19,557,817	-	19,557,817
Recovery	(20,221,081)	-	(20,221,081)
Foreign exchange	<u>1,125</u>	<u>-</u>	<u>1,125</u>
Ending balance	<u>19,885,431</u>	<u>-</u>	<u>19,885,431</u>
Less ceded unearned premium reserve			
Beginning balance	1,180,752	-	1,180,752
Decrease	<u>(101,659)</u>	<u>-</u>	<u>(101,659)</u>
Ending balance	<u>1,079,093</u>	<u>-</u>	<u>1,079,093</u>
Net ending balance	<u>\$ 18,806,338</u>	<u>\$ -</u>	<u>\$ 18,806,338</u>

	December 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Investment-linked insurance			
Filed but not paid	\$ 207,523	\$ -	\$ 207,523
Not yet filed	<u>584</u>	<u>-</u>	<u>584</u>
	<u>13,300,003</u>	<u>10,835</u>	<u>13,310,838</u>
Less ceded loss reserve			
Individual life insurance	102,672	-	102,672
Individual injury insurance	226	-	226
Individual health insurance	9,399	-	9,399
Group insurance	<u>4,899</u>	<u>-</u>	<u>4,899</u>
	<u>117,196</u>	<u>-</u>	<u>117,196</u>
	<u>\$ 13,182,807</u>	<u>\$ 10,835</u>	<u>\$ 13,193,642</u>

(Concluded)

	March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 3,608,631	\$ 87,275	\$ 3,695,906
Not yet filed	53,344	-	53,344
Individual injury insurance			
Filed but not paid	78,517	-	78,517
Not yet filed	2,232,042	-	2,232,042
Individual health insurance			
Filed but not paid	907,198	-	907,198
Not yet filed	3,848,505	-	3,848,505
Group insurance			
Filed but not paid	81,763	-	81,763
Not yet filed	1,511,324	-	1,511,324
Investment-linked insurance			
Filed but not paid	171,844	-	171,844
Not yet filed	<u>2,506</u>	<u>-</u>	<u>2,506</u>
	<u>12,495,674</u>	<u>87,275</u>	<u>12,582,949</u>
Less ceded loss reserve			
Individual life insurance	117,735	-	117,735
Individual injury insurance	35	-	35
Individual health insurance	8,151	-	8,151
Group insurance	<u>5,371</u>	<u>-</u>	<u>5,371</u>
	<u>131,292</u>	<u>-</u>	<u>131,292</u>
	<u>\$ 12,364,382</u>	<u>\$ 87,275</u>	<u>\$ 12,451,657</u>

The changes in loss reserve are summarized below:

	For the Three Months Ended March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 13,300,003	\$ 10,835	\$ 13,310,838
Provision	13,485,133	10,896	13,496,029
Recovery	(13,158,013)	(10,835)	(13,168,848)
Foreign exchange	<u>37,090</u>	<u>-</u>	<u>37,090</u>
Ending balance	<u>13,664,213</u>	<u>10,896</u>	<u>13,675,109</u>
Less ceded loss reserve			
Beginning balance	117,196	-	117,196
Increase	10,131	-	10,131
Decrease	(56,580)	-	(56,580)
Foreign exchange	<u>220</u>	<u>-</u>	<u>220</u>
Ending balance	<u>70,967</u>	<u>-</u>	<u>70,967</u>
Net ending balance	<u>\$ 13,593,246</u>	<u>\$ 10,896</u>	<u>\$ 13,604,142</u>

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,703,094	\$ 56,967	\$ 12,760,061
Provision	12,354,929	87,275	12,442,204
Recovery	(12,560,325)	(56,967)	(12,617,292)
Foreign exchange	<u>(2,024)</u>	<u>-</u>	<u>(2,024)</u>
Ending balance	<u>12,495,674</u>	<u>87,275</u>	<u>12,582,949</u>
Less ceded loss reserve			
Beginning balance	122,896	-	122,896
Increase	17,048	-	17,048
Decrease	(8,674)	-	(8,674)
Foreign exchange	<u>22</u>	<u>-</u>	<u>22</u>
Ending balance	<u>131,292</u>	<u>-</u>	<u>131,292</u>
Net ending balance	<u>\$ 12,364,382</u>	<u>\$ 87,275</u>	<u>\$ 12,451,657</u>

3) Policy reserve

	March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,879,232,008	\$ 2,391	\$ 5,879,234,399
Injury insurance	7,686,600	-	7,686,600
Health insurance	1,031,493,595	-	1,031,493,595
Annuity insurance	1,056,732	5,262,068	6,318,800
Investment-linked insurance	<u>3,130,711</u>	<u>-</u>	<u>3,130,711</u>
Total (Note 2)	<u>6,922,599,646</u>	<u>5,264,459</u>	<u>6,927,864,105</u>
Less ceded policy reserve			
Life insurance	345,205	-	345,205
Health insurance	<u>7,761</u>	<u>-</u>	<u>7,761</u>
	<u>352,966</u>	<u>-</u>	<u>352,966</u>
	<u>\$ 6,922,246,680</u>	<u>\$ 5,264,459</u>	<u>\$ 6,927,511,139</u>
	December 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,786,342,245	\$ 2,393	\$ 5,786,344,638
Injury insurance	7,656,551	-	7,656,551
Health insurance	1,016,307,238	-	1,016,307,238
Annuity insurance	1,052,875	5,624,513	6,677,388
Investment-linked insurance	<u>2,879,496</u>	<u>-</u>	<u>2,879,496</u>
Total (Note 2)	<u>6,814,238,405</u>	<u>5,626,906</u>	<u>6,819,865,311</u>
Less ceded policy reserve			
Life insurance	342,056	-	342,056
Health insurance	<u>5,948</u>	<u>-</u>	<u>5,948</u>
	<u>348,004</u>	<u>-</u>	<u>348,004</u>
	<u>\$ 6,813,890,401</u>	<u>\$ 5,626,906</u>	<u>\$ 6,819,517,307</u>

	March 31, 2023		
	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Life insurance (Note 1)	\$ 5,728,498,688	\$ 2,600	\$ 5,728,501,288
Injury insurance	7,544,469	-	7,544,469
Health insurance	956,848,641	-	956,848,641
Annuity insurance	1,083,188	7,262,957	8,346,145
Investment-linked insurance	<u>2,384,106</u>	<u>-</u>	<u>2,384,106</u>
Total (Note 2)	<u>6,696,359,092</u>	<u>7,265,557</u>	<u>6,703,624,649</u>
Less ceded policy reserve			
Life insurance	364,769	-	364,769
Health insurance	<u>5,295</u>	<u>-</u>	<u>5,295</u>
	<u>370,064</u>	<u>-</u>	<u>370,064</u>
	<u>\$ 6,695,989,028</u>	<u>\$ 7,265,557</u>	<u>\$ 6,703,254,585</u>

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

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,928,358,840 thousand, \$6,820,368,378 thousand and \$6,704,101,148 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

The changes in policy reserve are summarized below:

	For the Three Months Ended March 31, 2024		
	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Beginning balance	\$ 6,814,238,405	\$ 5,626,906	\$ 6,819,865,311
Provision	124,793,000	17,043	124,810,043
Recovery	(79,254,589)	(379,488)	(79,634,077)
Reclassification	141,547	-	141,547
Foreign exchange	<u>62,681,283</u>	<u>(2)</u>	<u>62,681,281</u>
Ending balance	<u>6,922,599,646</u>	<u>5,264,459</u>	<u>6,927,864,105</u>
Less ceded policy reserve			
Beginning balance	348,004	-	348,004
Increase	10,471	-	10,471
Decrease	(11,694)	-	(11,694)
Foreign exchange	<u>6,185</u>	<u>-</u>	<u>6,185</u>
Ending balance	<u>352,966</u>	<u>-</u>	<u>352,966</u>
Net ending balance	<u>\$ 6,922,246,680</u>	<u>\$ 5,264,459</u>	<u>\$ 6,927,511,139</u>

For the Three Months Ended March 31, 2023

	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Beginning balance	\$ 6,663,932,459	\$ 7,774,262	\$ 6,671,706,721
Provision	125,493,772	21,535	125,515,307
Recovery	(78,392,724)	(530,231)	(78,922,955)
Reclassification	61,314	-	61,314
Foreign exchange	<u>(14,735,729)</u>	<u>(9)</u>	<u>(14,735,738)</u>
Ending balance	<u>6,696,359,092</u>	<u>7,265,557</u>	<u>6,703,624,649</u>
Less ceded policy reserve			
Beginning balance	387,605	-	387,605
Increase	8,145	-	8,145
Decrease	(27,799)	-	(27,799)
Foreign exchange	<u>2,113</u>	<u>-</u>	<u>2,113</u>
Ending balance	<u>370,064</u>	<u>-</u>	<u>370,064</u>
Net ending balance	<u>\$ 6,695,989,028</u>	<u>\$ 7,265,557</u>	<u>\$ 6,703,254,585</u>

4) Special reserve

March 31, 2024

	Financial Instruments with Discretionary Participation			Total
	Insurance Contracts	Features	Others	
Participating policies dividends reserve	\$ 13,364	\$ -	\$ -	\$ 13,364
Dividend risk reserve	-	-	-	-
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 13,364</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,096,688</u>

December 31, 2023

	Financial Instruments with Discretionary Participation			Total
	Insurance Contracts	Features	Others	
Participating policies dividends reserve	\$ 7,215	\$ -	\$ -	\$ 7,215
Dividend risk reserve	-	-	-	-
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 7,215</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,090,539</u>

March 31, 2023				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Participating policies dividends reserve	\$ (7,882)	\$ -	\$ -	\$ (7,882)
Dividend risk reserve	10,448	-	-	10,448
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,566</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,890</u>

The changes in special reserve are summarized below:

For the Three Months Ended March 31, 2024				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 7,215	\$ -	\$ 11,083,324	\$ 11,090,539
Provision for participating policies dividends reserve	6,149	-	-	6,149
Recovery of dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 13,364</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,096,688</u>

For the Three Months Ended March 31, 2023				
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Others	Total
Beginning balance	\$ 2,409	\$ -	\$ 11,083,324	\$ 11,085,733
Provision for participating policies dividends reserve	5,515	-	-	5,515
Recovery of dividend risk reserve	<u>(5,358)</u>	<u>-</u>	<u>-</u>	<u>(5,358)</u>
Ending balance	<u>\$ 2,566</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,890</u>

5) Premium deficiency reserve

	March 31, 2024		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Features	Total
Individual life insurance	\$ 5,101,347	\$ -	\$ 5,101,347
Individual injury insurance	3,781	-	3,781
Individual health insurance	1,447,420	-	1,447,420
Group insurance	<u>103,497</u>	<u>-</u>	<u>103,497</u>
	<u>\$ 6,656,045</u>	<u>\$ -</u>	<u>\$ 6,656,045</u>
	December 31, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Features	Total
Individual life insurance	\$ 5,148,053	\$ -	\$ 5,148,053
Individual injury insurance	3,975	-	3,975
Individual health insurance	1,546,245	-	1,546,245
Group insurance	<u>72,335</u>	<u>-</u>	<u>72,335</u>
	<u>\$ 6,770,608</u>	<u>\$ -</u>	<u>\$ 6,770,608</u>
	March 31, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Features	Total
Individual life insurance	\$ 6,377,487	\$ -	\$ 6,377,487
Individual injury insurance	4,298	-	4,298
Individual health insurance	1,332,575	-	1,332,575
Group insurance	<u>36</u>	<u>-</u>	<u>36</u>
	<u>\$ 7,714,396</u>	<u>\$ -</u>	<u>\$ 7,714,396</u>

The changes in premium deficiency reserve are summarized below:

	For the Three Months Ended March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 6,770,608	\$ -	\$ 6,770,608
Provision	205,406	-	205,406
Recovery	(370,037)	-	(370,037)
Foreign exchange	<u>50,068</u>	<u>-</u>	<u>50,068</u>
Ending balance	<u>\$ 6,656,045</u>	<u>\$ -</u>	<u>\$ 6,656,045</u>

	For the Three Months Ended March 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 8,130,466	\$ -	\$ 8,130,466
Provision	-	-	-
Recovery	(396,427)	-	(396,427)
Foreign exchange	<u>(19,643)</u>	<u>-</u>	<u>(19,643)</u>
Ending balance	<u>\$ 7,714,396</u>	<u>\$ -</u>	<u>\$ 7,714,396</u>

6) Other reserve

	March 31, 2024		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,834,253</u>	<u>\$ -</u>	<u>\$ 1,834,253</u>

	December 31, 2023		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Others	<u>\$ 1,834,253</u>	<u>\$ -</u>	<u>\$ 1,834,253</u>

	March 31, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Discretionary Participation Features	Total
Others	<u>\$ 1,842,253</u>	<u>\$ -</u>	<u>\$ 1,842,253</u>

The changes in other reserve are summarized below:

	For the Three Months Ended March 31, 2024		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Discretionary Participation Features	Total
Beginning balance	\$ 1,834,253	\$ -	\$ 1,834,253
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,834,253</u>	<u>\$ -</u>	<u>\$ 1,834,253</u>

	For the Three Months Ended March 31, 2023		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Discretionary Participation Features	Total
Beginning balance	\$ 1,845,253	\$ -	\$ 1,845,253
Recovery	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Ending balance	<u>\$ 1,842,253</u>	<u>\$ -</u>	<u>\$ 1,842,253</u>

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2024	December 31, 2023	March 31, 2023
Unearned premium reserve	\$ 21,200,269	\$ 21,710,834	\$ 19,885,431
Policy reserve	6,928,358,840	6,820,368,378	6,704,101,148
Premium deficiency reserve	6,656,045	6,770,608	7,714,396
Other reserve	<u>1,834,253</u>	<u>1,834,253</u>	<u>1,842,253</u>
Book value of insurance liabilities	<u>\$ 6,958,049,407</u>	<u>\$ 6,850,684,073</u>	<u>\$ 6,733,543,228</u>
Estimated present value of cash flows	<u>\$ 6,424,826,144</u>	<u>\$ 6,315,040,681</u>	<u>\$ 6,293,018,832</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Cathay Life's liability adequacy testing methodology is listed as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2023, with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2023, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022, with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022, with neutral assumptions for the discount rate after 30 years.

Cathay Lujiazui Life's liability adequacy testing methodology is listed as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2023, with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022, with neutral assumptions for the discount rate after 40 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022, with neutral assumptions for the discount rate after 30 years.

Cathay Life (Vietnam)'s liability adequacy testing methodology is listed as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date
b. Discount rate	Discount rates are calculated using the company's investment income rates based on the five-year financial forecast with neutral assumption for discount rates after 5 years	Discount rates are calculated using the company's investment income rates based on the five-year financial forecast with neutral assumption for discount rates after 5 years	Discount rates are calculated using the company's investment income rates based on the five-year financial forecast with neutral assumption for discount rates after 5 years

8) Reserve for insurance contracts with the nature of financial products

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of March 31, 2024, December 31, 2023 and March 31, 2023, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Life insurance	\$ 24,375,739	\$ 22,439,262	\$ 18,843,208
Investment-linked insurance	<u>1,049,909</u>	<u>1,084,937</u>	<u>1,014,175</u>
	<u>\$ 25,425,648</u>	<u>\$ 23,524,199</u>	<u>\$ 19,857,383</u>
		For the Three Months Ended March 31	
		2024	2023
Beginning balance		\$ 23,524,199	\$ 18,495,469
Premiums received		1,882,892	2,047,252
Claims and payments		(1,034,715)	(1,065,011)
Net provision of statutory reserve		530,926	328,445
Foreign exchange		<u>522,346</u>	<u>51,228</u>
Ending balance		<u>\$ 25,425,648</u>	<u>\$ 19,857,383</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 20,773,326	\$ 49,503,457
Provision:		
Compulsory reserve	1,798,655	2,267,841
Additional reserve	<u>13,234,684</u>	<u>568,903</u>
	15,033,339	2,836,744
Recovery	<u>(3,244,613)</u>	<u>(10,173,280)</u>
Ending balance	<u>\$ 32,562,052</u>	<u>\$ 42,166,921</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Three Months Ended March 31, 2024		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 47,539,651	\$ 38,108,670	\$ (9,430,981)
Earnings per share	3.24	2.60	(0.64)
Reserve for foreign exchange valuation	-	32,562,052	32,562,052
Equity attributable to owners of the Company	883,273,969	860,827,224	(22,446,745)

Item	For the Three Months Ended March 31, 2023		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 1,139,799	\$ 7,009,028	\$ 5,869,229
Earnings per share	0.08	0.48	0.4
Reserve for foreign exchange valuation	-	42,166,921	42,166,921
Equity attributable to owners of the Company	712,542,051	682,411,411	(30,130,640)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

a) Details of unearned premium reserve and ceded unearned premium reserve

Insurance Type	March 31, 2024			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 2,105,703	\$ 33,657	\$ 1,719,162
Marine insurance	270,773	4,801	233,914	41,660
Land and air insurance	8,011,584	(12)	405,974	7,605,598
Liability insurance	1,631,128	1,820	524,405	1,108,543
Guarantee insurance	55,818	761	43,924	12,655
Other property insurance	1,939,205	39,543	1,556,178	422,570
Accident insurance	1,698,473	3,896	111,436	1,590,933
Health insurance	50,657	-	-	50,657

(Continued)

March 31, 2024				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Policy-oriented residential earthquake insurance	\$ 237,400	\$ 33,197	
Compulsory automobile liability insurance	<u>1,268,884</u>	<u>481,069</u>	<u>761,331</u>	<u>988,622</u>
	<u>\$ 17,269,625</u>	<u>\$ 598,732</u>	<u>\$ 5,593,724</u>	<u>\$ 12,274,633</u> (Concluded)

December 31, 2023				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 2,183,228	\$ 42,158	
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>

March 31, 2023				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 1,666,855	\$ 91,780	
Marine insurance	236,150	9,013	190,232	54,931
Land and air insurance	7,241,364	1,681	331,606	6,911,439
Liability insurance	1,328,375	1,535	389,022	940,888
Guarantee insurance	57,221	3,857	47,405	13,673
Other property insurance	1,445,819	30,514	1,200,183	276,150
Accident insurance	1,653,683	4,880	158,794	1,499,769
Health insurance	81,469	1	10,875	70,595
Policy-oriented residential earthquake insurance	235,969	32,269	235,969	32,269
Compulsory automobile liability insurance	<u>1,257,855</u>	<u>464,789</u>	<u>754,713</u>	<u>967,931</u>
	<u>\$ 15,204,760</u>	<u>\$ 640,319</u>	<u>\$ 4,539,923</u>	<u>\$ 11,305,156</u>

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

	For the Three Months Ended March 31			
	2024		2023	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 17,487,375	\$ 5,538,053	\$ 15,838,272	\$ 4,482,083
Provision	17,865,914	5,592,675	15,843,469	4,539,224
Recovery	(17,514,637)	(5,542,509)	(15,868,037)	(4,489,925)
Foreign exchange	<u>29,705</u>	<u>5,505</u>	<u>31,375</u>	<u>8,541</u>
Ending balance	<u>\$ 17,868,357</u>	<u>\$ 5,593,724</u>	<u>\$ 15,845,079</u>	<u>\$ 4,539,923</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

March 31, 2024				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Filed not yet paid	\$ 7,182,299	\$ 922,749	
Not yet filed	<u>6,101,365</u>	<u>506,727</u>	<u>1,923,760</u>	<u>4,684,332</u>
	<u>\$ 13,283,664</u>	<u>\$ 1,429,476</u>	<u>\$ 5,062,435</u>	<u>\$ 9,650,705</u>

December 31, 2023				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Filed not yet paid	\$ 7,044,749	\$ 989,786	
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>

March 31, 2023				
Items	Loss Reserve		Ceded Loss Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Filed not yet paid	\$ 8,563,797	\$ 1,083,565	
Not yet filed	<u>5,483,941</u>	<u>533,786</u>	<u>1,680,876</u>	<u>4,336,851</u>
	<u>\$ 14,047,738</u>	<u>\$ 1,617,351</u>	<u>\$ 5,425,594</u>	<u>\$ 10,239,495</u>

b) Net changes in loss reserve and ceded loss reserve

For the three months ended March 31, 2024

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 7,217,891	\$ 7,082,682	\$ 922,749	\$ 989,786	\$ 68,172
Not yet filed	<u>6,061,764</u>	<u>5,880,217</u>	<u>506,726</u>	<u>522,105</u>	<u>166,168</u>
	<u>\$ 13,279,655</u>	<u>\$ 12,962,899</u>	<u>\$ 1,429,475</u>	<u>\$ 1,511,891</u>	<u>\$ 234,340</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 3,155,694	\$ 3,133,856	\$ 21,838
Not yet filed	<u>1,904,096</u>	<u>1,967,463</u>	<u>(63,367)</u>
	<u>\$ 5,059,790</u>	<u>\$ 5,101,319</u>	<u>\$ (41,529)</u>

For the three months ended March 31, 2023

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 8,594,924	\$ 9,236,940	\$ 1,083,565	\$ 1,230,106	\$ (788,557)
Not yet filed	<u>5,449,980</u>	<u>12,593,469</u>	<u>533,786</u>	<u>475,820</u>	<u>(7,085,523)</u>
	<u>\$ 14,044,904</u>	<u>\$ 21,830,409</u>	<u>\$ 1,617,351</u>	<u>\$ 1,705,926</u>	<u>\$ (7,874,080)</u>

Items	Ceded Reinsurance Business		Net Changes in Ceded Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 3,758,896	\$ 3,985,634	\$ (226,738)
Not yet filed	<u>1,665,262</u>	<u>2,402,699</u>	<u>(737,437)</u>
	<u>\$ 5,424,158</u>	<u>\$ 6,388,333</u>	<u>\$ (964,175)</u>

c) Details of liability for claims filed but not yet paid and claim not yet filed of policyholders

Insurance Type	March 31, 2024		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,430,997	\$ 239,877	\$ 2,670,874
Marine insurance	683,595	278,715	962,310
Land and air insurance	2,494,657	2,025,913	4,520,570
Liability insurance	1,065,565	1,083,658	2,149,223
Guarantee insurance	41,246	34,312	75,558
Other property insurance	751,893	368,597	1,120,490
Accident insurance	180,150	605,096	785,246
Health insurance	3,568	176,035	179,603
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>453,377</u>	<u>1,795,889</u>	<u>2,249,266</u>
	<u>\$ 8,105,048</u>	<u>\$ 6,608,092</u>	<u>\$ 14,713,140</u>

December 31, 2023			
Insurance Type	Filed 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>

March 31, 2023			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,693,129	\$ 309,961	\$ 4,003,090
Marine insurance	681,791	233,864	915,655
Land and air insurance	2,613,180	1,344,687	3,957,867
Liability insurance	555,218	810,235	1,365,453
Guarantee insurance	47,572	34,774	82,346
Other property insurance	886,921	162,785	1,049,706
Accident insurance	272,729	522,399	795,128
Health insurance	419,426	798,200	1,217,626
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>477,396</u>	<u>1,800,822</u>	<u>2,278,218</u>
	<u>\$ 9,647,362</u>	<u>\$ 6,017,727</u>	<u>\$ 15,665,089</u>

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

March 31, 2024			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,213,984	\$ 127,831	\$ 1,341,815
Marine insurance	505,875	168,690	674,565
Land and air insurance	103,312	58,772	162,084
Liability insurance	620,209	426,489	1,046,698
Guarantee insurance	11,460	24,426	35,886
Other property insurance	531,140	248,741	779,881
Accident insurance	13,238	57,439	70,677
Health insurance	310	34	344
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>139,147</u>	<u>811,338</u>	<u>950,485</u>
	<u>\$ 3,138,675</u>	<u>\$ 1,923,760</u>	<u>\$ 5,062,435</u>
December 31, 2023			
Insurance Type	Filed 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	March 31, 2023		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 2,084,631	\$ 142,780	\$ 2,227,411
Marine insurance	514,936	151,176	666,112
Land and air insurance	82,472	38,148	120,620
Liability insurance	223,619	297,282	520,901
Guarantee insurance	13,666	19,278	32,944
Other property insurance	634,841	80,738	715,579
Accident insurance	20,580	40,198	60,778
Health insurance	23,488	90,222	113,710
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>146,485</u>	<u>821,054</u>	<u>967,539</u>
	<u>\$ 3,744,718</u>	<u>\$ 1,680,876</u>	<u>\$ 5,425,594</u>

e) Reconciliation of loss reserve and ceded loss reserve

	For the Three Months Ended March 31			
	2024		2023	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 14,473,113	\$ 5,099,991	\$ 23,538,891	\$ 6,390,556
Provision	14,709,130	5,059,790	15,662,255	5,424,158
Recovery	(14,474,790)	(5,101,319)	(23,536,335)	(6,388,333)
Foreign exchange	<u>5,687</u>	<u>3,973</u>	<u>278</u>	<u>(787)</u>
Ending balance	<u>\$ 14,713,140</u>	<u>\$ 5,062,435</u>	<u>\$ 15,665,089</u>	<u>\$ 5,425,594</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 1,070,300	\$ 926,605
Provision	50,498	23,808
Recovery	<u>(39,983)</u>	<u>(12,989)</u>
Ending balance	<u>\$ 1,080,815</u>	<u>\$ 937,424</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 expense in its own compulsory automobile liability insurance business. 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.

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

	For the Three Months Ended March 31, 2024		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 374,537	\$ 308,499	\$ 683,036
Provision	-	-	-
Recovery	-	-	-
Ending balance	<u>\$ 374,537</u>	<u>\$ 308,499</u>	<u>\$ 683,036</u>

	For the Three Months Ended March 31, 2023		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	\$ 393,265	\$ 308,499	\$ 701,764
Provision	-	-	-
Recovery	-	-	-
Ending balance	<u>\$ 393,265</u>	<u>\$ 308,499</u>	<u>\$ 701,764</u>

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 in 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. There is no material impact on the Cathay Century and its subsidiaries income before tax and earnings (losses) per share for the three months ended March 31, 2024 and 2023, respectively. The special reserve under liabilities decreased by \$374,537 thousand and \$393,265 thousand, and the special reserve under equity would increased by \$239,520 thousand and \$308,748 thousand.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

March 31, 2024				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ -	\$ -	
Marine insurance	16	-	-	16
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>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>

December 31, 2023				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	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>

March 31, 2023

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	-	-	-	-
Land and air insurance	-	834	-	834
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ 834</u>

b) Net loss recognized for premium deficiency reserve, net changes in premium deficiency reserve and ceded premium deficiency reserve

Insurance Type	For the Three Months Ended March 31, 2024								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	16	12	-	-	4	-	-	-	4
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>\$ 16</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>

Insurance Type	For the Three Months Ended March 31, 2023								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ 28,236	\$ -	\$ 11,735	\$ (39,971)	\$ -	\$ -	\$ -	\$ (39,971)
Marine insurance	-	3	-	192	(195)	-	-	-	(195)
Land and air insurance	-	-	834	94	740	-	-	-	740
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>\$ -</u>	<u>\$ 1,228,239</u>	<u>\$ 834</u>	<u>\$ 12,021</u>	<u>\$ (1,239,426)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,239,426)</u>

c) Reconciliation of premium deficiency reserve and ceded premium deficiency reserve

	For the Three Months Ended March 31			
	2024		2023	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 12	\$ -	\$ 1,240,260	\$ -
Provision	16	-	834	-
Recovery	<u>(12)</u>	<u>-</u>	<u>(1,240,260)</u>	<u>-</u>
Ending balance	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

March 31, 2024

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81</u>

December 31, 2023

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

March 31, 2023

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152</u>

b) Net changes in policy reserve and ceded policy reserve

For the three months ended March 31, 2024

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	\$ -	\$ 7	\$ -	\$ -	\$ (7)

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

For the three months ended March 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	\$ -	\$ 18	\$ -	\$ -	\$ (18)

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

24. RETIREMENT BENEFIT PLANS

The pension expense of defined benefit plans was calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2023 and 2022, respectively, and recognized as follows:

	For the Three Months Ended March 31	
	2024	2023
Employee benefit expenses	\$ 93,038	\$ 101,112

25. OTHER FINANCIAL ASSETS AND LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 776,585,198	\$ 727,665,599	\$ 671,735,955
Others	<u>12,338,633</u>	<u>11,698,483</u>	<u>13,742,423</u>
	<u>\$ 788,923,831</u>	<u>\$ 739,364,082</u>	<u>\$ 685,478,378</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 776,585,198	\$ 727,665,599	\$ 671,735,955
Principal received from the sale of structured products	63,351,025	64,939,590	62,358,537
Others	<u>8,937,135</u>	<u>8,394,396</u>	<u>9,442,716</u>
	<u>\$ 848,873,358</u>	<u>\$ 800,999,585</u>	<u>\$ 743,537,208</u>

a. The related accounts of Cathay Life's separate account insurance products were summarized as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 908,487	\$ 1,038,043	\$ 1,858,378
Financial assets at FVTPL	768,912,655	723,320,173	663,768,768
Other receivables	<u>6,672,823</u>	<u>3,215,773</u>	<u>5,999,908</u>
	<u>\$ 776,493,965</u>	<u>\$ 727,573,989</u>	<u>\$ 671,627,054</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 1,369,712	\$ 919,721	\$ 406,901
Reserve for separate accounts - insurance contracts	288,076,872	271,247,558	263,605,345
Reserve for separate accounts - investment contracts	<u>487,047,381</u>	<u>455,406,710</u>	<u>407,614,808</u>
	<u>\$ 776,493,965</u>	<u>\$ 727,573,989</u>	<u>\$ 671,627,054</u>

	For the Three Months Ended March 31	
	2024	2023
<u>Separate account insurance product income</u>		
Premium income	\$ 4,435,953	\$ 5,617,582
Interest income	1,549	3,522
Gains from financial assets at FVTPL	13,866,910	12,408,680
Foreign exchange gains (losses)	<u>8,327,603</u>	<u>(1,912,194)</u>
	<u>\$ 26,632,015</u>	<u>\$ 16,117,590</u>
<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 2,973,802	\$ 4,688,623
Cash surrender value	7,676,293	4,162,212
Provision of separate account reserve	15,025,143	6,269,111
Administrative expenses	998,784	1,035,224
Non-operating income and expenses	<u>(42,007)</u>	<u>(37,580)</u>
	<u>\$ 26,632,015</u>	<u>\$ 16,117,590</u>

For the three months ended March 31, 2024 and 2023, the rebates earned from counterparties due to the business of separate account insurance products were \$157,775 thousand and \$160,753 thousand, respectively, which were recorded under net gain on service fee income.

- b. The related accounts of Cathay Lujiazui Life's separate account insurance products were summarized as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 9,972	\$ 10,410	\$ 9,532
Financial assets at FVTPL	81,249	81,187	99,353
Others	<u>12</u>	<u>13</u>	<u>16</u>
	<u>\$ 91,233</u>	<u>\$ 91,610</u>	<u>\$ 108,901</u>
<u>Separate account insurance product liabilities</u>			
Reserve for separate accounts - insurance contracts	<u>\$ 91,233</u>	<u>\$ 91,610</u>	<u>\$ 108,901</u>

	For the Three Months Ended March 31	
	2024	2023
<u>Separate account insurance product income</u>		
Premium income	\$ 13	\$ 13
Losses from financial assets at FVTPL	(1,699)	-
Interest income	<u>5</u>	<u>-</u>
	<u>\$ (1,681)</u>	<u>\$ 13</u>
<u>Separate account insurance product expenses</u>		
(Reversal) provision of separate account reserve	\$ (2,350)	\$ 13
Other	<u>669</u>	<u>-</u>
	<u>\$ (1,681)</u>	<u>\$ 13</u>

26. EQUITY

a. Share capital

	March 31, 2024	December 31, 2023	March 31, 2023
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	<u>14,669,210</u>	<u>14,669,210</u>	<u>14,669,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 162,025,102</u>	<u>\$ 162,025,102</u>	<u>\$ 162,025,102</u>

Ordinary shares issued, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved to capital raising through issuance of Series A Preference Shares. The Company issued 833,300 thousand preference shares, with a par value of \$10 per share and total amount of \$8,333,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1050041628 on October 25, 2016. The base date of capital increase was December 8, 2016. All issued shares were registered and recognized as equity. The rights and obligations of Series A Preference Shares are as follows:
 - a) 3.8% per annum for Series A Preference Shares (7-year IRS 1.06%+2.74%) calculated pursuant to the issue price per share. Interest rate per annum will be reset on the day after the 7th year from the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The record date for reset of interest rate shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the record date for reset of interest rate (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends. The aforementioned interest rate was reset to 4.21% as of December 8, 2023.
 - b) If there are retained earnings, before the issuer can distribute dividends for Series A Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside legal reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividends.
 - c) The Company has the sole discretion to distribute dividends of Series A Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series A Preference Share dividends, or preference share dividend distribution would render the Company’s CAR ratio below the level required by law or by the authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. Series A Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative and are not paid in subsequent years with profit.
 - d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders’ approval of the issuer’s financial statements at its annual shareholders’ meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders’ approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
 - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from profit or additional paid-in capital.
 - f) Holders of Series A Preference Shares shall have the same priority as holders of all subsequently issued preference shares in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
 - g) Holders of Series A Preference Shares have no voting rights at the annual shareholders’ meeting and cannot elect directors. However, holders of Series A Preference Shares have voting rights at the meeting of Series A Preference Shareholders, and at the annual shareholders’ meeting on items relating to the rights of Series A Preference Shareholders.
 - h) Holders of Series A Preference Shares cannot convert the said preference shares to ordinary shares and have no right to request the Company for redemption of Series A Preference Shares.

- i) Through issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series A Preference Shares at the issue price. Rights and obligations of the unredeemed Series A Preference Shares shall remain the same as mentioned above.
- 2) On February 9, 2018, the board of directors resolved the capital raising through issuance of Series B Preference Shares. The Company issued 700,000 thousand preference shares, with a par value of \$10 per share and total amount of \$7,000,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1070313814 on May 10, 2018. The base date of capital increase was June 27, 2018. All issued shares were registered and recognized as equity. The rights and obligations of Series B Preference Shares are as follows:
- a) 3.55% per annum for Series B Preference Shares (7-year IRS 1.1675%+2.3825%) calculated pursuant to the issue price per share. The interest rate per annum will be reset on the day after the 7th year from the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The record date for interest reset shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, TAFXIRS and COSMOS3 at 11:00 a.m. of the day of reset record date (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
 - b) If there are retained earnings, before the issuer can distribute dividends for Series B Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside legal reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividend.
 - c) The Company has the sole discretion to distribute dividend of the Series B Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preference Share dividends, or preference share dividend distribution would render the Company’s CAR ratio below the level required by law or by the authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. Series B Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative and are not paid in subsequent years with profit.
 - d) Dividends for Series B Preference Shares are distributed once a year in cash. After shareholders’ approval of the issuer’s financial statements at its annual shareholders’ meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders’ approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
 - e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from the profit or additional paid-in capital.
 - f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
 - g) Holders of Series B Preference Shares have no voting rights at the annual shareholders’ meeting and cannot elect directors. However, holders of Series B Preference Shares have voting rights at the shareholders’ meeting of Series B Preference Shareholders, and at the annual shareholders’ meeting on items relating to rights of Series B Preference Shareholders.

- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through the issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series B Preference Shares at the issue price. Rights and obligations of the unredeemed Series B Preference Shares shall remain the same as mentioned above.

Issuance of overseas depositary receipts

The Company's shares have been listed on the Taiwan Stock Exchange in accordance with relevant regulations since the Company was incorporated on December 31, 2001. Since July 29, 2003, the Company has listed a portion of its ordinary shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs).

b. Capital surplus

- 1) Capital surplus comprises the following:

	March 31, 2024	December 31, 2023	March 31, 2023
Additional paid-in capital	\$ 197,202,720	\$ 197,202,720	\$ 210,405,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	1,192,146	1,192,146	1,192,146
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>756,358</u>	<u>714,724</u>	<u>54,166</u>
	<u>\$ 202,835,087</u>	<u>\$ 202,793,453</u>	<u>\$ 215,335,184</u>

- 2) According to relevant regulations, capital surplus may not be used except to offset company deficits. However, capital surplus generated from the excess proceeds from issuing shares above par value (including capital surplus from issuing common shares above par value, capital surplus from merger-related stock issuance, and treasury stock transactions) may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year). Additionally, distributing cash from capital surplus must comply with Rule No.11302701271 issued by the Banking Bureau of the FSC.
- 3) The capital surplus recorded during the conversion of shares of financial institutions may be distributed as cash dividends according to the fourth paragraph of Article 47 of the Financial Holding Company Act and other related requirements if not restricted by other regulations or may be transferred to capital in the year of conversion with the proportion of the transfer not limited by Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The unrestricted retained earnings of the financial institution present the remaining balance after the appropriation of the legal reserve or special reserve as required by law.

c. Retained earnings and dividends policy

In order for the Company to continue to expand and increase profitability in line with its long-term financial strategy and future demand for capital, the Company adopted a residual dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development.

Under the dividends policy as set forth in the Company's articles ("Articles"), when 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 of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of the current year or actual needs) and reversal of special reserve in accordance with the laws and regulations together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. When declaring the distribution of dividends, the Company should retain the funds for the distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 20% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of compensation of employees and remuneration of directors in the Articles, refer to compensation of employees and remuneration of directors in Note 27 e.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 according to Rule No.11302701271 issued by the Banking Bureau of the FSC.

The appropriations of earnings for 2023 that were proposed by the board of directors on April 30, 2024 and the appropriations of earnings of 2022 that had been resolved by the shareholders in their meeting on June 9, 2023, were as follows:

	<u>Appropriation of Earnings</u>	
	<u>2023</u>	<u>2022</u>
Legal reserve	\$ 5,024,046	\$ 2,638,502
(Reversal of) special reserve	(148,333,694)	227,719,196
Cash dividends of ordinary shares (Note)	29,338,420	13,202,289
Cash dividends of preference shares (Note)	3,404,403	3,390,924

Note: The payments of cash dividends for ordinary shares and cash dividends for preference shares for 2022 were distributed in capital surplus and the legal reserve.

The appropriations of earnings for 2023 will be resolved by the shareholders in their meeting.

d. Special reserves

	March 31, 2024	December 31, 2023	March 31, 2023
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467	3,744,467
Special reserve for appropriation at the first-time adoption of IFRS Accounting Standards (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	109,745,905	109,745,905	108,931,710
Special reserve transferred from insurance liabilities (5)	34,764,311	34,764,311	34,764,311
Special reserve appropriated for other equity deduction (6)	<u>226,879,065</u>	<u>226,879,065</u>	<u>-</u>
	<u>\$ 378,461,911</u>	<u>\$ 378,461,911</u>	<u>\$ 150,768,651</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. It shall not be used except for the transfer in accordance with the matters prescribed by the competent authority. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.
- 3) At the first-time adoption of the IFRS Accounting Standards, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of the IFRS Accounting Standards. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.
- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin Guan Zheng Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- 6) The Group appropriates or reverses a special reserve in accordance with Jin Guan Zheng Fa No. 1090150022. If there is a net deduction of other equity accumulated in the previous period, the Group should appropriate the same amount of special reserve from the unappropriated retained earnings in the previous period. Distributions can be made out of any subsequent reversal of the debit to other equity items. In addition, pursuant to Jin Guan Yin Fa No. 11102279031 and other correspondence specifications issued on November 4, 2022, as appropriation of earnings, the Company shall set aside a special surplus reserve of the same amount for the change in the fair value of the financial assets reclassified by the insurance subsidiaries.

e. Other equity

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

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ (12,961,984)</u>	<u>\$ (13,027,301)</u>
Recognized for the period	3,383,734	202,052
Share of associates accounted for using the equity method	239,990	(20,299)
Tax effects	<u>(248,195)</u>	<u>9,355</u>
Other comprehensive income recognized for the period	<u>3,375,529</u>	<u>191,108</u>
Ending balance	<u>\$ (9,586,455)</u>	<u>\$ (12,836,193)</u>

2) Unrealized loss on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ (14,758,415)</u>	<u>\$ (58,533,041)</u>
Recognized for the period	5,184,431	23,448,416
Share of associates accounted for using the equity method	12,954	(271,185)
Reclassification adjustments		
Disposal of debt instruments	(857,924)	(95,629)
Tax effects	<u>1,721,883</u>	<u>(2,359,748)</u>
Other comprehensive income recognized for the period	<u>6,061,344</u>	<u>20,721,854</u>
Cumulative unrealized (income) loss of equity instruments transferred to retained earnings due to disposal	<u>(270,568)</u>	<u>27,558</u>
Ending balance	<u>\$ (8,967,639)</u>	<u>\$ (37,783,629)</u>

3) Gain on hedging instruments

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ 510,499</u>	<u>\$ 950,265</u>
Recognized for the period	(483,496)	(100,610)
Reclassification adjustments		
Hedged item that affects profit or loss	111,445	228,625
Tax effects	<u>74,329</u>	<u>(26,281)</u>
Other comprehensive (loss) income recognized for the period	<u>(297,722)</u>	<u>101,734</u>
Ending balance	<u>\$ 212,777</u>	<u>\$ 1,051,999</u>

- 4) Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ (833,793)</u>	<u>\$ (428,795)</u>
Recognized for the period	209,796	175,608
Tax effects	<u>(41,959)</u>	<u>(35,121)</u>
Other comprehensive income recognized for the period	<u>167,837</u>	<u>140,487</u>
Ending balance	<u>\$ (665,956)</u>	<u>\$ (288,308)</u>

- 5) Remeasurement of defined benefit plans

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ (1,117,660)</u>	<u>\$ (1,097,143)</u>
Recognized for the period	(2,330)	(2,723)
Share of associate accounted for using the equity method	(1,878)	(142,567)
Tax effects	<u>525</u>	<u>29,202</u>
Other comprehensive loss recognized for the period	<u>(3,683)</u>	<u>(116,088)</u>
Ending balance	<u>\$ (1,121,343)</u>	<u>\$ (1,213,231)</u>

- 6) Property revaluation surplus

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 12,612,706	\$ 12,609,000
Share of associate accounted for using the equity method	<u>(3,706)</u>	<u>-</u>
Ending balance	<u>\$ 12,609,000</u>	<u>\$ 12,609,000</u>

- 7) Other comprehensive loss on reclassification using the overlay approach

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	<u>\$ (60,150,205)</u>	<u>\$ (171,329,940)</u>
Recognized for the period		
Unrealized gain	65,052,324	73,339,528
Reclassification adjustments		
Disposal of financial instruments	(38,608,027)	(13,181,068)
Tax effects	<u>(977,012)</u>	<u>(4,652,634)</u>
Other comprehensive income recognized for the period	<u>25,467,285</u>	<u>55,505,826</u>
Ending balance	<u>\$ (34,682,920)</u>	<u>\$ (115,824,114)</u>

8) Other equity - other

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ (1,762,024)	\$ (2,493,326)
Other	<u>-</u>	<u>-</u>
Ending balance	<u>\$ (1,762,024)</u>	<u>\$ (2,493,326)</u>

f. Non-controlling interests

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 13,390,967	\$ 12,867,695
Attributed to non-controlling interest		
Net (loss) profit for the period	(546,241)	164,356
Exchange differences on translation of the financial statements of foreign operations	313,297	(37,185)
Unrealized (loss) gain on financial assets at FVTOCI	(3,091)	118,339
Other comprehensive income on reclassification using the overlay approach	1,162,172	341,194
Acquisition of non-controlling interests in subsidiaries (Note 40)	-	15,585
Others	<u>(278,561)</u>	<u>(34,233)</u>
Ending balance	<u>\$ 14,038,543</u>	<u>\$ 13,435,751</u>

27. NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

a. Net gain on service fee and commission fee

	For the Three Months Ended March 31	
	2024	2023
Service fee revenue	\$ 12,889,718	\$ 9,351,146
Commission fee revenue	<u>929,492</u>	<u>495,628</u>
	<u>13,819,210</u>	<u>9,846,774</u>
Service fee expense	(3,180,160)	(2,852,627)
Commission fee expense	<u>(7,220,660)</u>	<u>(4,795,908)</u>
	<u>(10,400,820)</u>	<u>(7,648,535)</u>
	<u>\$ 3,418,390</u>	<u>\$ 2,198,239</u>

b. Net income on insurance operations

	For the Three Months Ended March 31	
	2024	2023
Retained premiums earned	\$ 108,456,733	\$ 106,592,341
Separate account insurance product income	<u>26,630,334</u>	<u>16,117,603</u>
	<u>135,087,067</u>	<u>122,709,944</u>
Claims and payments	(101,141,194)	(109,567,428)
Separate account insurance product expenses	(26,630,334)	(16,117,603)
Others	<u>(218,331)</u>	<u>(70,950)</u>
	<u>(127,989,859)</u>	<u>(125,755,981)</u>
	<u>\$ 7,097,208</u>	<u>\$ (3,046,037)</u>

c. Net changes in insurance liability reserves

	For the Three Months Ended March 31	
	2024	2023
Net change in loss reserve	\$ (649,499)	\$ 7,093,367
Net change in policy reserve	(45,177,182)	(46,611,988)
Net change in premium deficiency reserve	164,627	1,635,853
Net change in special reserve	(16,664)	(10,976)
Net change in other reserves	-	3,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(530,926)</u>	<u>(328,445)</u>
	<u>\$ (46,209,644)</u>	<u>\$ (38,219,189)</u>

d. Employee benefit expenses

	For the Three Months Ended March 31	
	2024	2023
Short-term benefits		
Salaries	\$ 17,756,800	\$ 13,334,376
Labor and health insurance expenses	1,228,993	1,156,264
Post-employment benefits	608,600	552,104
Remuneration of directors	38,085	31,658
Others	<u>331,991</u>	<u>286,793</u>
	<u>\$ 19,964,469</u>	<u>\$ 15,361,195</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 4,925,317	\$ 2,437,974
Operating expenses	<u>15,039,152</u>	<u>12,923,221</u>
	<u>\$ 19,964,469</u>	<u>\$ 15,361,195</u>

e. Compensation of employees and remuneration of directors

According to the Articles of the Company, if there is a profit in the current year, the Company should distribute 0.01% to 0.05% of the profit in the current year as compensation of employees, and no more than 0.05% of the profit in the current year as remuneration of directors. However, in the case of accumulated deficit, the Company's accumulated deficit needs to be offset first.

The compensation of employees and remuneration of directors for the three months ended March 31, 2024 and 2023, which were accrued at the rates of 0.01% and no higher than 0.05%, respectively, were as follows:

	For the Three Months Ended March 31	
	2024	2023
	Cash	Cash
Compensation of employees	\$ 3,818	\$ 690
Remuneration of directors	450	450

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

The compensation of employees and remuneration of directors for 2023 and 2022 which were resolved by the Company's board of directors on March 5, 2024 and March 9, 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 4,784	\$ 4,098
Remuneration of directors	1,800	1,800

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

f. Depreciation and amortization

	For the Three Months Ended March 31	
	2024	2023
Right-of-use assets	\$ 396,581	\$ 379,866
Property and equipment	915,038	865,611
Intangible assets	<u>705,544</u>	<u>690,841</u>
	<u>\$ 2,017,163</u>	<u>\$ 1,936,318</u>

(Continued)

	For the Three Months Ended March 31	
	2024	2023
An analysis of depreciation by function		
Operating expenses	<u>\$ 1,311,619</u>	<u>\$ 1,245,477</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 705,544</u>	<u>\$ 690,841</u>
		(Concluded)

28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ (563,188)	\$ (843,428)
Adjustments for prior years	(213)	(423)
Others	(844,974)	(943,519)
Deferred tax		
In respect of the current period	(4,033,793)	1,781,080
Adjustments for prior years	<u>-</u>	<u>544</u>
Income tax expense recognized in profit or loss	<u>\$ (5,442,168)</u>	<u>\$ (5,746)</u>

b. Income tax recognized directly in equity

	For the Three Months Ended March 31	
	2024	2023
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 7,566	\$ 20,957
Deferred tax		
Derecognition of equity instruments at FVTOCI	(7,566)	(20,957)
Capital surplus	<u>-</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2024	2023
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (41,959)	\$ (35,121)
Exchange differences on the translation of financial statements of foreign operations	(248,195)	9,355
Unrealized loss (gain) on financial assets at FVTOCI	1,708,416	(2,387,259)
Loss (gain) on hedging instruments	74,329	(26,281)
Remeasurement of defined benefit plans	466	545
Shares of other comprehensive income of associates accounted for using the equity method	13,526	56,168
Other comprehensive income on reclassified using overlay approach	<u>(977,012)</u>	<u>(4,652,634)</u>
Income tax recognized in other comprehensive income	<u>\$ 529,571</u>	<u>\$ (7,035,227)</u>

d. Income tax assessments

The income tax returns of the Group and subsidiaries were as follows:

	<u>Year of Assessment</u>	<u>Note</u>
The Company	2018	-
Cathay Life	2018	In the process of administrative remedy for 2015 and 2018
Cathay United Bank	2018	In the process of administrative remedy for 2015 and 2018
Cathay Century	2018	-
Cathay Securities	2018	In the process of administrative remedy for 2015
Cathay Venture	2020	In the process of administrative remedy for 2016
Cathay Securities Investment Trust	2018	-

In accordance with Article 49 of the Financial Holding Company Act, the Company and all subsidiaries which has existed for the entire 12 months of a tax year elected to jointly file income tax return and surtax on undistributed retained earnings with the Company as the tax payer.

e. Pillar Two income tax legislation

The government of Vietnam, the United Kingdom, Germany, Japan, Denmark, and Luxembourg, where the Company's subsidiaries are incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2024. The Group reviewed the Pillar Two income tax legislation and had no significant impact on the current income tax expense of the Group.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share		
From continuing operations	\$ 2.62	\$ 0.50
From discontinued operations	<u>(0.02)</u>	<u>(0.02)</u>
Total basic earnings per share	<u>\$ 2.60</u>	<u>\$ 0.48</u>

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

Net Income for the Period

	For the Three Months Ended March 31	
	2024	2023
Net income for the period attributable to owners of the Company	\$ 38,108,670	\$ 7,009,028
Loss used in the computation of basic losses per share from discontinued operations	<u>275,252</u>	<u>259,018</u>
Earnings used in the computation of basic earnings per share from continuing operations	<u>\$ 38,383,922</u>	<u>\$ 7,268,046</u>

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

	For the Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>14,669,210</u>	<u>14,669,210</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. The Group's compensation of employees did not cause any significant changes in the earnings and weighted average number of ordinary shares used to calculate the diluted earnings per share.

30. RELATED-PARTY TRANSACTIONS

- a. The names and categories of the related parties who engaged in transactions with the Group in the reporting periods are as follows:

Related Party Name	Related Party Category
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Lin Yuan	Subsidiary
CHL	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Global Evolution Holding ApS	Subsidiary
Cathay Power	Subsidiary
SUNRISE PV ONE	Subsidiary
Cathy Sunrise Two	Subsidiary
Cathy Sunrise Electric Power Two	Subsidiary
Bai Yang Energy	Subsidiary
Hong Cheng Sing Tech.	Subsidiary
Shen Lyu	Subsidiary
Nan Yang Power	Subsidiary
Neo Cathy Power	Subsidiary
CM Energy	Subsidiary
Shu Guang Energy	Subsidiary
Si Yi	Subsidiary
Da Li	Subsidiary
Yong Han	Subsidiary
Cathay Wind Power	Subsidiary
Cathay Wind Power Holdings	Subsidiary
Hong Tai Energy	Subsidiary
Hong Tai Power	Subsidiary
Tian Ji Energy	Subsidiary
Tian Ji Power	Subsidiary
Chen Fong Power	Subsidiary since December 2022 to April 2023
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBC-I	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary

(Continued)

Related Party Name	Related Party Category
Cathay Private Equity	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate
CMG International One Co., Ltd.	Associate
CMG International Two Co., Ltd.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Tien-Tai energy Co., Ltd.	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Sanchong Realty Co., Ltd.	Other related party
Ann Fong Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
Taipei Forex Inc.	Other related party
HanTech Venture Capital Corporation	Other related party

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Financial information service Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EasyCard Corporation	Other related party
Jinhua Realty Co., Ltd.	Other related party
Hongtaiyi Energy Co., Ltd.	Other related party
Witraise Industrial Technologies, Inc.	Other related party
Kee Fresh & Safe Foodtech Co., Ltd.	Other related party
AetherAI Co., Ltd.	Other related party
Transcene Corporation	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

All significant intragroup transactions have been eliminated in the consolidated financial statements. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

1) Transactions with banks

a) Due from commercial banks

Name	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party Vietinbank	\$ 35,862	\$ 14	\$ 27,974	\$ 72	\$ 50,458	\$ 8

b) Due to commercial banks

Name	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party Vietinbank	\$ 8,646	\$ -	\$ 27,223	\$ 30,645	\$ 33,509	\$ 983

c) Investments in marketable bonds (financial assets at FVTOCI)

Name	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Bond investment</u>						
Other related party Vietinbank	\$ -	\$ -	\$ -	\$ 11,222	\$ 388,361	\$ 6,143

2) Balance of shares issued by related parties

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Srisawad Corporation Public Company Limited	\$ 4,670,358	\$ 4,591,651	\$ 5,882,023
CDIB & PARTNERS Investment Holding Corporation	1,788,649	1,644,900	1,435,317
Cathay Real Estate Development Co., Ltd.	1,472,469	1,245,936	1,173,857
Taiwan Asset Management Corporation	975,835	984,621	996,202
Financial information service Co., Ltd.	784,566	758,469	575,660
Daiwa - Cathay Capital Markets Co., Ltd.	150,700	146,500	143,200
Cathay Healthcare Management Co., Ltd.	114,675	103,785	137,033
EasyCard Corporation	137,291	153,112	232,221
HanTech Venture Capital Corporation	66,794	71,983	84,985
Taipei Forex Inc.	63,587	57,197	61,360
Quantifeed Holdings Limited	59,596	63,062	63,133
Transcene Corporation	42,640	51,080	34,860
AetherAI Co., Ltd	22,188	19,218	17,412
Kee Fresh & Safe Foodtech Co., Ltd.	13,357	10,032	25,859
Ann Fong Co., Ltd. Enterprise Co., Ltd.	<u>15,764</u>	<u>16,536</u>	<u>22,339</u>
	<u>\$ 10,378,469</u>	<u>\$ 9,918,082</u>	<u>\$ 10,885,461</u>

Refer to Note 14 for the balance of investment in associates.

3) Receivable

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 358,356	\$ 339,394	\$ 298,846
San Ching Engineering Co., Ltd.	<u>225</u>	<u>3,700</u>	<u>-</u>
	<u>\$ 358,581</u>	<u>\$ 343,094</u>	<u>\$ 298,846</u>

4) Loans

Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 47,988	\$ 336	\$ 49,320	\$ 1,425	\$ 53,321	\$ 353
Taiwan Real-estate Management Corp.	31,000	187	31,000	776	33,000	187
	<u>78,988</u>	<u>523</u>	<u>80,320</u>	<u>2,201</u>	<u>86,321</u>	<u>540</u>
Other related party						
Cathay Real Estate Development Co., Ltd.	1,300,000	6,057	800,000	19,737	620,000	2,758
Hongtaiyi Energy Co., Ltd.	81,992	601	84,637	2,560	-	-
Witraise Industrial Technologies, Inc.	59,051	433	60,956	1,844	-	-
Tien-Tai energy Co., Ltd.	58,486	429	60,372	1,826	66,032	463
Others	<u>3,654,592</u>	<u>19,709</u>	<u>3,582,737</u>	<u>72,651</u>	<u>3,584,891</u>	<u>17,997</u>
	<u>5,154,121</u>	<u>27,229</u>	<u>4,588,702</u>	<u>98,618</u>	<u>4,270,923</u>	<u>21,218</u>
	<u>\$ 5,233,109</u>	<u>\$ 27,752</u>	<u>\$ 4,669,022</u>	<u>\$ 100,819</u>	<u>\$ 4,357,244</u>	<u>\$ 21,758</u>

5) Deposits

Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Securities Investment Consulting	\$ 669,727	\$ 1,899	\$ 616,660	\$ 7,727	\$ 647,781	\$ 1,498
Associate						
Lin Yuan Property Management Co., Ltd.	234,209	733	305,118	2,399	227,402	535
PSS Co., Ltd.	155,847	188	157,891	464	75,387	59
CMG International Two Co., Ltd.	70,496	79	38,242	634	202,809	177
CMG International One Co., Ltd.	41,677	44	26,656	412	130,874	167
	<u>502,229</u>	<u>1,044</u>	<u>527,907</u>	<u>3,909</u>	<u>636,472</u>	<u>938</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,214,753	8,914	2,201,734	34,545	2,408,007	8,111
Cathay United Bank Employees' Welfare Committee	790,575	8,413	837,374	32,446	760,833	7,246
Cathay Real Estate Development Co., Ltd.	752,246	705	341,027	2,089	519,081	452
Private Equity Funds managed by Cathay Private Equity	605,209	812	665,735	1,710	544,652	562
Cathay United Bank Foundation	562,796	2,097	563,916	7,851	553,580	1,789
EasyCard Corporation	497,376	405	123,746	1,476	121,912	252
Bannan Realty Co., Ltd.	487,236	1,111	332,397	1,734	337,633	481
Cathay Real Estate Development Employees' Welfare Committee	470,859	1,900	472,994	7,241	465,871	1,694
Cathay Medical Care Corp.	330,991	833	326,077	2,500	158,127	387
Cathay Charity Foundation	315,653	1,168	312,693	4,389	301,197	979
Sanhong Realty Co., Ltd.	280,094	189	75,820	560	127,286	161
Cathay Cultural Foundation	225,306	875	227,113	3,195	209,601	724
Zhulun Realty Co., Ltd.	118,260	155	214,504	1,063	185,450	211
Cathay Hospitality Consulting Co., Ltd.	164,444	267	187,679	1,241	182,454	303
Yua-Yung Marketing (Taiwan) Co., Ltd.	179,249	224	199,817	856	176,561	183
Cathay Hospitality Management Co., Ltd.	105,956	198	142,382	901	129,158	215
Cathay Real Estate Management Co., Ltd.	132,017	439	155,810	1,407	124,835	277

(Continued)

Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Ally Logistic Property Co., Ltd.	\$ 100,680	\$ 129	\$ 3,310	\$ 183	\$ 40,403	\$ 44
Cathay Healthcare Management Co., Ltd.	95,595	163	114,136	487	71,246	76
Jinhua Realty Co., Ltd.	50,511	70	51,241	266	118,741	95
Others	<u>9,645,435</u>	<u>33,888</u>	<u>9,014,813</u>	<u>116,656</u>	<u>9,227,436</u>	<u>27,932</u>
	<u>18,125,241</u>	<u>62,955</u>	<u>16,564,318</u>	<u>222,796</u>	<u>16,764,064</u>	<u>52,174</u>
	<u>\$ 19,297,197</u>	<u>\$ 65,898</u>	<u>\$ 17,708,885</u>	<u>\$ 234,432</u>	<u>\$ 18,048,317</u>	<u>\$ 54,610</u>

(Concluded)

6) Property transactions

- a) Cathay Life and its subsidiaries' significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Three Months Ended March 31			
	2024		2023	
	Items	Amount	Items	Amount
Associate				
PSS Co., Ltd.	Tucheng East Building, etc.	\$ 25,862	-	\$ -
Lin Yuan Property Management Co., Ltd.	Hualien League of Nations Building, etc.	<u>696</u>	Dunnan Xinyi Building, etc.	<u>5,627</u>
		<u>26,558</u>		<u>5,627</u>
Other related party				
Ally Logistic Property Co., Ltd.	Taoyuan Daxi Ruixing section, etc.	1,187,169	Yangmei Erchongxi Warehousing, etc.	356,055
San Ching Engineering Co., Ltd.	Taoyuan Sanmin Section, etc.	<u>1,044,743</u>	Tucheng East Building, etc.	<u>711,521</u>
		<u>2,231,912</u>		<u>1,067,576</u>
		<u>\$ 2,258,470</u>		<u>\$ 1,073,203</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and PSS Co., Ltd. were \$38,543 thousand, \$38,543 thousand and \$0 thousand, respectively.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Lin Yuan Property Management Co., Ltd. were \$12,181 thousand, \$7,438 thousand and \$5,427 thousand, respectively.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were all \$4,005,983 thousand, respectively.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$13,631,619 thousand, \$13,631,619 thousand and \$15,579,228 thousand, respectively.

b) Real-estate rental (Cathay Life and its subsidiaries as lessor)

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2024	2023
Associate		
Symphox Information Co., Ltd.	\$ 7,830	\$ 8,280
Lin Yuan Property Management Co., Ltd.	<u>6,221</u>	<u>5,688</u>
	<u>14,051</u>	<u>13,968</u>
Other related party		
Ally Logistic Property Co., Ltd.	255,637	252,177
Cathay Hospitality Consulting Co., Ltd.	54,333	48,258
Cathay Hospitality Management Co., Ltd.	50,946	50,434
Cathay Medical Care Corp.	50,342	49,264
Cathay Healthcare Management Co., Ltd.	24,907	22,525
Yua-Yung Marketing (Taiwan) Co., Ltd.	14,167	12,842
Hong-Sui Co., Ltd.	6,475	8,569
Cathay Real Estate Development Co., Ltd.	<u>4,691</u>	<u>4,491</u>
	<u>461,498</u>	<u>448,560</u>
	<u>\$ 475,549</u>	<u>\$ 462,528</u>

Name	Guarantee Deposits Received		
	March 31,	December 31,	March 31,
	2024	2023	2023
Associate			
Symphox Information Co., Ltd.	\$ 7,723	\$ 7,723	\$ 11,708
Lin Yuan Property Management Co., Ltd.	<u>5,454</u>	<u>5,454</u>	<u>2,325</u>
	<u>13,177</u>	<u>13,177</u>	<u>14,033</u>
Other related party			
Ally Logistic Property Co., Ltd.	269,841	269,694	210,928
Cathay Hospitality Management Co., Ltd.	193,620	192,488	191,702
Cathay Hospitality Consulting Co., Ltd.	186,848	186,848	184,100
Cathay Medical Care Corp.	61,508	61,508	61,208
Cathay Healthcare Management Co., Ltd.	28,088	27,174	24,942
Yua-Yung Marketing (Taiwan) Co., Ltd.	8,568	9,178	7,330
Cathay Real Estate Development Co., Ltd.	4,339	4,264	4,086
Hong-Sui Co., Ltd.	4,260	4,260	5,612
Cymlin Co., Ltd.	4,081	4,081	4,081
Hsin Chung Co., Ltd.	<u>-</u>	<u>-</u>	<u>3,072</u>
	<u>761,153</u>	<u>759,495</u>	<u>697,061</u>
	<u>\$ 774,330</u>	<u>\$ 772,672</u>	<u>\$ 711,094</u>

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

c) Lease arrangements

i. Acquisition of right-to-use assets

Name	For the Three Months Ended March 31	
	2024	2023
Other related party Cathay Real Estate Development Co., Ltd.	\$ 5,616	\$ -

ii. Lease liabilities

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Cathay Real Estate Development Co., Ltd.	\$ 11,563	\$ 14,034	\$ 21,379
Ally Logistic Property Co., Ltd.	<u>521</u>	<u>1,300</u>	<u>3,618</u>
	<u>\$ 12,084</u>	<u>\$ 15,334</u>	<u>\$ 24,997</u>

iii. Guarantee deposits paid

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Cathay Real Estate Development Co., Ltd.	\$ 4,482	\$ 4,482	\$ 4,482

d) Acquisition of computer equipment and software

Name	For the Three Months Ended March 31	
	2024	2023
Other related party ThinkPower Information Co., Ltd.	\$ 3,070	\$ 4,501

7) Guarantee deposits received

Name	March 31, 2024	December 31, 2023	March 31, 2023
Associate Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000	\$ 5,000
Other related party San Ching Engineering Co., Ltd.	1,877,040	1,877,040	1,638,977
Ally Logistic Property Co., Ltd.	<u>1,817,376</u>	<u>1,817,376</u>	<u>1,458,873</u>
	<u>3,694,416</u>	<u>3,694,416</u>	<u>3,097,850</u>
	<u>\$ 3,699,416</u>	<u>\$ 3,699,416</u>	<u>\$ 3,102,850</u>

8) contract liabilities

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Private Equity Funds managed by Cathay Private Equity	<u>\$ 83,576</u>	<u>\$ -</u>	<u>\$ 71,930</u>

9) Futures trader's equity

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Fund managed by Cathay Securities Investment Trust	<u>\$ 1,966,075</u>	<u>\$ 2,283,518</u>	<u>\$ 2,644,832</u>

10) Payables

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Securities Investment Consulting	<u>\$ 28,750</u>	<u>\$ 25,650</u>	<u>\$ 27,248</u>
Associate Symphox Information Co., Ltd.	82,304	50,882	96,016
Lin Yuan Property Management Co., Ltd.	<u>57,172</u>	<u>-</u>	<u>18,515</u>
	<u>139,476</u>	<u>50,882</u>	<u>114,531</u>
Other related party Seaward Card Co., Ltd.	20,534	37,950	15,359
Funds managed by Cathay Securities Investment Trust	10,881	8,886	6,208
ThinkPower Information Co., Ltd.	<u>-</u>	<u>28,827</u>	<u>130</u>
	<u>31,415</u>	<u>75,663</u>	<u>21,567</u>
	<u>\$ 199,641</u>	<u>\$ 152,195</u>	<u>\$ 163,476</u>

11) Balances of bonds managed by related parties

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,298,825</u>	<u>\$ 5,125,541</u>	<u>\$ 5,151,521</u>

12) Balances of funds managed by related parties

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 86,261,321	\$ 81,541,875	\$ 64,610,328
Funds managed by Global Evolution Holding ApS	3,193,888	2,964,311	2,702,162
Funds managed by Octagon Credit Investors, LLC	2,660,857	2,462,850	2,258,117
Private Equity Funds managed by Cathay Private Equity	<u>1,823,833</u>	<u>2,003,853</u>	<u>1,491,879</u>
	<u>\$ 93,939,899</u>	<u>\$ 88,972,889</u>	<u>\$ 71,062,486</u>

13) Balances of related parties' discretionary management investment

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Cathay Charity Foundation	\$ 145,909	\$ 136,345	\$ 120,737
Cathay Cultural Foundation	<u>38,160</u>	<u>35,550</u>	<u>57,373</u>
	<u>\$ 184,069</u>	<u>\$ 171,895</u>	<u>\$ 178,110</u>

14) Service fee income

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary		
Cathay Securities Investment Consulting	<u>\$ 10,905</u>	<u>\$ 9,189</u>

15) Premium income

Name	For the Three Months Ended March 31	
	2024	2023
Associate		
CMG International One Co., Ltd.	\$ 62,797	\$ -
Other related party		
Cathay Medical Care Corp.	14,518	14,840
San Ching Engineering Co., Ltd.	11,596	1,412
Cathay Hospitality Consulting Co., Ltd.	5,882	4,980
Ally Logistic Property Co., Ltd.	5,812	711
Cathay Hospitality Management Co., Ltd.	5,346	4,437
Others	<u>27,017</u>	<u>16,331</u>
	<u>70,171</u>	<u>42,711</u>
	<u>\$ 132,968</u>	<u>\$ 42,711</u>

16) Net other non-interest income and expense

Name	For the Three Months Ended March 31	
	2024	2023
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 1,012,094	\$ 819,124
Private Equity Funds managed by Cathay Private Equity	<u>27,656</u>	<u>25,682</u>
	<u>\$ 1,039,750</u>	<u>\$ 844,806</u>

17) Operating expenses

Continuing operations

Name	For the Three Months Ended March 31	
	2024	2023
Associate		
Lin Yuan Property Management Co., Ltd.	\$ 289,220	\$ 269,568
Symphox Information Co., Ltd.	<u>264,299</u>	<u>240,659</u>
	<u>553,519</u>	<u>510,227</u>
Other related party		
Seaward Card Co., Ltd.	100,366	86,852
Ann Fong Co., Ltd. Enterprise Co., Ltd.	48,706	46,194
ThinkPower Information Co., Ltd.	31,778	31,938
Bowl Cut Entertainment Co., Ltd.	21,550	21,550
FundRich Securities Co., Ltd.	<u>5,980</u>	<u>4,496</u>
	<u>208,380</u>	<u>191,030</u>
	<u>\$ 761,899</u>	<u>\$ 701,257</u>

Discontinued operations

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary		
Cathay Securities Investment Consulting	\$ 28,020	\$ 27,320
Other related party		
ThinkPower Information Co., Ltd.	<u>4,817</u>	<u>5,200</u>
	<u>\$ 32,837</u>	<u>\$ 32,520</u>

18) Guarantees on duties and contracts

March 31, 2024

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 38,892</u>	<u>\$ 24,540</u>	<u>\$ 5</u>	0.65%- 0.8%	Demand deposits

December 31, 2023

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 49,443</u>	<u>\$ 38,892</u>	<u>\$ 3</u>	0.65%- 0.8%	Demand deposits

March 31, 2023

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 49,443</u>	<u>\$ 49,443</u>	<u>\$ 8</u>	0.65%- 0.8%	Demand deposits

19) Compensation of key management personnel

Name	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 476,138	\$ 400,883
Post-employment benefits	6,037	6,269
Other long-term employee benefits	<u>-</u>	<u>30</u>
	<u>\$ 482,175</u>	<u>\$ 407,132</u>

Key management personnel includes the chairman, vice chairman, directors, supervisors, general managers, senior vice general managers and vice general managers.

c. The Company

1) Cash in banks

Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 82,090</u>	<u>\$ 999</u>	<u>\$ 81,256</u>	<u>\$ 3,950</u>	<u>\$ 34,537</u>	<u>\$ 136</u>

2) Receivables

Name	Nature of Transaction	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay United Bank	Integrated income tax, etc.	\$ 6,379,049	\$ 4,257,690	\$ 4,739,029
Cathay Securities Investment Trust	Integrated income tax	584,284	443,047	494,100
Cathay Securities	Integrated income tax	493,139	289,636	488,366
Cathay Life	Subordinated corporation bonds interests, etc.	384,089	70,810	381,674
Cathay Century	Integrated income tax, etc.	<u>300,816</u>	<u>189,832</u>	<u>-</u>
		<u>\$ 8,141,377</u>	<u>\$ 5,251,015</u>	<u>\$ 6,103,169</u>

3) Guarantee deposits paid

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Life	<u>\$ 39,455</u>	<u>\$ 39,455</u>	<u>\$ 34,325</u>

4) Financial assets at FVTPL

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Payables

Name	Nature of Transaction	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary				
Cathay Life	Integrated income tax	\$ 20,458,394	\$ 18,321,042	\$ 14,950,253
Cathay Century	Integrated income tax	<u> -</u>	<u> -</u>	<u> 817,832</u>
		<u>20,458,394</u>	<u>18,321,042</u>	<u>15,768,085</u>
Other related party				
ThinkPower Information Co., Ltd.		<u> -</u>	<u> 23,713</u>	<u> -</u>
		<u>\$ 20,458,394</u>	<u>\$ 18,344,755</u>	<u>\$ 15,768,085</u>

6) Lease agreements

a) Acquisition of right-of-use assets

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary		
Cathay Life	<u>\$ -</u>	<u>\$ 127,124</u>

b) Lease liabilities

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Life	\$ 138,713	\$ 176,838	\$ 250,084
Cathay United Bank	<u> 1,327</u>	<u> 1,822</u>	<u> 3,299</u>
	<u>140,040</u>	<u>178,660</u>	<u>253,383</u>
Other related party			
Ally Logistic Property Co., Ltd.	<u> 521</u>	<u> 1,300</u>	<u> 3,618</u>
	<u>\$ 140,561</u>	<u>\$ 179,960</u>	<u>\$ 257,001</u>

7) Interest income

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary		
Cathay Life	<u>\$ 313,279</u>	<u>\$ 310,685</u>

8) Operating expenses

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary		
Cathay Life	\$ 3,704	\$ 3,006
Cathay Securities	<u>5,400</u>	<u>-</u>
	<u>9,104</u>	<u>3,006</u>
Other related party		
Bowl Cut Entertainment Co., Ltd.	21,550	21,550
ThinkPower Information Co., Ltd.	5,386	11,926
Seaward Card Co., Ltd.	<u>2,337</u>	<u>3,045</u>
	<u>29,273</u>	<u>36,521</u>
	<u>\$ 38,377</u>	<u>\$ 39,527</u>

d. Significant transactions between subsidiaries and related parties that are more than \$100 million

Significant intragroup transactions have been eliminated in the consolidated financial statements.

1) Cathay Life and its subsidiaries

a) Property transactions

Property transactions between Cathay Life and related parties are in the nature of undertaking contracted projects, trade, lease, and software appliance transactions. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

i. Cathay Life and its subsidiaries significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Three Months Ended March 31			
	2024		2023	
	Items	Amount	Items	Amount
Other related party				
Ally Logistic Property Co., Ltd.	Taoyuan Daxi Ruixing section, etc.	\$ 1,187,169	Yangmei Erchongxi Warehouse, etc.	\$ 356,055
San Ching Engineering Co., Ltd.	Taoyuan Sanmin Section, etc.	<u>1,044,743</u>	Tucheng East Building, etc.	<u>711,521</u>
		<u>\$ 2,231,912</u>		<u>\$ 1,067,576</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand, respectively.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$13,631,619 thousand, \$13,631,619 thousand and \$15,579,228 thousand, respectively.

ii. Real-estate rental

Name	Rental Income	
	For the Three Months Ended	
	March 31	
	2024	2023
Subsidiary		
Cathay United Bank	\$ 172,984	\$ 152,079
Other related party		
Ally Logistic Property Co., Ltd.	255,637	252,177
	<u>\$ 428,621</u>	<u>\$ 404,256</u>

Name	Guarantee Deposits Received		
	March 31,	December 31,	March 31,
	2024	2023	2023
Subsidiary			
Cathay United Bank	\$ 198,687	\$ 196,542	\$ 191,579
Other related party			
Ally Logistic Property Co., Ltd.	269,841	269,694	210,928
Cathay Hospitality			
Management Co., Ltd.	193,620	192,488	191,702
Cathay Hospitality Consulting			
Co., Ltd.	186,848	186,848	184,100
	<u>650,309</u>	<u>649,030</u>	<u>586,730</u>
	<u>\$ 848,996</u>	<u>\$ 845,572</u>	<u>\$ 778,309</u>

Lease periods are usually between 2 to 5 years and rentals are collected on a monthly basis.

b) Balance of shares issued by related parties

Name	Nature of Transaction	March 31, 2024	December 31, 2023	March 31, 2023
Other related party				
Srisawad Corporation Public Company Limited	Ordinary shares	\$ 2,327,650	\$ 2,279,574	\$ 2,952,277
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,472,469	1,245,936	1,173,857
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	894,240	822,420	717,660
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	150,700	146,500	143,200
		<u>\$ 4,845,059</u>	<u>\$ 4,494,430</u>	<u>\$ 4,986,994</u>

c) Cash in banks

Continuing operations

Name	Nature of Transaction	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary				
Cathay United Bank	Demand deposits	\$ 43,379,060	\$ 34,479,507	\$ 43,462,024
	Time deposits	3,011,890	2,032,367	2,109,783
	Checking deposits	244,363	202,681	186,803
	Security deposits	<u>733,691</u>	<u>144,600</u>	<u>195,510</u>
		<u>47,369,004</u>	<u>36,859,155</u>	<u>45,954,120</u>
Indovina Bank	Time deposits	2,689,241	2,623,130	3,294,534
	Demand deposits	<u>31,454</u>	<u>17,070</u>	<u>20,700</u>
		<u>2,720,695</u>	<u>2,640,200</u>	<u>3,315,234</u>
		<u>\$ 50,089,699</u>	<u>\$ 39,499,355</u>	<u>\$ 49,269,354</u>

For the three months ended March 31, 2024 and 2023, the interest income earned from above bank deposits in Cathay United Bank were \$107,170 thousand and \$99,397 thousand, respectively.

Discontinued operations

Name	Nature of Transaction	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary				
Cathay United Bank	Time deposits	\$ 86,890	\$ -	\$ -
	Demand deposits	<u>518</u>	<u>-</u>	<u>-</u>
		<u>\$ 87,408</u>	<u>\$ -</u>	<u>\$ -</u>

d) Loans

Name	For the Three Months Ended March 31, 2024		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 861,839</u>	1.57%-8.19%	<u>\$ 733,065</u>
Name	For the Three Months Ended March 31, 2023		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 893,626</u>	1.45%-6.51%	<u>\$ 885,515</u>

e) Balance of bonds managed by related parties

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 5,298,825</u>	<u>\$ 5,125,541</u>	<u>\$ 5,151,521</u>

f) Balance of funds managed by related parties

Name	Item	March 31, 2024	December 31, 2023	March 31, 2023
Other related party				
Funds managed by Octagon Credit Investors, LLC	Market value	<u>\$ 2,660,857</u>	<u>\$ 2,462,850</u>	<u>\$ 2,258,117</u>
	Cost	<u>\$ 2,507,273</u>	<u>\$ 2,393,204</u>	<u>\$ 2,327,107</u>
Funds managed by Global Evolution Holding ApS	Market value	<u>\$ 3,193,888</u>	<u>\$ 2,964,311</u>	<u>\$ 2,702,162</u>
	Cost	<u>\$ 2,732,855</u>	<u>\$ 2,655,675</u>	<u>\$ 2,613,310</u>
Funds managed by Cathay Securities Investment Trust	Market value	<u>\$ 85,203,860</u>	<u>\$ 80,617,725</u>	<u>\$ 64,052,803</u>
	Cost	<u>\$ 95,404,904</u>	<u>\$ 90,802,663</u>	<u>\$ 76,826,667</u>
Private Equity Funds managed by Cathay Private Equity	Market value	<u>\$ 1,783,048</u>	<u>\$ 1,963,793</u>	<u>\$ 1,453,891</u>
	Cost	<u>\$ 1,718,707</u>	<u>\$ 1,718,707</u>	<u>\$ 1,469,983</u>

g) Balance of discretionary management investments

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Securities Investment Trust	<u>\$ 302,232,516</u>	<u>\$ 258,244,838</u>	<u>\$ 254,796,202</u>

h) Other receivables

Name	March 31, 2024	December 31, 2023	March 31, 2023
The Company			
Cathay Financial Holdings (Note)	\$ 20,458,394	\$ 18,321,042	\$ 14,950,253
Subsidiary			
Indovina Bank	<u>171,438</u>	<u>116,324</u>	<u>151,607</u>
	<u>\$ 20,629,832</u>	<u>\$ 18,437,366</u>	<u>\$ 15,101,860</u>

Note: The receivables are refundable taxes under the integrated income tax system.

i) Guarantee deposits paid (for future transactions)

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Futures	\$ <u>1,940,675</u>	\$ <u>2,307,880</u>	\$ <u>3,675,302</u>

j) Guarantee deposits received

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party San Ching Engineering Co., Ltd.	\$ 1,877,040	\$ 1,877,040	\$ 1,638,977
Ally Logistic Property Co., Ltd.	<u>1,817,376</u>	<u>1,817,376</u>	<u>1,458,873</u>
	<u>\$ 3,694,416</u>	<u>\$ 3,694,416</u>	<u>\$ 3,097,850</u>

k) Other payables

Name	March 31, 2024	December 31, 2023	March 31, 2023
The Company Cathay Financial Holdings (Note)	\$ 384,089	\$ 70,810	\$ 381,674
Subsidiary Cathay United Bank	<u>835,926</u>	<u>249,593</u>	<u>559,694</u>
	<u>\$ 1,220,015</u>	<u>\$ 320,403</u>	<u>\$ 941,368</u>

Note: Other payables are payables for remuneration of directors and supervisors and payables for interest of bonds payable.

l) Bonds payable

Name	March 31, 2024	December 31, 2023	March 31, 2023
The Company Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

m) Insurance expense

Name	For the Three Months Ended March 31	
	2024	2023
Subsidiary Cathay Century	<u>\$ 113,801</u>	<u>\$ 105,686</u>

n) Other operating costs

	Name	For the Three Months Ended March 31	
		2024	2023
Subsidiary			
	Cathay United Bank	\$ <u>261,213</u>	\$ <u>240,071</u>

o) Finance costs

	Name	For the Three Months Ended March 31	
		2024	2023
The Company			
	Cathay Financial Holdings	\$ <u>313,279</u>	\$ <u>310,685</u>

The finance costs consist of interest expenses accrued from bonds payable.

p) Operating expenses

	Name	For the Three Months Ended March 31	
		2024	2023
Subsidiary			
	Cathay United Bank	\$ 2,092,139	\$ 1,792,449
Associate			
	Lin Yuan Property Management Co., Ltd.	<u>259,308</u>	<u>258,724</u>
		\$ <u>2,351,447</u>	\$ <u>2,051,173</u>

q) Non-operating income

	Name	For the Three Months Ended March 31	
		2024	2023
Subsidiary			
	Cathay Century	\$ <u>212,820</u>	\$ <u>209,561</u>

Non-operating income was mainly generated from Cathay Life and its subsidiaries' integrated promotion activities.

r) Others

As of March 31, 2024, December 31, 2023 and March 31, 2023, the nominal amounts of the financial instruments transacted between Cathay Life and Cathay United Bank are summarized as follows (in thousands of each currency):

Name	March 31, 2024	December 31, 2023	March 31, 2023
SWAP	US\$ -	US\$ 1,390,000	US\$ 4,208,000
CCS	US\$ -	US\$ -	US\$ 100,000

2) Cathay United Bank and its subsidiaries

a) Loans and deposits

March 31, 2024

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Self-used housing mortgage loans	254	\$ 3,039,952	\$ 2,892,345	V	\$ -	Real estate, stocks and certificates of deposits	None	\$ 1,782	\$ 36,250
Other loans	Cathay Real Estate Development Co., Ltd.	1,300,000	1,300,000	V	-	Real estate	None	(11,200)	13,000

December 31, 2023

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Self-used housing mortgage loans	271	\$ 3,130,261	\$ 2,728,107	V	\$ -	Real estate, stocks and certificates of deposits	None	\$ 2,796	\$ 34,468
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	800,000	V	-	Real estate	None	18,000	24,200

March 31, 2023

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Self-used housing mortgage loans	251	\$ 2,841,560	\$ 2,680,813	V	\$ -	Real estate, stocks and certificates of deposits	None	\$ (21)	\$ 33,645
Other loans	Cathay Real Estate Development Co., Ltd.	620,000	620,000	V	-	Real estate	None	-	6,200

Deposits

Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Life	\$ 43,994,264	\$ 92,444	\$ 33,200,245	\$ 380,888	\$ 43,376,865	\$ 85,798
Cathay Securities	4,470,540	10,429	2,776,622	29,325	3,051,120	6,536
Cathay Life (Vietnam)	2,720,752	51,843	2,640,257	212,391	3,493,481	51,210
Lin Yuan	1,956,429	12,421	1,929,924	18,900	1,840,694	10,826
Cathay Century	1,936,875	6,058	2,525,605	20,586	2,631,995	4,339
Cathay Industrial R&D Center	1,289,376	2,071	1,507,881	5,407	353,251	301
Cathay Futures	888,915	3,195	965,712	54,667	1,591,748	16,395
Cathay Securities Investment Consulting	669,727	1,899	616,660	7,727	647,781	1,498
Cathay Venture	665,793	227	209,748	254	181,966	56
Cathay Securities Investment Trust	305,683	274	212,960	715	120,917	108
Cathay Insurance (Vietnam)	302,715	4,506	272,326	17,373	266,172	3,418
Cathay Private Equity	112,429	112	31,361	247	51,569	80
	<u>59,313,498</u>	<u>185,479</u>	<u>46,889,301</u>	<u>748,480</u>	<u>57,607,559</u>	<u>180,565</u>
Associate						
Lin Yuan Property Management Co., Ltd.	234,209	733	305,118	2,399	227,402	535
PSS Co., Ltd.	155,847	188	157,891	464	75,387	59
CMG International Two Co., Ltd.	70,496	79	38,242	634	202,809	177
CMG International One Co., Ltd.	41,677	44	26,656	412	130,874	167
	<u>502,229</u>	<u>1,044</u>	<u>527,907</u>	<u>3,909</u>	<u>636,472</u>	<u>938</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,214,753	8,914	2,201,734	34,545	2,408,007	8,111
Cathay United Bank Employees' Welfare Committee	790,575	8,413	837,374	32,446	760,833	7,246
Cathay Real Estate Development Co., Ltd.	752,246	705	341,027	2,089	519,081	452
Private equity fund managed by Cathay Private Equity	605,209	812	665,735	1,710	544,652	562
Cathay United Bank Foundation	562,796	2,097	563,916	7,851	553,580	1,789
EasyCard Corporation	497,376	405	123,746	1,476	121,912	252
Bannan Realty Co., Ltd.	487,236	1,111	332,397	1,734	337,633	481
Cathay Real Estate Development Employees' Welfare Committee	470,859	1,900	472,994	7,241	465,871	1,694
Cathay Medical Care Corp.	330,991	833	326,077	2,500	158,127	387
Cathay Charity Foundation	315,653	1,168	312,693	4,389	301,197	979
Sanhong Realty Co., Ltd.	280,094	189	75,820	560	127,286	161
Cathay Cultural Foundation	225,306	875	227,113	3,195	209,601	724
Yua-Yung Marketing (Taiwan) Co., Ltd.	179,249	224	199,817	856	176,561	183
Cathay Hospitality Consulting Co., Inc.	164,444	267	187,679	1,241	182,454	303
Zhulun Realty Co., Ltd.	118,260	155	214,504	1,063	185,450	211
Cathay Hospitality Management Co., Ltd.	105,956	198	142,382	901	129,158	215
Cathay Real Estate Management Co., Ltd.	132,017	439	155,810	1,407	124,835	277
Ally Logistic Property Co., Ltd.	100,680	129	3,310	183	40,403	44
Cathay Healthcare Management Co., Ltd.	95,595	163	114,136	487	71,246	76
Jinhua Realty Co., Ltd.	50,511	70	51,241	266	118,741	95
Others	9,645,435	33,888	9,014,813	116,656	9,227,436	27,932
	<u>18,125,241</u>	<u>62,955</u>	<u>16,564,318</u>	<u>222,796</u>	<u>16,764,064</u>	<u>52,174</u>
	<u>\$ 77,940,968</u>	<u>\$ 249,478</u>	<u>\$ 63,981,526</u>	<u>\$ 975,185</u>	<u>\$ 75,008,095</u>	<u>\$ 233,677</u>

Transactions terms with related parties are similar to those with third parties, except for the preferential interest rates set by the employees' interest rates on deposits and loans within prescribed limits.

b) Investments in marketable bonds (financial assets at FVTOCI)

Item/Name	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Bond investment</u>						
Other related party						
Vietinbank	\$ -	\$ -	\$ -	\$ 11,222	\$ 388,361	\$ 6,143

Ownership Balance

Item/Name	March 31, 2024	December 31, 2023	March 31, 2023
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Stock investment

Other related party

Srisawad Corporation Public Company Limited	\$ 2,342,708	\$ 2,312,077	\$ 2,929,746
Taiwan Asset Management Corporation	975,835	984,621	996,202
CDIB & PARTNERS Investment Holding Corporation	894,409	822,480	717,657
Financial information service Co., Ltd.	784,566	758,469	575,660
EasyCard Corporation	110,915	123,697	187,608

c) Derivatives

March 31, 2024

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Century	Currency exchange (USD)	2023.04.07-2025.01.16	\$ 2,827,916	\$ 120,302	Valuation adjustment for financial assets at FVTPL	\$ 95,850
					Valuation adjustment for FVTPL financial liabilities	-

December 31, 2023

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	Currency exchange (USD)	2023.03.16-2024.03.25	\$ 42,721,650	\$ 1,237,609	Valuation adjustment for financial assets at FVTPL	\$ 1,237,609
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century	Currency exchange (USD)	2023.01.11-2024.12.23	2,716,974	(12,383)	Valuation adjustment for financial assets at FVTPL	21,541
					Valuation adjustment for FVTPL financial liabilities	(33,924)

March 31, 2023

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	Currency exchange (USD)	2022.07.13-2024.03.25	\$ 143,072,892	\$ 502,095	Valuation adjustment for financial assets at FVTPL	\$ 1,749,675
					Valuation adjustment for FVTPL financial liabilities	(74,552)
	CCS (USD)	2021.04.29-2023.05.04	1,522,700	15,342	Valuation adjustment for financial assets at FVTPL	129,129
					Valuation adjustment for FVTPL financial liabilities	(129,700)
Cathay Century	Currency exchange (USD)	2022.07.26-2024.02.15	2,768,269	8,592	Valuation adjustment for financial assets at FVTPL	25,441
					Valuation adjustment for FVTPL financial liabilities	(17,981)

The realized gains and losses from derivative financial instrument transactions entered into by Cathay United Bank with related parties were as follows:

Name	For the Three Months Ended March 31		
	2024	2023	
Gains and losses on financial assets and liabilities measured at fair value through profit or loss			
Subsidiary			
Cathay Life	<u>\$ 1,298,915</u>	<u>\$ 485,935</u>	
d) Lease agreements			
i. Lease liabilities			
	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Life	<u>\$ 207,962</u>	<u>\$ 377,428</u>	<u>\$ 923,503</u>
ii. Guarantee deposits paid			
	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Life	<u>\$ 198,687</u>	<u>\$ 196,542</u>	<u>\$ 191,579</u>
e) Others			
		For the Three Months Ended March 31	
<u>Item/Name</u>	2024	2023	
<u>Service fee revenue</u>			
Subsidiary			
Cathay Life	\$ 2,353,353	\$ 2,032,526	
<u>General expenses-others</u>			
Associate			
Symphox Information Co., Ltd.	203,284	185,131	

Item/Name	March 31, 2024	December 31, 2023	March 31, 2023
<u>Receivables for insurance commission</u>			
Subsidiary Cathay Life	\$ 835,926	\$ 249,593	\$ 559,694
<u>Guarantee deposits paid</u>			
Subsidiary Cathay Futures	1,178,637	1,179,579	1,002,257
<u>Interest payable</u>			
Subsidiary Cathay Life (Vietnam)	171,438	116,324	151,607
<u>Payables from integrated tax</u>			
The Company Cathay Financial Holdings	6,373,649	4,252,290	4,733,629

The terms of the foregoing transactions with related parties are similar to those with third parties.

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Three Months Ended March 31	
		2024	2023
Premium income	Subsidiary Cathay Life	\$ 113,431	\$ 104,268
Operating costs			
Marketing costs	Subsidiary Cathay Life	211,112	207,725

b) Receivables from related parties

Item	Name	March 31, 2024	December 31, 2023	March 31, 2023
Other receivables	The Company Cathay Financial Holdings (Note)	\$ -	\$ -	\$ 817,832

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

c) Payables to related parties

Item	Name	March 31, 2024	December 31, 2023	March 31, 2023
Other payables	The Company			
	Cathay Financial Holdings (Note)	<u>\$ 300,816</u>	<u>\$ 189,832</u>	<u>\$ -</u>

Note: Including (a) income tax payable under the integrated income tax system and (b) remuneration of directors and supervisors.

d) Cash in bank

Item	Name	March 31, 2024	December 31, 2023	March 31, 2023
Checking deposits and demand deposits	Subsidiary Cathay United Bank	\$ 1,916,815	\$ 2,505,546	\$ 2,611,965
	Indovina Bank	11,138	10,548	15,473
Time deposits	Subsidiary Indovina Bank	291,577	261,778	242,762
	Cathay United Bank	<u>20,059</u>	<u>20,059</u>	<u>20,030</u>
		<u>\$ 2,239,589</u>	<u>\$ 2,797,931</u>	<u>\$ 2,890,230</u>

e) Financial assets at FVTPL (mutual funds)

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Funds managed by Cathay Securities Investment Trust	<u>\$ 742,407</u>	<u>\$ 741,869</u>	<u>\$ 308,449</u>

f) Balance of discretionary management investments

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Securities Investment Trust	<u>\$ 1,773,482</u>	<u>\$ 1,697,518</u>	<u>\$ 1,469,964</u>

g) Lease agreements

Lease liabilities

Name	Lease Liabilities		
	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay Life	<u>\$ 196,617</u>	<u>\$ 226,960</u>	<u>\$ 51,031</u>

h) SWAP contracts

The nominal amount of the derivative financial instruments between Cathay Century and its subsidiaries and related parties are listed below:

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay United Bank	<u>US\$ 88,400</u>	<u>US\$ 88,400</u>	<u>US\$ 90,900</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay United Bank	<u>\$ 4,736,259</u>	<u>\$ 3,018,690</u>	<u>\$ 3,226,878</u>

Cash in bank includes cash and cash equivalents, and cash and cash equivalents-receipts under custody from customers security subscription, pending settlement money, the special account divided into accounts to retain customer funds and restricted assets recorded under other current assets, and operating deposits recorded under other non-current assets. Restricted assets are the time deposits that were pledged as collateral.

The terms of the foregoing transactions are similar to those with unrelated parties.

b) Customer's margin accounts

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay United Bank	<u>\$ 623,381</u>	<u>\$ 723,823</u>	<u>\$ 1,415,506</u>

c) Futures trader's equity

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Life	\$ 1,940,675	\$ 2,307,880	\$ 3,675,302
Cathay United Bank	<u>1,178,637</u>	<u>1,179,579</u>	<u>1,002,257</u>
	<u>3,119,312</u>	<u>3,487,459</u>	<u>4,677,559</u>
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>1,966,075</u>	<u>2,283,518</u>	<u>2,644,832</u>
	<u>\$ 5,085,387</u>	<u>\$ 5,770,977</u>	<u>\$ 7,322,391</u>

d) Other payables

Name	March 31, 2024	December 31, 2023	March 31, 2023
The Company			
Cathay Financial Holdings (Note)	\$ <u>493,139</u>	\$ <u>289,636</u>	\$ <u>488,366</u>

Note: The payables consist of tax payable under the integrated income tax system.

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay United Bank	\$ <u>294,613</u>	\$ <u>120,821</u>	\$ <u>101,486</u>

b) Financial assets at FVTPL

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Funds managed by Cathay			
Securities Investment Trust	\$ <u>65,680</u>	\$ <u>82,907</u>	\$ <u>146,690</u>

c) Accounts receivable

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party			
Funds managed by Cathay			
Securities Investment Trust	\$ <u>358,356</u>	\$ <u>339,394</u>	\$ <u>298,846</u>

For the three months ended March 31, 2024 and 2023, no impairment losses were recognized for receivables from related parties.

d) Refundable deposits

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay United Bank	\$ <u>123,508</u>	\$ <u>123,508</u>	\$ <u>71,008</u>

e) Accounts payable

Name	March 31, 2024	December 31, 2023	March 31, 2023
The Company			
Cathay Financial Holdings (Note)	\$ <u>584,284</u>	\$ <u>443,047</u>	\$ <u>494,100</u>

Note: The payables consist of tax payable under the integrated income tax system.

f) Balance of discretionary management investments

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary			
Cathay Life	\$ 302,232,516	\$ 258,244,838	\$ 254,796,202
Cathay Century	<u>1,773,482</u>	<u>1,697,518</u>	<u>1,469,964</u>
	<u>304,005,998</u>	<u>259,942,356</u>	<u>256,266,166</u>
Other related party			
Cathay Charity Foundation	<u>145,909</u>	<u>136,345</u>	<u>120,737</u>
	<u>\$ 304,151,907</u>	<u>\$ 260,078,701</u>	<u>\$ 256,386,903</u>

g) Lease agreements

Name	For the Three Months Ended March 31	
	2024	2023
<u>Acquisitions of right-of-use assets</u>		
Subsidiary		
Cathay Life	\$ <u>116,459</u>	\$ <u>-</u>
<u>Lease liabilities</u>		
Name	Lease Liabilities	
	March 31, 2024	December 31, 2023
Subsidiary		
Cathay Life	\$ <u>112,939</u>	\$ <u>11,009</u>
	<u>\$ 41,402</u>	

h) Management fee income

Name	For the Three Months Ended March 31	
	2024	2023
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ <u>1,012,094</u>	\$ <u>819,124</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	March 31, 2024	December 31, 2023	March 31, 2023
Subsidiary Cathay United Bank	\$ <u>665,793</u>	\$ <u>209,748</u>	\$ <u>181,966</u>

b) Financial assets at FVTPL

Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related party Funds managed by Cathay Securities Investment Trust	\$ 249,374	\$ 99,374	\$ 99,374
Cathay Healthcare Management Co., Ltd.	<u>114,675</u>	<u>103,785</u>	<u>137,033</u>
	<u>\$ 364,049</u>	<u>\$ 203,159</u>	<u>\$ 236,407</u>

31. PLEDGED ASSETS

The Group's assets pledged as collateral or with limited use are summarized below:

Item	Description	March 31, 2024	December 31, 2023	March 31, 2023
Demand deposits, time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, reimbursement account, performance bond, provisions for business and collateral	\$ 15,724,914	\$ 15,599,611	\$ 16,353,682
Financial assets at FVTOCI	Provisions for business and collateral	14,768,120	14,753,925	50,000,000
Debt instrument at amortized cost	Provisions for business and collateral	43,060,751	43,062,739	7,796,004
Investment properties	Short-term loans	290,341	290,341	290,341
Property and equipment	Pledge of borrowings	<u>8,862,053</u>	<u>8,448,391</u>	<u>7,799,686</u>
		<u>\$ 82,706,179</u>	<u>\$ 82,155,007</u>	<u>\$ 82,239,713</u>

32. COMMITMENTS AND CONTINGENT LIABILITIES

a. Cathay United Bank

Lee & Li, attorneys-at-law (Lee & Li), alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of Cathay United Bank in its operation, and the plaintiff claimed damages from Cathay United Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and Cathay United Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgments, Cathay United Bank again won a favorable decision in the second instance on August 25, 2021. Subsequently, Lee & Li filed an appeal, and the Supreme Court rejected it on December 14, 2023, confirming Cathay United Bank's complete victory in the case. However, Lee & Li filed for retrial in January 2024, seeking compensation of \$1,510 thousand and \$900,000 thousand. The case is currently under review by the High Court and Supreme Court. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

b. As of March 31, 2024, December 31, 2023 and March 31, 2023 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	March 31, 2024	December 31, 2023	March 31, 2023
Trust and security held for safekeeping	\$ 1,176,061,909	\$ 1,064,373,453	\$ 993,078,218
Collection and payment on behalf of customers	31,474,820	30,178,208	30,315,803
Book-entry for government bonds and depository for short-term marketable securities under management	461,480,777	457,093,479	491,073,163
Entrusted financial management business	25,266,962	22,391,339	16,896,502
Guarantees on duties and contracts	18,794,109	18,835,713	19,642,640
Unused commercial letters of credit	9,229,617	8,194,069	8,268,554
Irrevocable loan commitments	185,076,018	175,363,471	158,270,761
Unused credit card line commitments	699,246,787	684,568,364	723,603,508
Underwritten securities	-	-	500,000
Financial guarantee contracts	1,522,703	1,440,807	1,479,986
Revolving issuance of commercial promissory notes and underwriting of purchase commitments	15,900,000	15,900,000	13,900,000

c. As of March 31, 2024, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$196,015 thousand, US\$3,396,731 thousand, EUR362,152 thousand and GBP1,518 thousand.

d. As of March 31, 2024, December 31, 2023 and March 31, 2023, the Cathay Life has entered into irrevocable corporate finance and consumer lending loans but yet loaning amounts were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
NTD	\$ 8,123,358	\$ 8,048,035	\$ 11,212,475

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

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024	December 31, 2023	March 31, 2023	LIABILITIES AND EQUITY	March 31, 2024	December 31, 2023	March 31, 2023
CASH AND CASH EQUIVALENTS	\$ 7,588,245	\$ 7,587,401	\$ 7,538,774	COMMERCIAL PAPER PAYABLE, NET	\$ 57,550,000	\$ 69,400,000	\$ 74,700,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	34,828,500	33,624,500	34,132,000	PAYABLES	21,289,789	19,323,541	16,299,377
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	197,600	197,768	179,263	CURRENT TAX LIABILITIES	512,046	960	5,030,239
RECEIVABLES, NET	8,197,449	5,279,134	6,105,068	BONDS PAYABLE	80,000,000	69,000,000	50,000,000
CURRENT TAX ASSETS	5,636,754	5,686,741	5,131,463	OTHER BORROWING	6,990,000	4,990,000	5,000,000
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	969,846,697	897,567,264	780,286,135	PROVISIONS	999,863	1,065,895	546,019
PROPERTY AND EQUIPMENT, NET	271,917	284,162	167,896	LEASE LIABILITIES	150,342	192,957	269,846
RIGHT-OF-USE ASSETS	149,325	191,933	269,255	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
INTANGIBLE ASSETS	574	574	-	OTHER LIABILITIES	<u>961</u>	<u>605</u>	<u>384</u>
DEFERRED TAX ASSETS	1,583,620	1,529,782	335,387	Total liabilities	<u>167,759,715</u>	<u>164,240,672</u>	<u>152,112,579</u>
OTHER ASSETS	<u>286,258</u>	<u>346,098</u>	<u>378,749</u>	EQUITY			
				Share capital			
				Ordinary shares	146,692,102	146,692,102	146,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	202,835,087	202,793,453	215,335,184
				Retained earnings			
				Legal reserve	72,994,637	72,994,637	73,747,059
				Special reserve	378,461,911	378,461,911	150,768,651
				Unappropriated earnings	88,475,047	50,240,458	237,313,217
				Other equity	<u>(43,964,560)</u>	<u>(78,460,876)</u>	<u>(156,777,802)</u>
				Total equity	<u>860,827,224</u>	<u>788,054,685</u>	<u>682,411,411</u>
TOTAL	<u>\$ 1,028,586,939</u>	<u>\$ 952,295,357</u>	<u>\$ 834,523,990</u>	TOTAL	<u>\$ 1,028,586,939</u>	<u>\$ 952,295,357</u>	<u>\$ 834,523,990</u>

Cathay Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
REVENUE		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 37,615,397	\$ 6,886,562
Other operating income	<u>1,574,763</u>	<u>893,328</u>
Total revenue	<u>39,190,160</u>	<u>7,779,890</u>
EXPENSES AND LOSSES		
Operating expenses	(544,972)	(488,886)
Other expenses and losses	<u>(465,846)</u>	<u>(390,117)</u>
Total expenses and losses	<u>(1,010,818)</u>	<u>(879,003)</u>
INCOME BEFORE TAX	38,179,342	6,900,887
INCOME TAX (EXPENSE) BENEFIT	<u>(70,672)</u>	<u>108,141</u>
NET INCOME	<u>38,108,670</u>	<u>7,009,028</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Loss on equity instruments at fair value through other comprehensive income	(168)	(15,772)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	15,976,040	8,910,689
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>18,791,012</u>	<u>67,650,004</u>
Other comprehensive income for the period, net of income tax	<u>34,766,884</u>	<u>76,544,921</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 72,875,554</u>	<u>\$ 83,553,949</u>
EARNINGS PER SHARE		
Basic	<u>\$2.60</u>	<u>\$0.48</u>

Cathay Financial Holding Co., Ltd.

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

	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Other Equity					Total Equity
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings				Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others	
BALANCE AT JANUARY 1, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,318,047	\$ 73,747,059	\$ 150,768,651	\$ 230,331,762	\$ (13,027,301)	\$ (58,533,041)	\$ 950,265	\$ (428,795)	\$ (1,097,143)	\$ 12,609,000	\$ (171,329,940)	\$ (2,493,326)	\$ 598,840,340
Changes in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	598	-	-	(15)	-	-	-	-	-	-	-	-	583
Net income for the three months ended March 31, 2023	-	-	-	-	-	7,009,028	-	-	-	-	-	-	-	-	7,009,028
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	76,544,921
Total comprehensive income (loss) for three months ended March 31, 2023	-	-	-	-	-	7,009,028	191,108	20,721,854	101,734	140,487	(116,088)	-	55,505,826	-	83,553,949
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(27,558)	-	27,558	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2023	\$ 146,692,102	\$ 15,333,000	\$ 215,335,184	\$ 73,747,059	\$ 150,768,651	\$ 237,313,217	\$ (12,836,193)	\$ (37,783,629)	\$ 1,051,999	\$ (288,308)	\$ (1,213,231)	\$ 12,609,000	\$ (115,824,114)	\$ (2,493,326)	\$ 682,411,411
BALANCE AT JANUARY 1, 2024	\$ 146,692,102	\$ 15,333,000	\$ 202,793,453	\$ 72,994,637	\$ 378,461,911	\$ 50,240,458	\$ (12,961,984)	\$ (14,758,415)	\$ 510,499	\$ (833,793)	\$ (1,117,660)	\$ 12,612,706	\$ (60,150,205)	\$ (1,762,024)	\$ 788,054,685
Changes in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	41,634	-	-	(144,649)	-	-	-	-	-	-	-	-	(103,015)
Net income for the three months ended March 31, 2024	-	-	-	-	-	38,108,670	-	-	-	-	-	-	-	-	38,108,670
Other comprehensive income (loss) for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	-	3,375,529	6,061,344	(297,722)	167,837	(3,683)	(3,706)	25,467,285	-	34,766,884
Total comprehensive income (loss) for three months ended March 31, 2024	-	-	-	-	-	38,108,670	3,375,529	6,061,344	(297,722)	167,837	(3,683)	(3,706)	25,467,285	-	72,875,554
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	270,568	-	(270,568)	-	-	-	-	-	-	-
BALANCE AT MARCH 31, 2024	\$ 146,692,102	\$ 15,333,000	\$ 202,835,087	\$ 72,994,637	\$ 378,461,911	\$ 88,475,047	\$ (9,586,455)	\$ (8,967,639)	\$ 212,777	\$ (665,956)	\$ (1,121,343)	\$ 12,609,000	\$ (34,682,920)	\$ (1,762,024)	\$ 860,827,224

Cathay Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 38,179,342	\$ 6,900,887
Adjustments for:		
Depreciation expense	56,255	47,048
Gain on of financial assets at fair value through profit or loss	(1,204,000)	(556,500)
Interest income	(367,834)	(336,660)
Interest expense	457,975	376,681
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(37,615,397)	(6,886,562)
Gain on disposal and retirement of property and equipment	-	(4)
Compensation cost of share-based payments	-	76
Changes in operating assets and liabilities		
Receivables	(5,083)	-
Other assets	518	(4,568)
Payables	(352,379)	(388,693)
Provisions	(66,032)	2,897
Other liabilities	356	114
Cash used in operations	(916,279)	(845,284)
Interest received	31,685	24,607
Interest paid	(217,357)	(282,732)
Income tax paid	(3,168)	(2,461)
Net cash used in operating activities	(1,105,119)	(1,105,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,134)	(15,118)
Disposal of property and equipment	-	245
Increase in other assets	(20)	(65,649)
Net cash used in investing activities	(3,154)	(80,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in commercial paper payable	(11,850,000)	820,000
Increase in other borrowings	2,000,000	-
Repayments of the principal portion of lease liabilities	(40,883)	(38,488)
Issuance of corporate bonds	11,000,000	-
Net cash generated from financing activities	1,109,117	781,512
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	844	(404,880)
CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD	7,587,401	7,943,654
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 7,588,245	\$ 7,538,774

34. INFORMATION OF THE COMPANY'S SUBSIDIARIES

a. Condensed balance sheets and condensed statements of comprehensive income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Cash and cash equivalents	\$ 257,162,678	\$ 359,318,846
Receivables	140,419,961	90,461,321
Equity investments to be disposed of	18,249,734	-
Financial assets at fair value through profit or loss	1,497,869,362	1,350,202,670
Financial assets at fair value through other comprehensive income	601,468,822	467,999,181
Financial assets at amortized cost	4,177,409,656	3,967,268,165
Financial assets for hedging	70,944	96,611
Investments accounted for using the equity method	103,908,750	110,566,334
Investment property	506,038,429	490,789,241
Loans	406,989,186	440,868,763
Reinsurance assets	2,169,039	2,092,839
Property and equipment	28,776,784	28,942,955
Right-of-use assets	385,784	463,232
Intangible assets	23,560,533	25,357,467
Deferred tax assets	76,664,436	65,343,630
Other assets	47,889,017	40,783,413
Separate account insurance product assets	<u>776,493,965</u>	<u>671,627,054</u>
Total	<u>\$ 8,665,527,080</u>	<u>\$ 8,112,181,722</u>
Liabilities		
Payables	\$ 20,955,025	\$ 11,551,130
Current tax liabilities	74,716	137,010
Financial liabilities at fair value through profit or loss	64,626,753	27,558,722
Financial liabilities for hedging	1,498,788	3,436,279
Bonds payable	115,014,620	80,000,000
Insurance liabilities	6,887,020,936	6,684,306,245
Reserve for insurance contracts with the nature of financial products	1,117,967	1,084,543
Reserve for foreign exchange valuation	32,562,052	42,166,921
Provisions	56,245	56,245
Lease liabilities	13,315,535	13,248,970
Deferred tax liabilities	67,529,246	41,657,079
Other liabilities	7,901,976	8,585,477
Separate account insurance product liabilities	<u>776,493,965</u>	<u>671,627,054</u>
Total liabilities	<u>7,988,167,824</u>	<u>7,585,415,675</u>
Equity		
Share capital	63,515,274	63,515,274
Capital surplus	91,629,937	90,930,990
Retained earnings	573,666,755	529,353,360
Other equity	<u>(51,452,710)</u>	<u>(157,033,577)</u>
Total equity	<u>677,359,256</u>	<u>526,766,047</u>
Total	<u>\$ 8,665,527,080</u>	<u>\$ 8,112,181,722</u>

Cathay Life Insurance Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 209,190,391	\$ 163,474,562
Operating costs	(174,843,853)	(162,049,337)
Operating expenses	(6,579,188)	(5,787,473)
Operating income (loss)	27,767,350	(4,362,248)
Non-operating income and expenses	487,144	491,031
Profit (loss) before income tax	28,254,494	(3,871,217)
Income tax (expense) benefit	(2,595,202)	1,650,382
Profit from discontinued operations	76,173	65,310
Net income (loss)	25,735,465	(2,155,525)
Other comprehensive income	33,308,051	72,098,255
 Total comprehensive income	 \$ 59,043,516	 \$ 69,942,730
 Basic earnings (loss) per share	 \$4.05	 \$(0.34)

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 4,309,886	\$ 3,765,558
Receivables	1,812,252	1,390,387
Financial assets at fair value through profit or loss	110,407,780	84,046,634
Financial assets at amortized cost	930,048	930,741
Loans	3,639,829	2,832,746
Reinsurance assets	75,021	125,291
Property and equipment	88,880	102,091
Right-of-use assets	327,405	397,841
Intangible assets	36,223	29,409
Other assets	2,759,859	2,745,391
Separate account insurance product assets	91,233	108,901
Total	\$ 124,478,416	\$ 96,474,990
Liabilities		
Payables	\$ 1,847,982	\$ 1,855,425
Insurance liabilities	81,694,706	60,666,754
Reserve for insurance contracts with the nature of financial instruments	24,307,681	18,772,840
Lease liabilities	334,138	416,306
Deferred tax liabilities	373,396	-
Other liabilities	325,354	377,197
Separate account insurance product liabilities	91,233	108,901
Total liabilities	108,974,490	82,197,423
Equity		
Capital	13,497,155	13,497,155
Retained earnings	(1,280,525)	(28,565)
Other equity	3,287,296	808,977
Total equity	15,503,926	14,277,567
Total	\$ 124,478,416	\$ 96,474,990

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 7,730,651	\$ 7,159,086
Operating costs	(9,032,286)	(6,775,237)
Operating expenses	(461,937)	(513,683)
Operating loss	(1,763,572)	(129,834)
Non-operating income and expenses	(1,329)	409
Loss before income tax	(1,764,901)	(129,425)
Income tax benefit	405,939	227,463
Net (loss) income	(1,358,962)	98,038
Other comprehensive income	2,647,864	725,098
 Total comprehensive income	 \$ 1,288,902	 \$ 823,136
 Basic earnings per share	 Note	 Note

Note: Cathay Lujiazui Life is a limited company, and no information is disclosed accordingly.

Cathay Life Insurance Company (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 2,128,535	\$ 7,040,198
Receivables	1,420,345	1,193,452
Financial assets at fair value through profit or loss	26,435,708	19,830,836
Financial assets at amortized cost	11,243,947	7,180,451
Loans	346,746	242,326
Property and equipment	10,480	13,531
Right-of-use assets	152,147	126,538
Intangible assets	382	1,528
Other assets	<u>107,645</u>	<u>108,212</u>
Total	<u>\$ 41,845,935</u>	<u>\$ 35,737,072</u>
Liabilities		
Payables	\$ 255,194	\$ 268,231
Current tax liabilities	164,372	-
Insurance liabilities	14,105,562	12,239,069
Lease liabilities	<u>150,286</u>	<u>119,540</u>
Total liabilities	<u>14,675,414</u>	<u>12,626,840</u>
Equity		
Capital	20,370,930	20,370,930
Retained earnings	2,866,727	1,184,390
Other equity	<u>3,932,864</u>	<u>1,554,912</u>
Total equity	<u>27,170,521</u>	<u>23,110,232</u>
Total	<u>\$ 41,845,935</u>	<u>\$ 35,737,072</u>

Cathay Life Insurance Company (Vietnam)

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 1,821,401	\$ 1,437,194
Operating costs	(901,634)	(749,216)
Operating expenses	(311,020)	(305,719)
Operating income	608,747	382,259
Non-operating income and expenses	3,219	2,518
Profit before income tax	611,966	384,777
Income tax expense	(161,538)	-
Net income	450,428	384,777
Other comprehensive income	1,179,917	1,538,471
 Total comprehensive income	 \$ 1,630,345	 \$ 1,923,248
 Basic earnings per share	 Note	 Note

Note: Cathay Life (Vietnam) is a limited company, and no information is disclosed accordingly.

Lin Yuan (Shanghai) Real Estate Co., Ltd.

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

	March 31	
	2024	2023
Assets		
Current assets	\$ 353,879	\$ 307,744
Financial assets at amortized cost	1,882,240	1,750,680
Investment property	7,015,219	7,188,866
Property and equipment	<u>1</u>	<u>2</u>
Total	<u>\$ 9,251,339</u>	<u>\$ 9,247,292</u>
Liabilities		
Current liabilities	\$ 10,352	\$ 16,321
Deferred tax liabilities	646,104	634,930
Other non-current liabilities	<u>66,250</u>	<u>77,458</u>
Total liabilities	<u>722,706</u>	<u>728,709</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,756,082	1,740,555
Other equity	<u>(450,884)</u>	<u>(445,407)</u>
Total equity	<u>8,528,633</u>	<u>8,518,583</u>
Total	<u>\$ 9,251,339</u>	<u>\$ 9,247,292</u>

Lin Yuan (Shanghai) Real Estate Co., Ltd.

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 58,242	\$ 85,380
Operating expenses	<u>(11,620)</u>	<u>(9,192)</u>
Profit before income tax	46,622	76,188
Income tax expense	<u>(11,663)</u>	<u>(19,047)</u>
Net income	34,959	57,141
Other comprehensive income	<u>182,616</u>	<u>27,744</u>
Total comprehensive income	<u>\$ 217,575</u>	<u>\$ 84,885</u>
Basic earnings per share	Note	Note

Note: Lin Yuan is a limited company, and no information is disclosed accordingly.

Cathay Woolgate Exchange Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
	2024	2023
Assets		
Current assets	\$ 1,267,300	\$ 1,140,045
Investment property	<u>16,143,353</u>	<u>11,668,913</u>
Total	<u>\$ 17,410,653</u>	<u>\$ 12,808,958</u>
Liabilities		
Current liabilities	\$ 268	\$ 377
Total liabilities	<u>268</u>	<u>377</u>
Equity		
Capital	21,323,210	16,654,013
Retained earnings	(288,170)	779,955
Other equity	<u>(3,624,655)</u>	<u>(4,625,387)</u>
Total equity	<u>17,410,385</u>	<u>12,808,581</u>
Total	<u>\$ 17,410,653</u>	<u>\$ 12,808,958</u>

Cathay Woolgate Exchange Holding 1 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 10,281	\$ 4,520
Operating (expenses) income	<u>(20,018)</u>	<u>2,538</u>
Operating (loss) income	(9,737)	7,058
Non-operating income and expenses	<u>43,630</u>	<u>-</u>
Net income	33,893	7,058
Other comprehensive income	<u>512,076</u>	<u>206,505</u>
Total comprehensive income	<u>\$ 545,969</u>	<u>\$ 213,563</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 1 Limited is a limited company, and no information is disclosed accordingly.

Cathay Woolgate Exchange Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
	2024	2023
Assets		
Current assets	\$ 7,575	\$ 8,034
Investment property	<u>163,064</u>	<u>117,868</u>
Total	<u>\$ 170,639</u>	<u>\$ 125,902</u>
Liabilities		
Current liabilities	\$ 268	\$ 377
Total liabilities	<u>268</u>	<u>377</u>
Equity		
Capital	215,386	168,222
Retained earnings	(8,102)	4,018
Other equity	<u>(36,913)</u>	<u>(46,715)</u>
Total equity	<u>170,371</u>	<u>125,525</u>
Total	<u>\$ 170,639</u>	<u>\$ 125,902</u>

Cathay Woolgate Exchange Holding 2 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ -	\$ -
Operating expenses	<u>(487)</u>	<u>(177)</u>
Operating loss	(487)	(177)
Non-operating income and expenses	<u>441</u>	<u>-</u>
Net loss	(46)	(177)
Other comprehensive income	<u>5,019</u>	<u>2,023</u>
Total comprehensive income	<u>\$ 4,973</u>	<u>\$ 1,846</u>
Basic earnings per share	Note	Note

Note: Cathay Woolgate Exchange Holding 2 Limited is a limited company, and no information is disclosed accordingly.

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Current assets	\$ 1,317,864	\$ 1,293,753
Investment property	17,091,758	18,193,739
Other non-current assets	72	64
Total	\$ 18,409,694	\$ 19,487,556
Liabilities		
Current liabilities	\$ 123,915	\$ 25,178
Non-current liabilities	12,697,308	11,846,727
Total liabilities	12,821,223	11,871,905
Equity		
Capital	10,189,090	10,189,090
Retained earnings	(2,820,597)	(345,169)
Other equity	(1,780,022)	(2,228,270)
Total equity	5,588,471	7,615,651
Total	\$ 18,409,694	\$ 19,487,556

Cathay Walbrook Holding 1 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 225,851	\$ 198,671
Operating costs	(256,263)	(190,424)
Operating expenses	(9,920)	18,316
Operating (loss) income	(40,332)	26,563
Non-operating income and expenses	15,439	-
(Loss) profit before income tax	(24,893)	26,563
Income tax expense	(57,090)	(41,228)
Net loss	(81,983)	(14,665)
Other comprehensive income	166,039	122,699
Total comprehensive income	\$ 84,056	\$ 108,034
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 1 Limited is a limited company, and no information is disclosed accordingly.

Cathay Walbrook Holding 2 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Current assets	\$ 66,585	\$ 68,726
Investment property	899,566	957,565
Other non-current assets	71	64
Total	\$ 966,222	\$ 1,026,355
Liabilities		
Current liabilities	\$ 6,727	\$ 1,650
Non-current liabilities	676,140	630,846
Total liabilities	682,867	632,496
Equity		
Capital	536,268	536,268
Retained earnings	(159,004)	(25,503)
Other equity	(93,909)	(116,906)
Total equity	283,355	393,859
Total	\$ 966,222	\$ 1,026,355

Cathay Walbrook Holding 2 Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 11,866	\$ 10,460
Operating costs	(13,646)	(10,121)
Operating expenses	(1,110)	651
Operating (loss) income	(2,890)	990
Non-operating income and expenses	813	-
(Loss) profit before income tax	(2,077)	990
Income tax expense	(2,892)	(2,111)
Net loss	(4,969)	(1,121)
Other comprehensive income	8,433	6,344
Total comprehensive income	\$ 3,464	\$ 5,223
Basic earnings per share	Note	Note

Note: Cathay Walbrook Holding 2 Limited is a limited company, and no information is disclosed accordingly.

Conning Holdings Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 6,507,862	\$ 6,444,452
Current tax assets	61,216	212,692
Financial assets at fair value through profit or loss	1,693,137	1,387,139
Financial assets for hedging	-	7,066
Financial assets at fair value through other comprehensive income	3,244	3,207
Property and equipment	1,050,842	1,019,345
Right-of-use assets	695,978	645,987
Intangible assets	15,470,518	14,953,417
Deferred tax assets	402,742	267,496
Other non-current assets	510,866	414,068
Total	\$ 26,396,405	\$ 25,354,869
Liabilities		
Current liabilities	\$ 3,177,451	\$ 2,465,727
Lease liabilities	847,910	758,671
Deferred tax liabilities	1,024,188	1,040,355
Other non-current liabilities	2,566,229	3,115,124
Total liabilities	7,615,778	7,379,877
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,376,388	5,009,998
Other equity	(1,850,193)	(3,485,985)
Non-controlling interests	530,893	727,440
Total equity	18,780,627	17,974,992
Total	\$ 26,396,405	\$ 25,354,869

Conning Holdings Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 2,825,894	\$ 2,466,312
Operating costs	(383,234)	(297,021)
Operating expenses	<u>(2,227,532)</u>	<u>(1,995,768)</u>
Operating income	215,128	173,523
Non-operating income and expenses	<u>-</u>	<u>(1,500)</u>
Profit before income tax	215,128	172,023
Income tax expense	<u>(88,037)</u>	<u>(58,294)</u>
Net income	127,091	113,729
Other comprehensive income (loss)	<u>729,226</u>	<u>(97,845)</u>
 Total comprehensive income	 <u>\$ 856,317</u>	 <u>\$ 15,884</u>
 Basic earnings per share	 Note	 Note

Note: CHL is a limited company, and no information is disclosed accordingly.

Cathay Industrial Research and Design Center Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Current assets	\$ 844,687	\$ 205,016
Financial assets at amortized cost	448,727	-
Investment property	2,165,871	1,679,744
Property and equipment	1,479	-
Right-of-use assets	1,802	-
Deferred tax assets	56,291	39,567
Other assets	55,595	177,867
Total	\$ 3,574,452	\$ 2,102,194
Liabilities		
Current liabilities	\$ 698	\$ 286
Leased liabilities	1,298,922	1,260,196
Total liabilities	1,299,620	1,260,482
Equity		
Share capital	2,500,000	1,000,000
Retained earnings	(225,168)	(158,288)
Total equity	2,274,832	841,712
Total	\$ 3,574,452	\$ 2,102,194

Cathay Industrial Research and Design Center Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 1,509	\$ 203
Operating costs	(12,895)	(12,518)
Operating expenses	(2,016)	(314)
Operating loss	(13,402)	(12,629)
Non-operating income and expenses	(884)	(519)
Loss before income tax	(14,286)	(13,148)
Income tax benefit	2,857	2,629
Net loss	(11,429)	(10,519)
Other comprehensive income	-	-
Total comprehensive loss	\$ (11,429)	\$ (10,519)
Basic loss per share	\$(0.05)	\$(0.11)

Cathay Power Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 1,087,156	\$ 691,871
Financial assets at amortized cost	1,022	-
Investments accounted for using the equity method	17,476	18,025
Property and equipment	11,295,428	10,684,303
Right-of-use assets	693,402	709,768
Intangible assets	94,931	98,375
Deferred tax assets	1,417	956
Other non-current assets	<u>1,280,665</u>	<u>1,311,616</u>
Total	<u>\$ 14,471,497</u>	<u>\$ 13,514,914</u>
 Liabilities		
Current liabilities	\$ 2,771,677	\$ 2,381,536
Lease liabilities	710,907	721,363
Other non-current liabilities	<u>6,461,835</u>	<u>6,074,945</u>
Total liabilities	<u>9,944,419</u>	<u>9,177,844</u>
 Equity		
Share capital	3,703,770	3,703,770
Capital surplus	152,479	152,479
Retained earnings	301,130	128,080
Non-controlling interests	<u>369,699</u>	<u>352,741</u>
Total equity	<u>4,527,078</u>	<u>4,337,070</u>
Total	<u>\$ 14,471,497</u>	<u>\$ 13,514,914</u>

Cathay Power Inc.

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

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 333,854	\$ 288,440
Operating costs	(259,416)	(221,191)
Operating expenses	<u>(33,088)</u>	<u>(30,295)</u>
Profit before income tax	41,350	36,954
Income tax expense	<u>(8,854)</u>	<u>(7,723)</u>
Net income	32,496	29,231
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 32,496</u>	<u>\$ 29,231</u>
Basic earnings per share	<u>\$0.09</u>	<u>\$0.08</u>

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 9,227,819	\$ 8,342,961
Receivables	3,412,084	3,196,285
Financial assets at fair value through profit or loss	12,083,814	7,627,078
Financial assets at fair value through other comprehensive income	667,696	686,506
Financial assets at amortized cost	9,178,962	8,008,305
Investments accounted for using the equity method	3,136,334	3,143,177
Loans	113,488	116,385
Reinsurance assets	13,279,020	13,102,459
Property and equipment	436,673	346,060
Right-of-use assets	227,800	75,019
Intangible assets	86,220	94,362
Deferred tax assets	4,548,404	4,550,218
Other assets	<u>581,693</u>	<u>1,366,324</u>
Total	<u>\$ 56,980,007</u>	<u>\$ 50,655,139</u>
 Liabilities		
Payables	\$ 4,074,748	\$ 3,512,013
Financial liabilities at fair value through profit or loss	183,967	63,778
Lease liabilities	227,331	74,450
Insurance liabilities	33,813,475	32,555,574
Provisions	329,993	429,852
Deferred tax liabilities	394,592	295,736
Other liabilities	<u>1,724,557</u>	<u>1,133,759</u>
Total liabilities	<u>40,748,663</u>	<u>38,065,162</u>
 Equity		
Share capital	2,000,000	7,057,052
Capital surplus	7,861,133	16,557,317
Retained earnings	6,080,961	(10,360,908)
Other equity	<u>289,250</u>	<u>(663,484)</u>
Total equity	<u>16,231,344</u>	<u>12,589,977</u>
Total	<u>\$ 56,980,007</u>	<u>\$ 50,655,139</u>

Cathay Century Insurance Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 6,701,093	\$ 6,039,656
Operating costs	(4,280,189)	(5,700,151)
Operating expenses	<u>(1,413,958)</u>	<u>(1,105,608)</u>
Operating income (loss)	1,006,946	(766,103)
Non-operating income and expenses	<u>(1,298)</u>	<u>(139)</u>
Profit (loss) before income tax	1,005,648	(766,242)
Income tax (expense) benefit	<u>(137,894)</u>	<u>190,874</u>
Net income (loss)	867,754	(575,368)
Other comprehensive income	<u>381,211</u>	<u>365,573</u>
Total comprehensive income (loss)	<u>\$ 1,248,965</u>	<u>\$ (209,795)</u>
Basic earnings (loss) per share	<u>\$4.34</u>	<u>\$(2.88)</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Cash and cash equivalents	\$ 309,220	\$ 286,672
Receivables	81,220	83,316
Financial assets at amortized cost	666,424	661,627
Reinsurance assets	301,924	401,107
Property and equipment	3,883	3,607
Right-of-use assets	26,320	5,504
Intangible assets	24,096	35,497
Other assets	<u>71,312</u>	<u>58,148</u>
Total	<u>\$ 1,484,399</u>	<u>\$ 1,535,478</u>
Liabilities		
Payables	\$ 179,318	\$ 202,068
Insurance liabilities	531,970	594,768
Lease liabilities	26,209	6,036
Deferred tax liabilities	157	134
Other liabilities	<u>28,809</u>	<u>25,330</u>
Total liabilities	<u>766,463</u>	<u>828,336</u>
Equity		
Capital	845,585	845,585
Retained earnings	21,040	5,248
Other equity	<u>(148,689)</u>	<u>(143,691)</u>
Total equity	<u>717,936</u>	<u>707,142</u>
Total	<u>\$ 1,484,399</u>	<u>\$ 1,535,478</u>

Cathay Insurance Co., Ltd. (Vietnam)

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 134,394	\$ 125,324
Operating costs	(32,642)	(29,232)
Operating expenses	(94,007)	(84,892)
Operating income	7,745	11,200
Non-operating income and expenses	209	1,023
Profit before income tax	7,954	12,223
Income tax expense	(2,015)	(3,263)
Net income	5,939	8,960
Other comprehensive income (loss)	11,236	(2,623)
 Total comprehensive income	 \$ 17,175	 \$ 6,337
 Basic earnings per share	 Note	 Note

Note: Cathay Insurance (Vietnam) is a limited company, and no information is disclosed accordingly.

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31	
	2024	2023
Cash and cash equivalents	\$ 72,970,850	\$ 73,277,999
Due from the Central Bank and call loans to banks	290,316,617	366,729,398
Financial assets at fair value through profit or loss	264,150,007	284,374,052
Financial assets at fair value through other comprehensive income	304,922,219	398,657,043
Debt instruments at amortized cost	599,454,535	493,735,934
Notes and bonds purchased under resale agreements	29,661,135	20,262,845
Receivables	110,067,098	107,786,403
Loans	2,307,284,152	2,032,580,938
Investments accounted for using the equity method	27,205,677	26,557,027
Other financial assets	3,251,638	4,584,608
Property and equipment	23,125,997	23,054,478
Right-of-use assets	3,069,636	3,221,555
Investment property	2,264,282	2,209,212
Intangible assets	7,719,669	7,797,074
Deferred tax assets	3,837,254	4,065,145
Other assets	33,135,904	34,367,846
Total	\$ 4,082,436,670	\$ 3,883,261,557
Liabilities		
Deposits from the Central Bank and banks	\$ 109,699,524	\$ 132,606,740
Financial liabilities at fair value through profit or loss	112,948,216	100,262,835
Notes and bonds under repurchase agreements	18,986,857	38,730,911
Payables	45,787,265	40,437,470
Current tax liabilities	92,383	391,968
Deposits and remittances	3,405,176,722	3,204,778,775
Financial debentures payable	27,100,000	37,146,179
Other financial liabilities	62,304,746	58,974,065
Provisions	3,684,389	3,235,037
Lease liabilities	3,110,966	3,275,908
Deferred tax liabilities	2,221,457	1,845,023
Other liabilities	8,213,940	10,668,596
Total liabilities	3,799,326,465	3,632,353,507
Equity		
Share capital	108,598,655	108,598,655
Capital surplus	38,869,080	38,869,080
Retained earnings	141,244,368	113,974,935
Other equity	(5,601,898)	(10,534,620)
Total equity	283,110,205	250,908,050
Total	\$ 4,082,436,670	\$ 3,883,261,557

Cathay United Bank Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
Interest income	\$ 26,733,313	\$ 22,555,706
Interest expenses	<u>(13,785,112)</u>	<u>(10,633,801)</u>
Net interest income	12,948,201	11,921,905
Net income and gains other than interest income	<u>13,023,645</u>	<u>8,408,389</u>
Profit from operations	<u>25,971,846</u>	<u>20,330,294</u>
(Provision) reversal for bad debt, commitments and guarantee reserve	(2,051,175)	311,003
Operating expenses	<u>(11,153,823)</u>	<u>(9,701,875)</u>
Profit before income tax	12,766,848	10,939,422
Income tax expense	<u>(2,413,000)</u>	<u>(1,826,000)</u>
Net income	10,353,848	9,113,422
Other comprehensive income	<u>825,114</u>	<u>4,049,996</u>
Total comprehensive income	<u>\$ 11,178,962</u>	<u>\$ 13,163,418</u>
Basic earnings per share	<u>\$0.95</u>	<u>\$0.84</u>

Indovina Bank Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 12,322,190	\$ 12,291,002
Due from the Central Bank and call loans to banks	4,480,052	4,179,673
Financial assets at fair value through profit or loss	4,865,431	5,752,661
Financial assets at fair value through other comprehensive income	8,889,886	9,901,976
Receivables	1,029,743	606,828
Loans	42,461,373	38,780,368
Property and equipment	599,748	680,903
Right-of-use assets	146,904	126,604
Intangible assets	54,532	31,263
Deferred tax assets	186,474	187,156
Other assets	<u>161,654</u>	<u>100,783</u>
Total	<u><u>\$ 75,197,987</u></u>	<u><u>\$ 72,639,217</u></u>
 Liabilities		
Due to the Central Bank and banks	\$ 12,088,082	\$ 13,911,023
Financial liabilities at fair value through profit or loss	-	209,525
Payables	1,451,658	1,444,190
Current tax liabilities	57,573	69,011
Deposits and remittances	53,056,464	48,546,532
Provisions	5,447	7,220
Lease liabilities	133,292	106,879
Deferred tax liabilities	95,358	48,989
Other liabilities	<u>22,919</u>	<u>27,627</u>
Total liabilities	<u><u>66,910,793</u></u>	<u><u>64,370,996</u></u>
 Equity		
Capital	6,094,911	6,094,911
Retained earnings	1,148,352	1,740,210
Other equity	<u>1,043,931</u>	<u>433,100</u>
Total equity	<u><u>8,287,194</u></u>	<u><u>8,268,221</u></u>
Total	<u><u>\$ 75,197,987</u></u>	<u><u>\$ 72,639,217</u></u>

Indovina Bank Limited

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Interest income	\$ 935,720	\$ 1,099,806
Interest expenses	<u>(618,564)</u>	<u>(680,702)</u>
Net interest income	317,156	419,104
Net income and gains other than interest income	<u>304,523</u>	<u>174,843</u>
Profit from operations	<u>621,679</u>	<u>593,947</u>
Provision for bad debt, commitments, and guarantee reserve	<u>(257,877)</u>	<u>(241,012)</u>
Operating expenses	<u>(186,406)</u>	<u>(183,253)</u>
Profit before income tax	177,396	169,682
Income tax expense	<u>(38,672)</u>	<u>(57,287)</u>
Net income	138,724	112,395
Other comprehensive income	<u>279,606</u>	<u>176,111</u>
Total comprehensive income	<u>\$ 418,330</u>	<u>\$ 288,506</u>
Basic earnings per share	Note	Note

Note: Indovina Bank is a limited company, and no information is disclosed accordingly.

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 1,900,581	\$ 1,424,660
Due from the Central Bank and call loans to banks	2,307,878	2,058,813
Financial assets at fair value through other comprehensive income	819	779
Debt instruments at amortized cost	186,178	149,278
Receivables	236,966	151,260
Loans	15,946,822	14,309,415
Property and equipment	210,875	199,409
Right-of-use assets	80,786	97,127
Intangible assets	32,009	37,809
Deferred tax assets	-	13,757
Other assets	<u>76,843</u>	<u>75,468</u>
Total	<u><u>\$ 20,979,757</u></u>	<u><u>\$ 18,517,775</u></u>
 Liabilities		
Deposits from the Central Bank and banks	\$ 8,462,999	\$ 7,201,575
Payables	353,797	187,711
Current tax liabilities	16,197	27,364
Deposits and remittances	8,247,989	7,374,445
Provisions	1,686	1,704
Lease liabilities	86,690	103,262
Deferred tax liabilities	10,964	-
Other liabilities	<u>4,511</u>	<u>7,339</u>
Total liabilities	<u><u>17,184,833</u></u>	<u><u>14,903,400</u></u>
 Equity		
Share capital	3,020,769	3,020,769
Retained earnings	565,643	568,380
Other equity	<u>208,512</u>	<u>25,226</u>
Total equity	<u><u>3,794,924</u></u>	<u><u>3,614,375</u></u>
Total	<u><u>\$ 20,979,757</u></u>	<u><u>\$ 18,517,775</u></u>

Cathay United Bank (Cambodia) Corporation Limited

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

	For the Three Months Ended March 31	
	2024	2023
Interest income	\$ 335,543	\$ 304,579
Interest expenses	<u>(181,607)</u>	<u>(129,266)</u>
Net interest income	153,936	175,313
Net income and gains other than interest income	<u>17,418</u>	<u>23,988</u>
Profit from operations	<u>171,354</u>	<u>199,301</u>
Provision for bad debt, commitments, and guarantee reserve	(28,986)	(29)
Operating expenses	<u>(161,384)</u>	<u>(106,946)</u>
(Loss) profit before income tax	(19,016)	92,326
Income tax benefit (expense)	<u>16,021</u>	<u>(11,860)</u>
Net (loss) income	(2,995)	80,466
Other comprehensive income (loss)	<u>149,369</u>	<u>(26,022)</u>
 Total comprehensive income	 <u>\$ 146,374</u>	 <u>\$ 54,444</u>
 Basic (loss) earnings per share	 <u>\$(0.03)</u>	 <u>\$0.80</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Cash and cash equivalents	\$ 468,939	\$ 1,147,935
Due from the Central Bank and call loans to banks	5,511,034	4,718,780
Financial assets at fair value through profit or loss	5,465,479	2,202,555
Financial assets at fair value through other comprehensive income	23,405,405	23,810,050
Debt instruments at amortized cost	1,889,004	2,805,919
Receivables	16,487,226	29,714,074
Current tax assets	74,418	-
Loans	33,996,677	32,233,914
Property and equipment	162,663	198,167
Right-of-use assets	237,640	305,348
Intangible assets	174,106	144,698
Deferred tax assets	-	73,504
Other assets	<u>491,275</u>	<u>343,234</u>
Total	<u>\$ 88,363,866</u>	<u>\$ 97,698,178</u>
 Liabilities		
Deposits from the Central Bank and banks	\$ 3,089,383	\$ 12,328,749
Financial liabilities at fair value through profit or loss	2,906,710	1,630,848
Notes and bonds sold under repurchase agreements	4,186,836	-
Payables	17,524,180	30,461,995
Current tax liabilities	-	3,128
Deposits and remittances	42,083,287	32,975,425
Other financial liabilities	847,829	2,440,131
Provisions	37,459	12,340
Lease liabilities	265,230	333,164
Deferred tax liabilities	44,478	-
Other liabilities	<u>342,779</u>	<u>740,078</u>
Total liabilities	<u>71,328,171</u>	<u>80,925,858</u>
 Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	1,361,851	1,123,146
Other equity	<u>(1,226,388)</u>	<u>(1,251,058)</u>
Total equity	<u>17,035,695</u>	<u>16,772,320</u>
Total	<u>\$ 88,363,866</u>	<u>\$ 97,698,178</u>

Cathay United Bank (China) Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Interest income	\$ 558,616	\$ 559,341
Interest expenses	<u>(301,420)</u>	<u>(306,234)</u>
Net interest income	257,196	253,107
Net income and gains other than interest income	<u>140,533</u>	<u>89,163</u>
Profit from operations	<u>397,729</u>	<u>342,270</u>
(Provision) reversal for bad debt and guarantee reserve	(44,920)	28,935
Operating expenses	<u>(259,404)</u>	<u>(252,835)</u>
Profit before income tax	93,405	118,370
Income tax expense	<u>(21,072)</u>	<u>(29,129)</u>
Net income	72,333	89,241
Other comprehensive income (loss)	<u>374,197</u>	<u>(122,863)</u>
Total comprehensive income (loss)	<u>\$ 446,530</u>	<u>\$ (33,622)</u>
Basic earnings per share	Note	Note

Note: CUBCN Bank is a limited company, and no information is disclosed accordingly.

Cathay Securities Corporation
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 65,839,781	\$ 35,633,747
Financial assets at fair value through other comprehensive income - non-current	727	311
Investments accounted for using the equity method	3,761,002	2,421,161
Property and equipment	273,899	282,764
Right-of-use assets	169,196	102,703
Intangible assets	50,785	64,574
Deferred tax assets	15,493	34,062
Other non-current assets	642,911	585,976
Total	\$ 70,753,794	\$ 39,125,298
 Liabilities		
Current liabilities	\$ 54,091,705	\$ 25,499,559
Lease liabilities - non-current	93,198	46,728
Deferred tax liabilities	4,784	-
Other non-current liabilities	37,842	32,567
Total liabilities	54,227,529	25,578,854
 Equity		
Share capital	7,700,000	7,700,000
Capital surplus	914,810	914,810
Retained earnings	5,783,089	4,109,843
Other equity	2,128,366	821,791
Total equity	16,526,265	13,546,444
Total	\$ 70,753,794	\$ 39,125,298

Cathay Securities Corporation

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

	For the Three Months Ended March 31	
	2024	2023
Revenues	\$ 2,511,330	\$ 1,430,990
Service fee expenses	(122,022)	(69,313)
Employee benefit expenses	(657,920)	(397,517)
Operating expenses	(678,437)	(452,021)
Share of profit of subsidiaries and associates accounted for using the equity method	36,640	33,181
Non-operating income and expenses	23,842	15,121
Profit before income tax	1,113,433	560,441
Income tax expense	(205,759)	(93,693)
Net income	907,674	466,748
Other comprehensive income	225,829	36,760
Total comprehensive income	\$ 1,133,503	\$ 503,508
Basic earnings per share	<u>\$1.18</u>	<u>\$0.61</u>

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 13,494,267	\$ 15,662,235
Financial assets at fair value through other comprehensive income - non-current	2,229,012	955,191
Property and equipment	62,162	65,650
Investment property	290,341	290,341
Right-of-use assets	4,679	9,244
Intangible assets	29,685	22,462
Deferred tax assets	566	252
Other non-current assets	161,561	158,684
Total	\$ 16,272,273	\$ 17,164,059
Liabilities		
Current liabilities	\$ 12,909,314	\$ 15,175,981
Deferred tax liabilities	6,335	6,399
Other non-current liabilities	2,267	5,147
Total liabilities	12,917,916	15,187,527
Equity		
Share capital	667,000	667,000
Capital surplus	2,455	2,455
Retained earnings	487,884	383,535
Other equity	2,197,018	923,542
Total equity	3,354,357	1,976,532
Total	\$ 16,272,273	\$ 17,164,059

Cathay Futures Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
Revenues	\$ 111,456	\$ 102,089
Operating expenses	<u>(127,212)</u>	<u>(113,680)</u>
Operating loss	(15,756)	(11,591)
Non-operating income and expenses	<u>74,270</u>	<u>56,881</u>
Profit before income tax	58,514	45,290
Income tax expense	<u>(11,646)</u>	<u>(9,004)</u>
Net income	46,868	36,286
Other comprehensive income (loss)	<u>263,617</u>	<u>(45,183)</u>
Total comprehensive income (loss)	<u>\$ 310,485</u>	<u>\$ (8,897)</u>
Basic earnings per share	<u>\$0.70</u>	<u>\$0.54</u>

Cathay Securities (Hong Kong) Limited

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

	March 31	
	2024	2023
Assets		
Current assets	\$ 1,483,868	\$ 1,428,348
Investments accounted for using the equity method	(100,530)	(73,431)
Property and equipment	1,256	499
Right-of-use assets	33,748	16,140
Intangible assets	2,035	1,931
Other non-current assets	<u>52,944</u>	<u>46,242</u>
Total	<u>\$ 1,473,321</u>	<u>\$ 1,419,729</u>
Liabilities		
Current liabilities	\$ 1,043,496	\$ 972,420
Non-current liabilities	<u>22,866</u>	<u>2,495</u>
Total liabilities	<u>1,066,362</u>	<u>974,915</u>
Equity		
Capital	1,108,244	1,108,244
Retained earnings	(680,111)	(619,779)
Other equity	<u>(21,174)</u>	<u>(43,651)</u>
Total equity	<u>406,959</u>	<u>444,814</u>
Total	<u>\$ 1,473,321</u>	<u>\$ 1,419,729</u>

Cathay Securities (Hong Kong) Limited

**Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)**

	For the Three Months Ended March 31	
	2024	2023
Revenues	\$ 34,470	\$ 28,748
Service fee expenses	(765)	(619)
Employee benefit expenses	(13,106)	(11,075)
Operating expenses	(24,617)	(20,771)
Non-operating income and expenses	<u>(6,205)</u>	<u>615</u>
Net loss	(10,223)	(3,102)
Other comprehensive income (loss)	<u>15,543</u>	<u>(6,790)</u>
Total comprehensive income (loss)	<u>\$ 5,320</u>	<u>\$ (9,892)</u>
Basic earnings per share	Note	Note

Note: Cathay Securities (Hong Kong) is a limited company, and no information is disclosed accordingly.

Cathay Capital (Asia) Limited
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
	2024	2023
Assets		
Current assets	\$ 519,991	\$ 480,128
Total	<u>\$ 519,991</u>	<u>\$ 480,128</u>
Liabilities		
Current liabilities	\$ 620,521	\$ 553,559
Total liabilities	<u>620,521</u>	<u>553,559</u>
Equity		
Capital	3,875	3,875
Retained earnings	(98,795)	(76,161)
Other equity	<u>(5,610)</u>	<u>(1,145)</u>
Total equity	<u>(100,530)</u>	<u>(73,431)</u>
Total	<u>\$ 519,991</u>	<u>\$ 480,128</u>

Cathay Capital (Asia) Limited
Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating (loss) revenues	\$ (1,100)	\$ 8,843
Operating costs	(4,047)	(6,290)
Operating expenses	(2,100)	(2,790)
Non-operating income and expenses	<u>3</u>	<u>88</u>
Net loss before income tax	(7,244)	(149)
Income tax expense	<u>-</u>	<u>-</u>
Net loss	(7,244)	(149)
Other comprehensive (loss) income	<u>(3,628)</u>	<u>1,112</u>
Total comprehensive (loss) income	<u>\$ (10,872)</u>	<u>\$ 963</u>
Basic earnings per share	Note	Note

Note: Cathay Capital (Asia) is a limited company, and no information is disclosed accordingly.

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 5,040,326	\$ 4,318,561
Financial assets at fair value through other comprehensive income - non-current	14,874	14,161
Investments accounted for using the equity method	344,074	391,182
Property and equipment	89,109	85,011
Right-of-use assets	126,670	40,438
Intangible assets	48,432	52,850
Deferred tax assets	18,640	20,101
Guarantee deposits paid	380,751	384,565
Other non-current assets	8,590	10,255
Total	\$ 6,071,466	\$ 5,317,124
Liabilities		
Current liabilities	\$ 1,087,888	\$ 902,154
Non-current liabilities	159,822	101,757
Total liabilities	1,247,710	1,003,911
Equity		
Share capital	1,500,000	1,500,000
Capital surplus	23,169	23,169
Retained earnings	3,377,841	2,864,469
Other equity	(77,254)	(74,425)
Total equity	4,823,756	4,313,213
Total	\$ 6,071,466	\$ 5,317,124

Cathay Securities Investment Trust Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 1,278,774	\$ 943,999
Operating expenses	<u>(575,803)</u>	<u>(492,986)</u>
Operating profit	702,971	451,013
Non-operating income and expenses	<u>21,142</u>	<u>24,380</u>
Profit before income tax	724,113	475,393
Income tax expense	<u>(143,887)</u>	<u>(92,139)</u>
Net income	580,226	383,254
Other comprehensive income	<u>5,169</u>	<u>1,426</u>
 Total comprehensive income	 <u>\$ 585,395</u>	 <u>\$ 384,680</u>
 Basic earnings per share	 <u>\$3.87</u>	 <u>\$2.56</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
	2024	2023
Assets		
Current assets	\$ 113,532	\$ 104,416
Other non-current assets	<u>53,587</u>	<u>51,002</u>
 Total	 <u>\$ 167,119</u>	 <u>\$ 155,418</u>
Liabilities		
Current liabilities	\$ 51,583	\$ 46,717
Other non-current liabilities	<u>1,924</u>	<u>575</u>
Total liabilities	<u>53,507</u>	<u>47,292</u>
Equity		
Share capital	150,000	150,000
Capital surplus	361	361
Retained earnings	<u>(36,749)</u>	<u>(42,235)</u>
Total equity	<u>113,612</u>	<u>108,126</u>
 Total	 <u>\$ 167,119</u>	 <u>\$ 155,418</u>

Cathay Private Equity Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2024	2023
Operating revenue	\$ 14,432	\$ 14,043
Operating expenses	<u>(11,769)</u>	<u>(13,552)</u>
Operating income	2,663	491
Non-operating income and expenses	<u>775</u>	<u>2,329</u>
Profit before income tax	3,438	2,820
Income tax expense	<u>(543)</u>	<u>(101)</u>
Net income	<u>2,895</u>	<u>2,719</u>
Total comprehensive income	<u>\$ 2,895</u>	<u>\$ 2,719</u>
Basic earnings per share	<u>\$0.19</u>	<u>\$0.18</u>

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31	
Assets	2024	2023
Current assets	\$ 1,472,999	\$ 401,130
Financial assets at fair value through profit or loss - non-current	4,903,664	5,323,068
Financial assets at fair value through other comprehensive income - non-current	487,954	497,094
Investments accounted for using the equity method	274,457	276,617
Property and equipment	2,526	3,341
Right-of-use assets	14,182	22,860
Deferred tax assets	178,523	66,775
Other non-current assets	2,086	2,086
Total	<u>\$ 7,336,391</u>	<u>\$ 6,592,971</u>
 Liabilities		
Current liabilities	\$ 65,971	\$ 43,055
Non-current liabilities	10,778	23,199
Total liabilities	<u>76,749</u>	<u>66,254</u>
 Equity		
Share capital	5,181,730	5,181,730
Capital surplus	576,952	576,952
Retained earnings	1,473,349	753,860
Other equity	27,611	14,175
Total equity	<u>7,259,642</u>	<u>6,526,717</u>
Total	<u>\$ 7,336,391</u>	<u>\$ 6,592,971</u>

Cathay Venture Inc.

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

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 566,111	\$ 338,932
Operating costs	(10,290)	(9,691)
Operating expenses	(4,543)	(4,109)
Non-operating income and expenses	1,041	(231)
Profit before income tax	552,319	324,901
Income tax benefit (expense)	3,787	(1,679)
Net income	556,106	323,222
Other comprehensive income	28,901	13,612
 Total comprehensive income	 \$ 585,007	 \$ 336,834
 Basic earnings per share	 \$ 1.07	 \$ 0.62

- b. The profitability of the Company, the Group and its insurance subsidiaries, banking subsidiaries and securities subsidiaries.

For the three months ended March 31, 2024

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.33	0.29	5.16	4.51	32.42
The Company	3.85	3.85	4.63	4.62	98.41
Cathay Life	0.33	0.30	4.36	3.96	12.27
Cathay Century	1.80	1.55	6.44	5.56	12.95
Cathay United Bank	0.31	0.25	4.60	3.73	39.87
Cathay Securities	1.74	1.42	6.98	5.69	36.14

For the three months ended March 31, 2023

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.06	0.06	1.13	1.13	11.09
The Company	0.87	0.89	1.08	1.09	94.85
Cathay Life	(0.05)	(0.03)	(0.79)	(0.45)	(1.36)
Cathay Century	(1.39)	(1.04)	(6.04)	(4.53)	(9.53)
Cathay United Bank	0.29	0.24	4.48	3.73	44.83
Cathay Securities	1.49	1.24	4.22	3.51	32.62

Note: Net income ratio = Net income from continuing operations/Net revenue.

35. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 700 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

b. Cross utilization of information

To provide diversified financial commodities and services to clients, the Company has referred to the Financial Holding Company Act, Personal Data Protection Act, Regulations for Co-selling Activities among Subsidiaries of Financial Holding Company, Self-discipline Standards for Financial Holding Company and its Subsidiaries and other related regulations issued by the FSC, to stipulate the Regulations for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, contracts for Co-selling Activities among Subsidiaries of Cathay Financial Holdings, Non-disclosure Agreement of Business Information and Customers' Personal Data among Subsidiary of Cathay Financial Holdings, Joint Statement for Security Measures of Cathay Financial Holdings and its Subsidiaries, Operation Rules of Cathay Financial Holdings Strategies Communication and Marketing Division for Monitoring Subsidiaries' Selling Activities, and Guidelines of Cathay Financial Holdings' Data Storage Management, Cathay Financial Holdings and Subsidiary Data Sharing Management Policy and the Adoption of Management Measures for Data Sharing among its Subsidiaries by providing customers with exit mechanism, the Company strives to cross-utilize clients' personal data under a legal and safe environment and provide comprehensive and integrated financial commodities and services to clients.

c. Business facilities and locations

In order to achieve the target of providing comprehensive financial services through one-stop shopping, the Group kept on expanding the co-selling of products across subsidiaries to the extent allowed by laws and regulations.

- 1) Aside from the insurance agency business and life insurance product promotion, Cathay United Bank has engaged in co-selling activities for securities and property insurance businesses across all branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property insurance businesses across all business locations.
- 3) Cathay Securities leased part of the branches of Cathay United Bank and Cathay Life to set up co-selling offices.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among the Company's subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

36. SEGMENT INFORMATION

a. General information on operating segments

The Group separated operating segments based on the nature of business and classified them into five reportable segments for management purposes:

- 1) Banking operating segment: The banking operating segment is engaged in permitted businesses of commercial banks provided by the Banking Act of the Republic of China, foreign exchange business, guarantee business, advisory service of foreign currency investments, trust business, offshore banking units and other financial business of investments from returning expatriates.
- 2) Life insurance operating segments: The life insurance operating segment is engaged in traditional insurance, investment-linked insurance and interest-sensitive sales of annuity insurance and providing financial planning services and policy loan services.
- 3) Property insurance operating segment: The property insurance operating segment is engaged in fire insurance, marine insurance, land and air insurance, liability insurance, financial guarantee insurance, reinsurance and other insurance.
- 4) Securities operating segment: The securities operating segment is engaged in brokerage, dealership, and underwriting business and is dedicated to capabilities of research, development and design to provide security financial services with a variety of new financial products.
- 5) Other operating segment: Such segment includes assets, liabilities, revenue and expenditures which cannot be directly attributable to or reasonably allocated to certain operating segments.

To determine allocation of resources and performance measure, the management monitors results of each operating segment. The accounting policies for each operating segment are the same as those stated in Note 4 the summary of significant accounting policies.

b. Information of reporting segment income was as follows:

For the three months ended March 31, 2024

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 13,857,644	\$ 48,616,570	\$ 171,755	\$ 165,573	\$ (386,456)	\$ 62,425,086
Net income and gains other than interest income	9,412,791	37,537,665	2,639,460	2,111,106	2,441,636	54,142,658
Profit from operations	23,270,435	86,154,235	2,811,215	2,276,679	2,055,180	116,567,744
(Provision) reversal of provision for bad debt, commitments and guarantee reserve	(2,382,958)	81,409	-	(623)	-	(2,302,172)
Net changes in insurance liability reserve	-	(45,923,263)	(286,381)	-	-	(46,209,644)
Operating expenses	(11,440,685)	(9,779,576)	(1,221,077)	(1,102,648)	(1,283,011)	(24,826,997)
Profit from continuing operations before taxes	9,446,792	30,532,805	1,303,757	1,173,408	772,169	43,228,931
Income tax expense	(2,460,559)	(2,336,245)	(139,958)	(205,715)	(299,691)	(5,442,168)
Net income from continuing operations	6,986,233	28,196,560	1,163,799	967,693	472,478	37,786,763

For the three months ended March 31, 2023

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 12,949,097	\$ 46,651,420	\$ 154,963	\$ 98,993	\$ (335,720)	\$ 59,518,753
Net income and gains other than interest income (loss)	4,435,737	7,565,443	(7,969,976)	1,233,101	1,783,727	7,048,032
Profit (loss) from operations	17,384,834	54,216,863	(7,815,013)	1,332,094	1,448,007	66,566,785
Reversal of provision (provision) for bad debt, commitments and guarantee reserve	98,897	247,385	-	(44)	-	346,238
Net changes in insurance liability reserve	-	(46,357,719)	8,138,530	-	-	(38,219,189)
Operating expenses	(9,988,370)	(8,584,733)	(913,227)	(723,424)	(1,094,351)	(21,304,105)
Profit (loss) from continuing operations before taxes	7,495,361	(478,204)	(589,710)	608,626	353,656	7,389,729
Income tax (expense) benefit	(1,931,557)	1,893,138	187,645	(93,707)	(61,265)	(5,746)
Net income (loss) from continuing operations	5,563,804	1,414,934	(402,065)	514,919	292,391	7,383,983

Note: All intercompany transactions among the operating segments have been eliminated.

37. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Objectives of risk management

Cathay Life's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

b) Framework, organizational structure and responsibilities of risk management

i. The board of directors

- i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
- ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
- iii) The board of directors should review the risk appetite on a yearly basis and make adjustments as deemed appropriate.
- iv) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- v) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

ii. Risk management committee

- i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
- ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall risk management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- iv) The committee should assist in the review of the risk limit development process.
- v) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- vi) The committee should enhance cross-department interaction and communication.

iii. Chief risk officer

- i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
- iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
- iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
- ii) The department should perform the following functions with regard to different business activities:
 - Propose and execute the risk management policies set by the board of directors.
 - Propose the risk limits based on risk appetite.
 - 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.
 - Regularly present risk management reports.
 - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - Assist to execute stress testing.
 - Execute back testing if necessary.
 - Other risk management related issues.

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
 - Identify and measure risks and report risk exposures and potential impacts on time.
 - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
 - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

- Ensure that internal control procedures are executed effectively to comply with applicable regulations and the risk management policies.
- Assist to collect data related to operational risk.
- Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
- Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

The department is responsible for the audit of each department's implementation status of risk management pursuant to the applicable laws and regulations and related rules and guidance of Cathay Life.

vii. Subsidiaries

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to Cathay Life's risk management committee for future reference.

c) Range and nature of risk assessment or risk reporting

Cathay Life's risk management procedures include risk identification, risk measurement, risk control and risk reporting. Cathay Life sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, asset and liability matching risk, capital adequacy, information security and personal data management, emerging risk, and ESG and climate risk. Cathay Life also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

i. Market risk

Market risk is the risk of losses in value of Cathay Life's financial assets arising from the changes in market prices of financial instruments. Cathay Life adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, Cathay Life performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, Cathay Life determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

ii. Credit risk

Credit risk is the risk of losses on Cathay Life's rights due to that the counterparty or debtor does not perform the contractual obligation. Cathay Life applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, Cathay Life applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

iii. Country risk

Country risk is the risk that Cathay Life suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. Cathay Life adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. Cathay Life reviews and adjusts the indicator on a regular basis.

iv. Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Cathay Life has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth. Cathay Life has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

v. Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. Cathay Life has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain Cathay Life's operation and ability to provide customer services while minimizing the losses under a major crisis, Cathay Life has established business continuity management system, emergency handling mechanism and information system damage responses.

vi. Insurance risk

Cathay Life assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and Cathay Life may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

vii. Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. Cathay Life measures the risk with capital costs, duration, cash flow management and scenario analysis.

viii. Capital adequacy

Cathay Life regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of Cathay Life divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is Cathay Life's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

ix. Risk of information security management

The risk of information security management refers to the damage resulted from confidentiality, completeness and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking information assets. Cathay Life has an information security management policy to reduce the impact of information security incidents damage, and regularly reports to the board of directors on the overall implementation of information security and the trend of information security risks.

x. Risk of personal data management

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

xi. Emerging risks

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

xii. ESG and climate risks

ESG risks include environmental (climate and nature issues), social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to immediacy extreme weather events or long-term climate pattern change). Cathay Life has established a qualitative climate risk management system and developed a relevant limit management mechanism, and regularly conducts climate scenario analysis to monitor related risks.

xiii. Reputation risk

Reputation risk refers to the risk that Cathay Life's reputation may be adversely impacted due to improper behavior or negative media reports that may damage brand value and shareholders' interests. Cathay Life has established a reputation risk management policy, which includes risk assessment, adoption of countermeasures, and the implementation of procedures, such as stakeholder communication.

- d) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels
 - i. The process of assuming, measuring, monitoring and controlling insurance risks
 - i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
 - ii) Establish methods to evaluate insurance risks.
 - iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.
 - iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee and risk management department of the Company. When an exceptional insurance risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life.
 - ii. The underwriting policies to determine proper risk classification and premium levels
 - i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
 - ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.
 - iii) Cathay Life has established a high-value insurance contract approval procedure to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
 - i. Insurance risk assessment covers the following risks:
 - i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
 - ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.

- iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
 - v) Claim risk: This risk arises from mishandling claims.
 - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
- ii. The scope of management of insurance risk
- i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
 - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
 - iv) Determine methods to measure insurance risks.
 - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
 - vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

Cathay Life limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering Cathay Life's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, Cathay Life has established reinsurer selection standards.

- g) Asset/liability management
- i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
 - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management division of the Company.
 - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and the risk management division of the Company.

- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding additional capital

Pursuant to the applicable laws and regulations, Cathay Life's RBC ratio and equity ratio should be higher than a certain number. In order to enhance Cathay Life's capital management and to maintain a proper RBC ratio and equity ratio, Cathay Life has established a set of capital adequacy management standards as follows:

- i. Capital adequacy management

- i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company.
- ii) Regularly provide the analysis report to the risk management committee.
- iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
- iv) Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

- ii. Exception management process

When RBC ratio or the net equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

- i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

- i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, single stock futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; In addition, forward bonds are used as the hedging instruments for hedging prospective investment risk; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
- ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
- iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the board of directors, or the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

- j) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

2) Information of insurance risk

- a) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

i. Cathay Life

For the Three Months Ended March 31, 2024					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 904,124	Decrease (increase)	\$ 723,299
Expense	×1.05 (×0.95)	Decrease (increase)	909,078	Decrease (increase)	727,262
Surrender rate	×1.05 (×0.95)	Increase (decrease)	99,167	Increase (decrease)	79,334
Rate of return	+0.1%	Increase	1,885,633	Increase	1,508,506
Rate of return	-0.1%	Decrease	1,886,102	Decrease	1,508,881

For the Three Months Ended March 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 884,591	Decrease (increase)	\$ 707,673
Expense	×1.05 (×0.95)	Decrease (increase)	708,434	Decrease (increase)	566,747
Surrender rate	×1.05 (×0.95)	Increase (decrease)	99,998	Increase (decrease)	79,998
Rate of return	+0.1%	Increase	1,790,098	Increase	1,432,078
Rate of return	-0.1%	Decrease	1,790,544	Decrease	1,432,435

ii. Cathay Lujiazui Life

For the Three Months Ended March 31, 2024					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 41,643	Decrease (increase)	\$ 31,232
Expense	×1.05 (×0.95)	Decrease (increase)	26,777	Decrease (increase)	20,083
Surrender rate	×1.10 (×0.90)	Increase (decrease)	18,160	Increase (decrease)	13,620
Rate of return	+0.25%	Increase	295,060	Increase	221,295
Rate of return	-0.25%	Decrease	295,798	Decrease	221,848

For the Three Months Ended March 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 42,283	Decrease (increase)	\$ 31,713
Expense	×1.05 (×0.95)	Decrease (increase)	27,189	Decrease (increase)	20,392
Surrender rate	×1.10 (×0.90)	Increase (decrease)	18,439	Increase (decrease)	13,829
Rate of return	+0.25%	Increase	227,063	Increase	170,297
Rate of return	-0.25%	Decrease	227,625	Decrease	170,719

iii. Cathay Life (Vietnam)

For the Three Months Ended March 31, 2024					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 2,243	Decrease (increase)	\$ 1,795
Expense	×1.05 (×0.95)	Decrease (increase)	20,155	Decrease (increase)	16,124
Surrender rate	×1.05 (×0.95)	Increase (decrease)	8,807	Increase (decrease)	7,045
Rate of return	+0.1%	Increase	9,817	Increase	7,853
Rate of return	-0.1%	Decrease	9,819	Decrease	7,855

For the Three Months Ended March 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,615	Decrease (increase)	\$ 1,292
Expense	×1.05 (×0.95)	Decrease (increase)	20,752	Decrease (increase)	16,602
Surrender rate	×1.05 (×0.95)	Increase (decrease)	7,207	Increase (decrease)	5,765
Rate of return	+0.1%	Increase	8,341	Increase	6,673
Rate of return	-0.1%	Decrease	8,343	Decrease	6,674

- i) Changes in income before tax listed above referred to the effects of income before tax for the three months ended March 31, 2024 and 2023. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

$$2 \times (\text{net investment} - \text{finance costs}) / (\text{the beginning balance of available funds} + \text{the ending balance of available funds, net incomes (losses) on investment} + \text{finance costs}).$$

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

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

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

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2017Q2-2018Q1	18,053,552	22,165,756	22,599,662	22,725,699	22,788,851	22,827,584	22,851,799	-	-
2018Q2-2019Q1	19,772,926	24,473,350	24,936,006	25,060,594	25,134,197	25,190,171	25,216,813	26,642	26,695
2019Q2-2020Q1	21,629,876	26,416,547	26,912,746	27,043,247	27,118,714	27,175,333	27,203,545	84,831	85,001
2020Q2-2021Q1	21,519,671	26,414,084	26,945,956	27,078,393	27,149,866	27,204,066	27,232,689	154,296	154,604
2021Q2-2022Q1	19,958,874	24,847,487	25,368,889	25,488,020	25,550,906	25,601,256	25,628,903	260,014	260,534
2022Q2-2023Q1	22,124,552	27,694,214	28,222,913	28,354,005	28,422,782	28,478,340	28,509,092	814,878	816,507
2023Q2-2024Q1	24,511,061	30,119,441	30,681,108	30,821,471	30,895,315	30,954,227	30,986,810	6,475,749	6,488,700
								Expected future payments	\$ 7,832,041
								Add: Assumed reserve for claims not yet filed	31,596
								Reserve for claims not yet filed	7,863,637
								Add: Claims filed but not yet paid	5,168,072
								Loss reserve balance	<u>\$ 13,031,709</u>

ii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2017Q2-2018Q1	18,178,871	22,338,162	22,773,148	22,899,477	22,962,805	23,001,893	23,026,260	-	-
2018Q2-2019Q1	19,868,253	24,577,847	25,041,729	25,166,684	25,240,783	25,296,993	25,323,945	26,952	27,007
2019Q2-2020Q1	21,660,206	26,456,297	26,954,291	27,085,610	27,161,342	27,218,185	27,246,576	85,234	85,404
2020Q2-2021Q1	21,550,442	26,460,898	26,998,015	27,130,873	27,202,686	27,257,182	27,286,039	155,166	155,476
2021Q2-2022Q1	19,992,547	24,923,343	25,446,935	25,566,798	25,630,178	25,680,958	25,708,945	262,010	262,534
2022Q2-2023Q1	22,200,750	27,788,794	28,321,470	28,453,474	28,522,867	28,578,960	28,610,136	821,342	822,985
2023Q2-2024Q1	24,552,456	30,178,216	30,742,410	30,883,352	30,957,587	31,016,841	31,049,692	6,497,236	6,510,231
								Expected future payments	\$ 7,863,637
								Add: Claims filed but not yet paid	5,107,362
								Retained loss reserve balance	<u>\$ 12,970,999</u>

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses. Regarding the reserve for products of statutory infectious disease monthly loss triangle estimation were used, and the reserve for claims filed but not yet paid was provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

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

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2017Q2-2018Q1	350,664	380,890	460,409	460,409	460,409	460,409	460,409	-	
2018Q2-2019Q1	411,121	766,293	851,437	851,437	851,437	851,437	851,437	-	
2019Q2-2020Q1	396,023	561,036	825,050	825,050	825,050	825,050	825,050	-	
2020Q2-2021Q1	525,663	753,454	1,052,770	1,052,770	1,052,770	1,052,770	1,052,770	-	
2021Q2-2022Q1	459,001	657,903	919,261	919,261	919,261	919,261	919,261	-	
2022Q2-2023Q1	837,371	1,200,232	1,580,877	1,580,877	1,580,877	1,580,877	1,580,877	380,645	
2023Q2-2024Q1	849,418	1,231,382	1,621,906	1,621,906	1,621,906	1,621,906	1,621,906	772,488	
								Expected future payments	\$ 1,153,133
								Less: Assumed reserve for claims not yet filed	(601,867)
								Reserve for claims not yet filed	551,266
								Add: Claims filed but not yet paid	39,791
								Loss reserve balance	<u>\$ 591,057</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
2017Q2-2018Q1	338,533	364,238	441,188	441,188	441,188	441,188	441,188	-	
2018Q2-2019Q1	404,336	746,160	838,381	838,381	838,381	838,381	838,381	-	
2019Q2-2020Q1	396,023	561,036	813,097	813,097	813,097	813,097	813,097	-	
2020Q2-2021Q1	525,663	744,689	1,079,263	1,079,263	1,079,263	1,079,263	1,079,263	-	
2021Q2-2022Q1	459,001	650,250	942,391	942,391	942,391	942,391	942,391	-	
2022Q2-2023Q1	837,371	1,125,646	1,510,341	1,510,341	1,510,341	1,510,341	1,510,341	384,695	
2023Q2-2024Q1	849,418	1,202,589	1,613,579	1,613,579	1,613,579	1,613,579	1,613,579	764,161	
								Expected future payments	\$ 1,148,856
								Less: Expected claims filed but not yet paid	(601,867)
								Add: Claims filed but not yet paid	33,811
								Retained loss reserve balance	<u>\$ 580,800</u>

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

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

iii. Cathay Life (Vietnam)

Direct business loss development trend (same as retained business development trend)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2019Q2-2020Q1	13,592	16,645	16,712	16,712	16,712
2020Q2-2021Q1	23,508	27,122	27,126	27,126	27,126
2021Q2-2022Q1	48,089	56,536	56,539	56,547	56,547
2022Q2-2023Q1	77,974	90,237	90,604	90,619	90,619
2023Q2-2024Q1	73,961	86,571	86,924	86,937	86,937

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2019Q2-2020Q1	13,592	16,645	16,712	16,712	16,712
2020Q2-2021Q1	23,508	27,122	27,126	27,126	27,126
2021Q2-2022Q1	48,089	56,536	56,539	56,547	56,547
2022Q2-2023Q1	77,974	90,237	90,604	90,619	90,619
2023Q2-2024Q1	73,961	86,571	86,924	86,937	86,937

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

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

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In 100 Millions of NTD

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	1 to 5 Years	Over 5 Years
March 31, 2024	\$ 883	\$ 4,556	\$ 191,383
December 31, 2023	310	4,869	188,818
March 31, 2023	667	4,605	185,890

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

1) Risk management objectives, policies, procedures and methods:

a) Framework, organizational structure and responsibilities

i. Board of directors

- i) 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.
- ii) The board of directors should establish an appropriate risk management framework and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.
- iii) The board of directors should consider the effect of the aggregated risks from Cathay Century'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.

ii. Risk management department

i) 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.
- The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.
- The committee should assist and monitor the risk management activities performed by each department.

- The committee should assist in deliberating related procedures for formulating risk limits.
- The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- The committee should enhance cross-department interaction and communication.

ii) Chief risk officer

The appointment of chief risk officers of Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries' risk overview.

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

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- 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.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

- Identify and measure risks and report risk exposures and impacts timely.
- Regularly review the risks and their limits and report the overruns if they are exceeded, including the measures taken to exceed the limits.
- Assist in developing the risk model and ensuring that the risk measurement, application of the model and parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and risk management policies.
- Assist in collecting data related to operational risk.

iv. 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 Cathay Century.

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.
- ii) 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.

ii. The scope and nature of risk assessment

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

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

In Cathay Century and its subsidiaries, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to risk management department in accordance with 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.

- d) The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

- e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement 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 and reduce the exposure.

In addition, for reinsurance business, 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 of undertaking risk is considered to develop reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

Accumulated risk with 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 contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to Cathay Century and its subsidiaries' 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	
	2024	2023
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

- f) Asset-liability management

- i. 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.

ii. 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 coordinate asset-liability risk, and report to the risk management department and propose to the risk management committee evaluation of the risk.

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's risk-based capital.

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid		
	March 31, 2024	December 31, 2023	March 31, 2023
Fire insurance	\$ 45,509	\$ 382,340	\$ 272,196
Marine insurance	39,509	87,706	24,907
Land and air insurance	81,020	75,949	37,946
Liability insurance	76,937	89,521	251,291
Guarantee insurance	604	601	121
Other property insurance	48,635	28,374	42,663
Accident insurance	19,126	15,419	24,366
Health insurance	1,364	67	80,724
Policy-oriented residential earthquake insurance	-	-	23
Compulsory automobile liability insurance	<u>147,098</u>	<u>163,910</u>	<u>179,741</u>
	459,802	843,887	913,978
Less: Loss allowance	<u>(4,598)</u>	<u>(8,439)</u>	<u>(9,139)</u>
Net amount	<u>\$ 455,204</u>	<u>\$ 835,448</u>	<u>\$ 904,839</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	March 31, 2024	December 31, 2023	March 31, 2023
Fire insurance	\$ 1,214,120	\$ 1,008,491	\$ 568,093
Marine insurance	502,694	340,128	418,615
Land and air insurance	182,355	157,690	161,859
Liability insurance	510,287	581,224	334,681
Guarantee insurance	48,937	56,504	30,374
Other property insurance	327,273	412,614	232,086
Accident insurance	142,893	124,222	136,724
Health insurance	4,126	2,814	3,351
Policy-oriented residential earthquake insurance	35,425	34,831	31,827
Compulsory automobile liability insurance	<u>12,528</u>	<u>15,904</u>	<u>11,960</u>
	2,980,638	2,734,422	1,929,570
Less: Loss allowance	<u>(38,321)</u>	<u>(36,950)</u>	<u>(60,676)</u>
Net amount	<u>\$ 2,942,317</u>	<u>\$ 2,697,472</u>	<u>\$ 1,868,894</u>

Aging analysis of premiums receivable:

	March 31, 2024	December 31, 2023	March 31, 2023
Up to 90 days	\$ 2,190,631	\$ 1,889,950	\$ 1,189,407
Over 90 days	<u>790,007</u>	<u>844,472</u>	<u>740,163</u>
	<u>\$ 2,980,638</u>	<u>\$ 2,734,422</u>	<u>\$ 1,929,570</u>

The overdue amounts as of March 31, 2024, December 31, 2023 and March 31, 2023 in the above premiums receivable were \$790,007 thousand, \$844,472 thousand and \$740,163 thousand, respectively, and loss allowance of \$15,800 thousand, \$17,807 thousand and \$47,922 thousand were provided, respectively.

b) Accounts payables

March 31, 2024			
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 48,477	\$ 14,764	\$ 63,241
Marine insurance	21,998	15,361	37,359
Land and air insurance	281,070	126,823	407,893
Liability insurance	40,082	42,836	82,918
Guarantee insurance	5,137	610	5,747
Other property insurance	14,388	15,488	29,876
Accident insurance	10,033	49,143	59,176
Health insurance	635	3,933	4,568
Policy-oriented residential earthquake insurance	329	3,774	4,103
Compulsory automobile liability insurance	<u>17,802</u>	<u>-</u>	<u>17,802</u>
	<u>\$ 439,951</u>	<u>\$ 272,732</u>	<u>\$ 712,683</u>
December 31, 2023			
Insurance Type	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>

March 31, 2023			
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 37,872	\$ 15,446	\$ 53,318
Marine insurance	16,666	14,065	30,731
Land and air insurance	225,618	125,006	350,624
Liability insurance	30,369	35,745	66,114
Guarantee insurance	4,872	901	5,773
Other property insurance	11,324	11,275	22,599
Accident insurance	11,888	43,845	55,733
Health insurance	1,156	2,398	3,554
Policy-oriented residential earthquake insurance	443	3,466	3,909
Compulsory automobile liability insurance	<u>19,981</u>	<u>-</u>	<u>19,981</u>
	<u>\$ 360,189</u>	<u>\$ 252,147</u>	<u>\$ 612,336</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

March 31, 2024			
Items	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies	
Central Re	\$ 124,063	\$ 289,253	
Guy Carpenter	137,251	99,486	
Hannover Re Shanghai	200,573	53,282	
Marsh	1,030,426	290,644	
Munich Re	130,139	207,828	
Non-Life Insurance Association of the R.O.C.	145,464	344,213	
Others (individually below 5%)	<u>886,436</u>	<u>1,542,793</u>	
	2,654,352	2,827,499	
Less: Loss allowance	<u>(193,650)</u>	<u>-</u>	
Net amount	<u>\$ 2,460,702</u>	<u>\$ 2,827,499</u>	

Items	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 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>

Items	March 31, 2023	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Central Re	\$ 100,644	\$ 261,857
Hannover Re Shanghai	220,538	62,820
Marsh	1,169,250	213,497
Munich Re	101,912	221,899
Transatlantic Re	91,470	141,938
Non-Life Insurance Association of the R.O.C.	137,291	339,239
Others (individually below 5%)	<u>844,700</u>	<u>1,543,679</u>
	2,665,805	2,784,929
Less: Loss allowance	<u>(27,590)</u>	<u>-</u>
Net amount	<u>\$ 2,638,215</u>	<u>\$ 2,784,929</u>

The overdue amounts as of March 31, 2024, December 31, 2023 and March 31, 2023 in the above due from reinsurers and ceding companies were \$1,206,393 thousand, \$1,185,311 thousand and \$25,890 thousand, respectively, and loss allowances of \$178,214 thousand, \$174,157 thousand and \$1,295 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.

4) Reserve required for specific assets

The accounting of the compulsory automobile liability insurance (“CAL Insurance”) held by Cathay Century 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:

- a) Government bonds, not including exchangeable government bonds.
- b) Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial paper 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 insurer'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 it deems appropriate based on the insurer's operational status.

If the balance of the Cathay Century'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 special reserve mentioned above, held by an insurer for this 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:

- a) Treasury bills.
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds under repurchase agreement.

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 Cathay Century to a level they deem appropriate on the basis of the Cathay Century'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 no other insurance company can sustain this insurance business and the liability of this insurance has been settled with a positive balance in the various reserves.

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 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 and the liability of this insurance has been settled with a positive balance in the various reserves.

5) Acquisition cost of insurance contracts

For the Three Months Ended March 31, 2024					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 64,422	\$ 1,326	\$ 1,772	\$ 9,146	\$ 76,666
Marine insurance	28,626	3	327	787	29,743
Land and air insurance	416,411	-	135	161,429	577,975
Liability insurance	79,674	6	139	13,187	93,006
Guarantee insurance	2,117	(1)	(18)	280	2,378
Other property insurance	44,428	215	6,209	2,283	53,135
Accident insurance	120,798	-	155	45,665	166,618
Health insurance	11,985	-	-	4,174	16,159
Policy-oriented residential earthquake insurance	2,871	5	-	3,365	6,241
Compulsory automobile liability insurance	-	76,531	-	-	76,531
	<u>\$ 771,332</u>	<u>\$ 78,085</u>	<u>\$ 8,719</u>	<u>\$ 240,316</u>	<u>\$ 1,098,452</u>

For the Three Months Ended March 31, 2023					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 49,117	\$ 2,030	\$ 23,481	\$ 9,643	\$ 84,271
Marine insurance	23,665	132	379	951	25,127
Land and air insurance	379,252	-	23	162,792	542,067
Liability insurance	66,928	5	65	13,627	80,625
Guarantee insurance	2,303	1	128	138	2,570
Other property insurance	34,709	257	3,924	1,884	40,774
Accident insurance	104,920	8	12	42,460	147,400
Health insurance	9,065	-	-	1,992	11,057
Policy-oriented residential earthquake insurance	3,027	16	-	3,233	6,276
Compulsory automobile liability insurance	-	76,976	-	-	76,976
	<u>\$ 672,986</u>	<u>\$ 79,425</u>	<u>\$ 28,012</u>	<u>\$ 236,720</u>	<u>\$ 1,017,143</u>

Acquisition costs of the insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

For the Three Months Ended March 31, 2024						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 1,209,016	\$ (82,960)	\$ 74,894	\$ 202,474	\$ 60,208	\$ 954,400
Marine insurance	376,247	52,329	29,416	94,068	(18,336)	218,770
Land and air insurance	3,702,322	112,654	577,840	1,779,385	313,771	918,672
Liability insurance	775,432	79,594	92,867	290,088	129,488	183,395
Guarantee insurance	20,456	(14,309)	2,396	14,584	(7,262)	25,047
Other property insurance	718,674	229,147	46,926	142,161	(172,626)	473,066
Accident insurance	1,060,707	(30,768)	166,463	374,330	(12,641)	563,323
Health insurance	87,680	(2,894)	16,159	25,039	(14,306)	63,682
Policy-oriented residential earthquake insurance	117,011	(1,459)	6,241	-	-	112,229
Compulsory automobile liability insurance	<u>708,529</u>	<u>1,237</u>	<u>76,531</u>	<u>499,260</u>	<u>38,460</u>	<u>93,041</u>
	<u>\$ 8,776,074</u>	<u>\$ 342,571</u>	<u>\$ 1,089,733</u>	<u>\$ 3,421,389</u>	<u>\$ 316,756</u>	<u>\$ 3,605,625</u>

For the Three Months Ended March 31, 2023						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 884,379	\$ (234,568)	\$ 60,790	\$ 445,004	\$ (202,587)	\$ 815,740
Marine insurance	312,718	32,167	24,748	79,301	44,226	132,276
Land and air insurance	3,366,741	209,422	542,044	1,615,371	264,018	735,886
Liability insurance	598,995	35,706	80,559	344,484	(59,008)	197,254
Guarantee insurance	28,096	(514)	2,442	1,209	(1,644)	26,603
Other property insurance	460,621	(604)	36,849	763,667	(277,980)	(61,311)
Accident insurance	907,277	52,078	147,388	342,106	11,022	354,683
Health insurance	52,012	(92,566)	11,057	9,465,755	(7,577,525)	(1,754,709)
Policy-oriented residential earthquake insurance	114,807	(2,252)	6,278	23	-	110,758
Compulsory automobile liability insurance	<u>705,597</u>	<u>7,386</u>	<u>76,976</u>	<u>530,220</u>	<u>13,973</u>	<u>77,042</u>
	<u>\$ 7,431,243</u>	<u>\$ 6,255</u>	<u>\$ 989,131</u>	<u>\$ 13,587,140</u>	<u>\$ (7,785,505)</u>	<u>\$ 634,222</u>

Reinsurance inward business

For the Three Months Ended March 31, 2024

Insurance Type	Net Changes in					Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	
Fire insurance	\$ 16,035	\$ (8,501)	\$ 1,772	\$ 75,612	\$ (58,408)	\$ 5,560
Marine insurance	3,127	482	327	5,881	(9,394)	5,831
Land and air insurance	872	(8)	135	594	2,904	(2,753)
Liability insurance	1,792	728	139	507	(335)	753
Guarantee insurance	393	(473)	(18)	885	612	(613)
Other property insurance	24,077	6,183	6,209	5,888	(8,656)	14,453
Accident insurance	2,524	65	155	451	(331)	2,184
Health insurance	-	-	-	6	(169)	163
Policy-oriented residential earthquake insurance	17,851	3,312	-	-	-	14,539
Compulsory automobile liability insurance	<u>203,759</u>	<u>6,918</u>	<u>-</u>	<u>189,667</u>	<u>(8,639)</u>	<u>15,813</u>
	<u>\$ 270,430</u>	<u>\$ 8,706</u>	<u>\$ 8,719</u>	<u>\$ 279,491</u>	<u>\$ (82,416)</u>	<u>\$ 55,930</u>

For the Three Months Ended March 31, 2023

Insurance Type	Net Changes in					Profit (Loss)
	Reinsurance Premium	Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	
Fire insurance	\$ 91,089	\$ (35,949)	\$ 23,481	\$ 144,525	\$ (59,241)	\$ 18,273
Marine insurance	8,059	1,146	379	12,957	(8,135)	1,712
Land and air insurance	97	(1,167)	23	3,104	(7,281)	5,418
Liability insurance	1,725	524	65	(271)	(56)	1,463
Guarantee insurance	3,297	2,387	128	26	615	141
Other property insurance	18,350	1,165	3,924	9,959	(2,269)	5,571
Accident insurance	2,709	(324)	12	6	(9)	3,024
Health insurance	-	(850)	-	-	(431)	1,281
Policy-oriented residential earthquake insurance	17,086	2,424	-	-	-	14,662
Compulsory automobile liability insurance	<u>191,415</u>	<u>(179)</u>	<u>-</u>	<u>178,179</u>	<u>(11,768)</u>	<u>25,183</u>
	<u>\$ 333,827</u>	<u>\$ (30,823)</u>	<u>\$ 28,012</u>	<u>\$ 348,485</u>	<u>\$ (88,575)</u>	<u>\$ 76,728</u>

Ceded reinsurance business

For the Three Months Ended March 31, 2024						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 834,976	\$ (138,293)	\$ 83,197	\$ 116,648	\$ (1,784)	\$ 775,208
Marine insurance	311,534	60,001	26,125	62,274	(17,169)	180,303
Land and air insurance	206,242	(21,210)	61,497	86,810	7,975	71,170
Liability insurance	255,478	12,803	40,328	72,688	93,776	35,883
Guarantee insurance	13,203	(13,835)	2,683	11,054	(7,138)	20,439
Other property insurance	720,982	147,791	99,344	113,190	(130,233)	490,890
Accident insurance	80,930	3,625	16,162	27,013	1,040	33,090
Health insurance	-	-	-	2,703	(5,993)	3,290
Policy-oriented residential earthquake insurance	117,011	(1,459)	-	-	-	118,470
Compulsory automobile liability insurance	<u>297,197</u>	<u>743</u>	<u>-</u>	<u>289,143</u>	<u>17,997</u>	<u>(10,686)</u>
	<u>\$ 2,837,553</u>	<u>\$ 50,166</u>	<u>\$ 329,336</u>	<u>\$ 781,523</u>	<u>\$ (41,529)</u>	<u>\$ 1,718,057</u>

For the Three Months Ended March 31, 2023						
Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	Loss (Profit)
Fire insurance	\$ 638,492	\$ (108,342)	\$ 26,191	\$ 284,039	\$ (189,752)	\$ 626,356
Marine insurance	237,088	35,710	19,585	38,562	49,930	93,301
Land and air insurance	248,407	99,228	73,816	76,517	(25,849)	24,695
Liability insurance	172,258	(14,012)	36,228	141,207	(44,026)	52,861
Guarantee insurance	30,077	8,797	3,768	118	(221)	17,615
Other property insurance	416,840	33,768	55,841	129,662	116,911	80,658
Accident insurance	80,291	15,108	17,827	37,466	(3,678)	13,568
Health insurance	(24)	(23,138)	(13)	80,095	(869,571)	812,603
Policy-oriented residential earthquake insurance	114,807	(2,251)	-	23	-	117,035
Compulsory automobile liability insurance	<u>294,955</u>	<u>4,431</u>	<u>-</u>	<u>307,462</u>	<u>2,081</u>	<u>(19,019)</u>
	<u>\$ 2,233,191</u>	<u>\$ 49,299</u>	<u>\$ 233,243</u>	<u>\$ 1,095,151</u>	<u>\$ (964,175)</u>	<u>\$ 1,819,673</u>

7) Sensitivity to insurance risk

a) Cathay Century

For the three months ended March 31, 2024

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 1,144,258	47.99%	\$ (57,213)	\$ (35,080)
Marine insurance	373,587	72.93%	(18,679)	(7,036)
Land and air insurance	3,637,970	59.06%	(181,899)	(175,923)
Liability insurance	774,154	49.75%	(38,708)	(24,502)
Guarantee insurance	20,456	11.29%	(1,023)	(307)
Other property insurance	717,688	43.79%	(35,883)	(8,086)
Accident insurance	1,045,956	41.88%	(52,298)	(47,454)
Health insurance	87,680	37.61%	(4,384)	(4,012)
Policy-oriented residential earthquake insurance	117,011	0.47%	(5,851)	(5,851)
Compulsory automobile liability insurance	<u>708,529</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 8,627,289</u>		<u>\$ (395,938)</u>	<u>\$ (308,251)</u>

For the three months ended March 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
Fire insurance	\$ 837,490	45.83%	\$ (41,875)	\$ (16,700)
Marine insurance	311,110	64.84%	(15,556)	(6,047)
Land and air insurance	3,315,224	60.02%	(165,761)	(161,012)
Liability insurance	597,851	48.66%	(29,893)	(21,039)
Guarantee insurance	28,096	18.59%	(1,405)	(702)
Other property insurance	459,880	46.87%	(22,993)	(12,755)
Accident insurance	892,868	44.31%	(44,643)	(41,026)
Health insurance	52,012	37.26%	(2,601)	(1,951)
Policy-oriented residential earthquake insurance	114,807	4.07%	(5,740)	(4,592)
Compulsory automobile liability insurance	<u>705,597</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 7,314,935</u>		<u>\$ (330,467)</u>	<u>\$ (265,824)</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 epidemic prevention insurance.

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Century, 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.

b) Cathay Insurance (Vietnam)

For the three months ended March 31, 2024

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	\$ 64,352	14.78 %	\$ (3,218)	\$ (3,212)
Marine insurance	2,660	12.54 %	(133)	(43)
Fire insurance	64,758	34.70 %	(3,238)	(111)
Engineering insurance	986	21.65 %	(42)	(10)
Accident insurance	14,751	36.88 %	(738)	(736)
Liability insurance	<u>1,278</u>	1.67 %	<u>(71)</u>	<u>(50)</u>
	<u>\$ 148,785</u>		<u>\$ (7,440)</u>	<u>\$ (4,162)</u>

For the three months ended March 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	\$ 51,517	15.52%	\$ (2,576)	\$ (2,563)
Marine insurance	1,608	12.09%	(80)	(29)
Fire insurance	46,889	38.16%	(2,344)	(185)
Engineering insurance	742	26.44%	(37)	(6)
Accident insurance	14,408	35.17%	(720)	(714)
Liability insurance	<u>1,144</u>	1.30%	<u>(57)</u>	<u>(22)</u>
	<u>\$ 116,308</u>		<u>\$ (5,814)</u>	<u>\$ (3,519)</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 (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.

8) Risk concentration

a) Cathay Century

i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of March 31, 2024, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with insurance risk management standards and the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of March 31, 2024, 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 Cathay Century and the insured and to monitor the process of insurance claim lawsuits. In addition, each unit has appointed a director for compliance matters to minimize possible legal risk. As of March 31, 2024, 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 operations being severely endangered by these derived risks from a catastrophe, Cathay Century has established “points for handling teams of catastrophe and major events” and “Operation Standards under Crisis”. Additionally, Cathay Century has implemented a business continuity management mechanism, under which the crisis handling team is set up in response to the event and executes emergency actions after ensuring employee safety, such as resource coordination, fund procurement monitoring changes in the financial market and adjusting investment positions to protect the rights of the insured and Cathay Century and to ensure financial stability.

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, Cathay Century has conducted regular reviews the accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular 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 understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes, typhoon and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung Pingtung, Hualien and Taitung.

ii. 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 reinsurance by insurance type:

Insurance Type	For the Three Months Ended March 31, 2024				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,144,258	\$ 12,045	\$ 771,869	\$ 384,434	6.29
Marine insurance	373,587	3,043	309,624	67,006	1.09
Land and air insurance	3,637,970	752	206,225	3,432,497	56.07
Liability insurance	774,154	1,233	254,099	521,288	8.52
Guarantee insurance	20,456	393	13,203	7,646	0.12
Other property insurance	717,688	23,014	719,829	20,873	0.34
Accident insurance	1,045,956	2,065	80,930	967,091	15.80
Health insurance	87,680	-	-	87,680	1.43
Policy-oriented residential earthquake insurance	117,011	17,851	117,011	17,851	0.29
Compulsory automobile liability insurance	708,529	203,759	297,197	615,091	10.05
Total	\$ 8,627,289	\$ 264,155	\$ 2,769,987	\$ 6,121,457	100.00

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 837,490	\$ 83,295	\$ 590,472	\$ 330,313	6.05
Marine insurance	311,110	7,865	235,843	83,132	1.52
Land and air insurance	3,315,224	-	248,384	3,066,840	56.19
Liability insurance	597,851	1,389	171,189	428,051	7.84
Guarantee insurance	28,096	3,297	30,077	1,316	0.03
Other property insurance	459,880	16,372	414,569	61,683	1.13
Accident insurance	892,868	2,709	80,291	815,286	14.94
Health insurance	52,012	-	(24)	52,036	0.96
Policy-oriented residential earthquake insurance	114,807	17,086	114,807	17,086	0.31
Compulsory automobile liability insurance	705,597	191,415	294,955	602,057	11.03
Total	\$ 7,314,935	\$ 323,428	\$ 2,180,563	\$ 5,457,800	100.00

- iii. Disclosure of the past management of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statements 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), transfers risk through reinsurance, controls accumulated risk according to self-retain limits and holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

b) Cathay Insurance (Vietnam)

- i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of March 31, 2024, 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 changes in trend

As of March 31, 2024, Cathay Insurance (Vietnam) has not yet experienced a risk exposure due to an unexpected trend change.

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 (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of March 31, 2024, 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, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam) under which emergency response team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Insurance (Vietnam) and to maintain financial stability. As of March 31, 2024, there is no interaction among risks resulting from a catastrophe.

v) Concentration of geographical regions and operating segments

Cathay Insurance (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.

ii. 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 by insurance type:

Insurance Type	For the Three Months Ended March 31, 2024				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 64,352	\$ 120	\$ 17	\$ 64,455	73.67
Marine insurance	2,660	84	1,910	834	0.95
Fire insurance	64,758	4,209	63,326	5,641	6.45
Engineering insurance	986	1,063	1,153	896	1.02
Accident insurance	14,751	459	-	15,210	17.38
Liability insurance	1,278	559	1,379	458	0.53
Total	\$ 148,785	\$ 6,494	\$ 67,785	\$ 87,494	100.00

Insurance Type	For the Three Months Ended March 31, 2023				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 51,517	\$ 97	\$ 23	\$ 51,591	69.64
Marine insurance	1,608	194	1,245	557	0.75
Fire insurance	46,889	8,376	48,602	6,663	8.99
Engineering insurance	741	1,978	2,271	448	0.61
Accident insurance	14,409	-	-	14,409	19.45
Liability insurance	1,144	336	1,069	411	0.56
Total	\$ 116,308	\$ 10,981	\$ 53,210	\$ 74,079	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 typhoon and flood, will bring tremendous insurance risk to the property insurance business. To control and manage risk with low frequency of occurrence but enormous impact, Cathay Insurance (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.

9) Development trends of claims

a) Cathay Century

March 31, 2024

Accident Year	≤ 2017	2018	2019	2020	2021	2022	2023	2024	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 10,259,775	\$ 43,545,821	\$ 14,539,239	\$ 3,676,661	
After the first year	-	8,574,948	10,063,196	11,023,615	10,637,168	44,819,446	13,984,603	-	
After the second year	-	8,479,083	9,915,122	11,009,236	10,420,320	44,801,602	-	-	
After the third year	-	8,447,631	9,900,713	10,856,229	10,439,214	-	-	-	
After the fourth year	-	8,413,409	10,203,863	10,947,303	-	-	-	-	
After the fifth year	-	8,415,865	10,182,145	-	-	-	-	-	
After the sixth year	-	8,419,597	-	-	-	-	-	-	
Final estimated claim payments	-	8,419,597	10,182,145	10,947,303	10,439,214	44,801,602	13,984,603	3,676,661	
Accumulated claims disbursed	-	8,389,534	9,911,975	10,595,096	9,701,333	42,382,612	10,112,296	3,443,487	
	246,320	30,063	270,170	352,207	737,881	2,418,990	3,872,307	3,333,174	\$ 11,261,112
Adjustment	-	-	-	-	-	-	-	236,065	236,065
Amount recognized in balance sheet	\$ 246,320	\$ 30,063	\$ 270,170	\$ 352,207	\$ 737,881	\$ 2,418,990	\$ 3,872,307	\$ 3,569,239	\$ 11,497,177

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 payments	-	8,020,320	8,415,865	10,203,863	10,856,230	10,420,320	44,819,446	14,539,239	
Accumulated claims disbursed	-	7,988,110	8,384,897	9,884,786	10,538,970	9,597,612	41,965,320	8,168,724	
	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	\$ 224,492	\$ 32,210	\$ 30,968	\$ 319,077	\$ 317,260	\$ 822,708	\$ 2,854,126	\$ 6,617,284	\$ 11,218,125

March 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	\$ 5,232,959	
After the first year	-	8,025,062	8,574,948	10,063,196	11,023,615	10,637,168	43,639,505	-	
After the second year	-	7,965,701	8,479,083	9,915,122	11,009,236	10,542,283	-	-	
After the third year	-	8,000,179	8,447,631	9,900,713	10,901,359	-	-	-	
After the fourth year	-	7,977,104	8,413,409	9,925,191	-	-	-	-	
After the fifth year	-	7,993,176	8,418,881	-	-	-	-	-	
After the sixth year	-	7,993,344	-	-	-	-	-	-	
Final estimated claim payments	-	7,993,344	8,418,881	9,925,191	10,901,359	10,542,283	43,639,505	5,232,959	
Accumulated claims disbursed	-	7,939,490	8,369,945	9,709,365	9,874,857	9,034,050	38,299,870	1,801,036	
Adjustment	262,734	53,854	48,936	215,826	1,026,502	1,508,233	5,339,635	3,431,923	\$ 11,887,643
Amount recognized in balance sheet	\$ 262,734	\$ 53,854	\$ 48,936	\$ 215,826	\$ 1,026,502	\$ 1,508,233	\$ 5,339,635	\$ 3,657,130	\$ 12,112,850

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 excludes direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,604,365 thousand and \$1,429,476 thousand as of March 31, 2024, \$1,565,904 thousand and \$1,511,891 thousand as of December 31, 2023, \$1,638,417 thousand and \$1,617,351 thousand as of March 31, 2023.

b) Cathay Insurance (Vietnam)

Since the claim data of Cathay Insurance (Vietnam) is still immature, the historical experience for development trend of claim is not available. Cathay Insurance (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.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,935,812,010	\$ 2,009,183,691	\$ 1,762,976,288
Financial assets at FVTOCI	951,433,283	876,261,075	908,659,837
Financial assets for hedging	70,944	1,109	103,678
Financial assets at amortized cost			
Cash and cash equivalents	310,087,265	320,831,824	424,399,997
Due from the Central Bank and call loans to banks	297,753,006	336,768,960	367,448,806
Debt instruments at amortized cost	4,800,968,914	4,728,733,650	4,480,740,539
Notes and bonds purchased under resale agreements	46,402,697	43,324,997	30,714,619
Financial assets directly related to disposal groups held for sale (Note 1)	7,803,601	-	-
Discounts and loans, net	2,797,404,826	2,684,520,400	2,549,486,779
Receivables, net	281,671,665	248,258,371	215,390,152
Other financial assets, net	788,923,831	739,364,082	685,478,378
Guarantee deposits paid	59,043,310	39,375,034	49,944,849

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	\$ 182,038,241	\$ 146,895,790	\$ 128,793,295
Financial liabilities for hedging	1,498,788	2,038,001	3,436,279
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	124,403,847	117,130,854	150,581,874
Notes and bonds sold under repurchase agreements	32,031,582	25,757,726	43,988,999
Commercial paper payable, net	69,363,803	76,528,247	76,899,211
Payables	99,670,773	89,768,181	75,245,617
Financial liabilities directly related to disposal groups held for sale (Note 2)	3,177,451	-	-
Deposits and remittances	3,449,622,131	3,496,982,688	3,236,475,625
Bonds payable	187,114,620	175,941,430	132,146,179
Other borrowings	15,942,547	12,988,127	12,661,567
Other financial liabilities	848,873,358	800,999,585	743,537,208
Guarantee deposits received	7,483,057	23,441,709	9,268,387
			(Concluded)

Note 1: The balance includes cash and cash equivalents, receivables, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and guarantee deposits paid.

Note 2: The balance includes notes payable and other payables.

b. The valuation technique and assumptions used in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).

- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

c. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Items	March 31, 2024				December 31, 2023				March 31, 2023			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Stocks	\$ 516,096,294	\$ 510,389,287	\$ 1,190,331	\$ 4,516,676	\$ 506,051,539	\$ 499,868,751	\$ 1,473,595	\$ 4,709,193	\$ 434,514,310	\$ 427,246,202	\$ 1,143,227	\$ 6,124,881
Bonds	393,159,242	16,081,113	369,316,499	7,761,630	396,449,856	13,464,226	374,900,727	8,084,903	383,087,206	22,054,405	355,786,392	5,246,409
Other	945,349,220	615,247,546	155,595,774	174,505,900	975,972,730	583,332,319	189,049,949	203,590,462	871,774,193	494,431,086	171,593,379	205,749,728
Financial assets at FVTOCI												
Stocks	195,862,206	181,790,220	-	14,071,986	168,478,976	155,146,650	-	13,332,326	134,827,415	123,708,113	-	11,119,302
Bonds (Note)	737,948,370	190,096,487	547,781,841	70,042	679,308,760	163,755,983	515,484,159	68,618	581,394,320	134,177,186	447,217,134	-
Other	26,874,575	-	26,874,575	-	31,934,434	-	31,934,434	-	198,768,423	-	198,768,423	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL												
Held for trading	41,505,268	-	41,505,268	-	40,481,221	-	40,481,221	-	39,660,890	-	39,660,890	-
	1,148,561	1,148,561	-	-	623,246	623,246	-	-	520,053	520,053	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL												
Financial assets for hedging	81,207,254	540,938	76,769,881	3,896,435	130,709,566	256,797	126,370,314	4,082,455	73,600,579	268,476	68,350,389	4,981,714
	70,944	-	70,944	-	1,109	-	1,109	-	103,678	-	103,678	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities for hedging	139,384,412	385,069	135,102,908	3,896,435	105,791,323	298,915	101,409,953	4,082,455	88,612,352	444,130	83,186,508	4,981,714
	1,498,788	-	1,498,788	-	2,038,001	-	2,038,001	-	3,436,279	-	3,436,279	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the three months ended March 31, 2024 and 2023, due to the availability of market quotes transferred its investment of \$250,428 thousand and \$61,309 thousand in fair value stocks from Level 2 to Level 1, respectively.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Three Months Ended March 31, 2024		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 220,467,013	\$ 13,400,944	\$ 4,082,455
Recognized in profit or loss			
Gain (loss) on financial assets and liabilities at FVTPL	3,319,412	-	(66,114)
Gain on reclassification using the overlay approach	5,691,587	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	141,238	64,358	-
Other comprehensive gain reclassified using the overlay approach	(5,691,587)	-	-
Gain on financial assets at FVTOCI	-	679,916	-
Acquisitions or issuances	5,399,975	-	-
Disposals or settlements	(37,745,499)	-	(119,906)
Reclassified as held for sale	(901,498)	(3,190)	-
Ending balance	<u>\$ 190,680,641</u>	<u>\$ 14,142,028</u>	<u>\$ 3,896,435</u>
	For the Three Months Ended March 31, 2023		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 216,711,914	\$ 11,259,267	\$ 4,958,964
Recognized in profit or loss			
(Loss) gain on financial assets and liabilities at FVTPL	(1,367,894)	-	22,750
Gain on reclassification using the overlay approach	2,037,194	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(766)	20,003	-
Other comprehensive loss reclassified using the overlay approach	(2,037,194)	-	-
Loss on financial assets at FVTOCI	-	(159,968)	-
Acquisitions or issuances	10,430,299	-	-
Disposals or settlements	(3,224,611)	-	-
Transfers out of Level 3	(446,210)	-	-
Ending balance	<u>\$ 222,102,732</u>	<u>\$ 11,119,302</u>	<u>\$ 4,981,714</u>

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2024 and 2023, unrealized losses of \$138,609 thousand and \$575,896 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the three months ended March 31, 2024 and 2023, unrealized gains of \$66,114 thousand and unrealized losses of \$22,750 thousand were related to financial liabilities held at the end of the period, respectively.

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

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

Cathay Life and its subsidiaries

March 31, 2024					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	12%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.		21%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	41%-90%	The higher the dividend payout ratio, the higher the fair value estimates
December 31, 2023					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	12%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.		21%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	41%-90%	The higher the dividend payout ratio, the higher the fair value estimates

March 31, 2023				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	15%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
	Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates	

Cathay United Bank and its subsidiaries

March 31, 2024				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	10%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares
	Discounted cash flow method	Lending rate	9.15%	The higher the lending rate, the lower the fair value

December 31, 2023				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	10%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares
	Discounted cash flow method	Lending rate	9.15%	The higher the lending rate, the lower the fair value

March 31, 2023				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	10%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

Cathay Securities and its subsidiaries

March 31, 2024					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2023					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

March 31, 2023					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements.

The Group's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, financial assets directly related to the disposal groups held for sale, loans, partial other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, financial liabilities directly related to the disposal groups held for sale, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

March 31, 2024

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,818,532,606	\$ 71,808,951	\$ 3,900,298,398	\$ 406,351	\$ 3,972,513,700

December 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,737,839,107	\$ 76,898,999	\$ 3,927,031,201	\$ 544,041	\$ 4,004,474,241

March 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,492,220,062	\$ 54,686,255	\$ 3,714,355,747	\$ 458,544	\$ 3,769,500,546

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

The future cash flows of the bond investments held by Cathay Life and its subsidiaries may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, Cathay Life and its subsidiaries held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

a) Hedging instruments

March 31, 2024					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 3,000,000	\$ 832	\$ -	Financial assets for hedging	\$ 1,101
Forward bond contracts	4,030,740	70,112	-	Financial assets for hedging	70,112
Forward bond contracts	4,766,510	-	91,508	Financial liabilities for hedging	(91,508)
IRS	-	-	-	Financial assets for hedging	102
December 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 3,000,000	\$ 1,109	\$ -	Financial assets for hedging	\$ (8,387)
IRS	-	-	-	Financial assets for hedging	(12,277)
March 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 9,409	\$ -	Financial assets for hedging	\$ (6,228)
IRS	666,181	7,067	-	Financial assets for hedging	(4,194)

b) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2024</u>					
IRS					
Nominal principal	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -
Average fixed rate	-	1.7%	-	-	-
Forward bond contracts					
Nominal principal	-	-	8,797,250	-	-
Average price	-	-	73.34	-	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2023</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -
Average fixed rate	-	-	1.7%	-	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2023</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 1,666,181	\$ 3,000,000	\$ -
Average fixed rate	-	-	1.7%-2.5%	1.7%	-

c) Hedged items

For the Three Months Ended March 31, 2024								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (1,101)	\$ 832	N/A	\$ 1,101	\$ -	\$ -	\$ (1,379)	Net other noninterest gain (loss)
Payables	(102)	-	N/A	102	-	-	-	Net other noninterest gain (loss)
Discontinued hedge	2,205	-	N/A	(897)	897	Net other noninterest gain (loss)	-	
Expected investment	18,779	(18,322)	N/A	(18,322)	(3,074)	Net other noninterest gain (loss)	-	

For the Three Months Ended March 31, 2023								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ 6,228	\$ 9,409	N/A	\$ (6,228)	\$ -	\$ -	\$ (3,556)	Net other noninterest gain (loss)
Payables	4,194	7,067	N/A	(4,194)	-	-	-	Net other noninterest gain (loss)
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	-	Net other noninterest gain (loss)

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

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ (4,513)	\$ 18,799
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(18,016)	(10,424)
Amount reclassified from the cash flow hedge reserve to profit or loss	(1,379)	(3,556)
Tax effects	<u>3,798</u>	<u>2,118</u>
Ending balance	<u>\$ (20,110)</u>	<u>\$ 6,937</u>

2) Fair value hedges

The book value of the foreign currency denominated assets held by Cathay Life and its subsidiaries may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, Cathay Life and its subsidiaries held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

a) Hedging instruments

March 31, 2024					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 13,959,300	\$ -	\$ 1,407,280	Financial liabilities for hedging	\$ (1,041,399)
December 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 27,603,100	\$ -	\$ 2,038,001	Financial liabilities for hedging	\$ (1,108,966)
March 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in the Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 49,153,550	\$ 87,202	\$ 3,436,279	Financial assets for hedging/financial liabilities for hedging	\$ 457,200

b) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2024</u>					
Forward					
Nominal principal	\$ -	\$ -	\$ 2,687,400	\$ 11,271,900	\$ -
Exchange rate (USD/TWD)	-	-	26.874	28.1654	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2023</u>					
Forward					
Nominal principal	\$ -	\$ 13,643,800	\$ -	\$ 13,959,300	\$ -
Exchange rate (USD/TWD)	-	27.2876	-	27.9502	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>March 31, 2023</u>					
Forward					
Nominal principal	\$ -	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-

c) Hedged items

	For the Three Months Ended March 31, 2024							
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 13,959,300	\$ -	\$ 1,041,399	\$ -	Debt instruments at amortized cost	\$ 1,041,399	\$ -	\$ -

	For the Three Months Ended March 31, 2023							
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of the Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 49,153,550	\$ -	\$ (457,200)	\$ -	Debt instruments at amortized cost	\$ (457,200)	\$ -	\$ -

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

	For the Three Months Ended March 31	
	2024	2023
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 515,012	\$ 931,466
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(465,480)	(90,186)
Amount reclassified to profit or loss	112,824	232,181
Tax effects	<u>70,531</u>	<u>(28,399)</u>
Ending balance	<u>\$ 232,887</u>	<u>\$ 1,045,062</u>

- f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries engage in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

March 31, 2024

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 5,660,086	\$ -	\$ 5,660,086	\$ 5,602,900	\$ 147,714	\$ (90,528)

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 66,125,541	\$ -	\$ 66,125,541	\$ 5,602,900	\$ 17,901,270	\$ 42,621,371

December 31, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 51,848,334	\$ -	\$ 51,848,334	\$ 24,226,850	\$ 12,973,500	\$ 14,647,984

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 26,108,612	\$ -	\$ 26,108,612	\$ 24,226,850	\$ 1,409,662	\$ 472,100

March 31, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 9,046,538	\$ -	\$ 9,046,538	\$ 8,590,969	\$ 42,635	\$ 412,934

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 30,995,001	\$ -	\$ 30,995,001	\$ 8,590,969	\$ 11,579,668	\$ 10,824,364

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: Global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or, if not, the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities was disclosed as follows:

March 31, 2024

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 75,215,679	\$ -	\$ 75,215,679	\$ 74,349,658	\$ 866,021	\$ -

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 74,349,658	\$ -	\$ 74,349,658	\$ 74,349,658	\$ -	\$ -
Repurchase bonds	23,173,693	-	23,173,693	22,431,724	741,969	-

December 31, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 79,815,708	\$ -	\$ 79,815,708	\$ 79,815,708	\$ -	\$ -

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 82,644,730	\$ -	\$ 82,644,730	\$ 79,815,708	\$ 2,829,022	\$ -
Repurchase bonds	18,318,492	-	18,318,492	17,663,248	655,244	-

March 31, 2023

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 66,089,410	\$ -	\$ 66,089,410	\$ 62,442,318	\$ 3,647,092	\$ -

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Derivative financial instruments	\$ 62,442,318	\$ -	\$ 62,442,318	\$ 62,442,318	\$ -	\$ -
Repurchase bonds	38,730,911	-	38,730,911	38,397,270	333,641	-

Note: Master netting arrangement and non-cash collateral are included.

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

March 31, 2024

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 8,857,889	\$ -	\$ 8,857,889	\$ 9,203,601	\$ -	\$ (345,712)

December 31, 2023

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 7,439,234	\$ -	\$ 7,439,234	\$ 7,834,900	\$ -	\$ (395,666)

March 31, 2023

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received/ Pledged	
Repurchase bonds	\$ 5,258,088	\$ -	\$ 5,258,088	\$ 5,443,854	\$ -	\$ (185,766)

Note: Master netting arrangements and non-cash collateral are included.

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The cash flows of these transactions have been transferred, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

March 31, 2024					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTPL Repurchase agreements	\$ 455,955	\$ 440,731	\$ 455,955	\$ 440,731	\$ 15,224
Financial assets at FVTOCI Repurchase agreements	22,284,653	22,259,503	22,284,653	22,259,503	25,150
Debt instruments at amortized cost Repurchase agreements	565,729	473,459	496,009	473,459	22,550

December 31, 2023					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase agreements	\$ 18,293,739	\$ 17,909,086	\$ 18,293,739	\$ 17,909,086	\$ 384,653
Debt instruments at amortized cost Repurchase agreements	536,129	409,406	516,314	409,406	106,908

March 31, 2023					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase agreements	\$ 19,809,928	\$ 19,434,573	\$ 19,809,928	\$ 19,434,573	\$ 375,355
Debt instruments at amortized cost Repurchase agreements	23,460,995	19,296,338	21,552,133	19,296,338	2,255,795

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

March 31, 2024

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTPL</u>					
Repurchase bonds	\$ 95,207	\$ 79,719	\$ 95,207	\$ 79,719	\$ 15,488
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	9,080,275	8,750,053	9,080,275	8,750,053	330,222
<u>Securities purchased under resell agreements</u>					
Repurchase bonds	28,119	28,117	28,119	28,117	2

December 31, 2023

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 7,834,900	\$ 7,439,234	\$ 7,834,900	\$ 7,439,234	\$ 395,666

March 31, 2023

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 5,443,854	\$ 5,258,088	\$ 5,443,854	\$ 5,258,088	\$ 185,766

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life and its subsidiaries' major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilizes market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

i. Value at Risk

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

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

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

i) Simple sensitivity test

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

ii) Scenario analysis

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

- Historical scenario

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

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Three Months Ended March 31	
		2024	2023
Equity risk (stock price index)	-10%	\$ (86,046,411)	\$ (73,496,866)
Interest rate risk (yield curve)	+100bps	(129,694,934)	(105,259,508)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(20,152,553)	(18,146,444)

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

Note 2: Effects of hedging and hedging accounting were considered.

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

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

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

iii. Sensitivity analysis

Summary of Sensitivity Analysis

For the Three Months Ended March 31, 2024			
Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 10,669,636	\$ 4,658,073
	Appreciation of CNY/USD by 1%	(37,485)	295,319
	Appreciation of HKD/USD by 1%	1,146	199,639
	Appreciation of EUR/USD by 1%	422,310	144,968
	Appreciation of GBP/USD by 1%	78,555	237,890
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,214,397)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,657)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(4,314)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,723)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(63,150)
Equity price risk	Increase in equity price by 1%	(2,267)	8,606,908

For the Three Months Ended March 31, 2023

Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 9,921,802	\$ 5,050,571
	Appreciation of CNY/USD by 1%	(16,911)	360,866
	Appreciation of HKD/USD by 1%	1,229	270,174
	Appreciation of EUR/USD by 1%	76,091	263,039
	Appreciation of GBP/USD by 1%	(61,426)	212,901
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(967,909)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,785)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(4,262)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,063)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(64,880)
Equity price risk	Increase in equity price by 1%	1,182	7,348,505

Note 1: Impact of credit spread changes and income tax was not considered.

Note 2: Effects of hedging and hedging accounting were considered.

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

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

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

2) Credit risk

a) Sources of credit risk

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

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

b) Concentration risk

i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

March 31, 2024

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 159,938,995	\$ 25,734,298	\$ 143,024	\$ 61,820,563	\$ 9,500,000	\$ 257,136,880
Financial assets at FVTPL	51,185,651	2,598,062	98,584,875	90,156,927	11,922,019	254,447,534
Financial assets at FVTOCI	22,522,640	24,311,245	43,677,978	232,977,353	111,722,697	435,211,913
Financial assets for hedging	530	-	13,872	56,542	-	70,944
Financial assets at amortized cost	<u>115,792,271</u>	<u>238,461,653</u>	<u>632,955,747</u>	<u>2,130,731,993</u>	<u>1,059,467,992</u>	<u>4,177,409,656</u>
	<u>\$ 349,440,087</u>	<u>\$ 291,105,258</u>	<u>\$ 775,375,496</u>	<u>\$ 2,515,743,378</u>	<u>\$ 1,192,612,708</u>	<u>\$ 5,124,276,927</u>
Proportion	6.8%	5.7%	15.1%	49.1%	23.3%	100%

December 31, 2023

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 141,809,444	\$ 19,193,627	\$ 114,898	\$ 65,530,250	\$ 8,400,000	\$ 235,048,219
Financial assets at FVTPL	70,969,669	10,043,910	107,723,192	97,631,619	11,308,593	297,676,983
Financial assets at FVTOCI	24,810,380	23,246,952	45,273,886	226,078,827	108,558,308	427,968,353
Financial assets for hedging	674	-	-	435	-	1,109
Financial assets at amortized cost	<u>121,449,268</u>	<u>234,471,649</u>	<u>609,316,281</u>	<u>2,045,910,809</u>	<u>1,019,543,754</u>	<u>4,030,691,761</u>
	<u>\$ 359,039,435</u>	<u>\$ 286,956,138</u>	<u>\$ 762,428,257</u>	<u>\$ 2,435,151,940</u>	<u>\$ 1,147,810,655</u>	<u>\$ 4,991,386,425</u>
Proportion	7.2%	5.7%	15.3%	48.8%	23.0%	100%

March 31, 2023

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 228,821,032	\$ 16,887,329	\$ 175,306	\$ 97,409,409	\$ 16,000,000	\$ 359,293,076
Financial assets at FVTPL	53,369,093	9,460,508	97,312,460	89,072,981	10,984,540	260,199,582
Financial assets at FVTOCI	17,327,843	21,537,266	39,337,425	171,488,732	105,309,204	355,000,470
Financial assets for hedging	27,013	-	65,549	4,049	-	96,611
Financial assets at amortized cost	<u>123,272,020</u>	<u>231,748,917</u>	<u>604,393,628</u>	<u>1,998,347,576</u>	<u>1,009,506,024</u>	<u>3,967,268,165</u>
	<u>\$ 422,817,001</u>	<u>\$ 279,634,020</u>	<u>\$ 741,284,368</u>	<u>\$ 2,356,322,747</u>	<u>\$ 1,141,799,768</u>	<u>\$ 4,941,857,904</u>
Proportion	8.6%	5.7%	15.0%	47.6%	23.1%	100%

ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

March 31, 2024

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 144,776,067	\$ 34,589,716	\$ 46,534,737	\$ 259,548	\$ 226,160,068
Non-accrual receivables	<u>514,579</u>	<u>18,297</u>	<u>26,608</u>	<u>1,437,086</u>	<u>1,996,570</u>
	<u>\$ 145,290,646</u>	<u>\$ 34,608,013</u>	<u>\$ 46,561,345</u>	<u>\$ 1,696,634</u>	<u>\$ 228,156,638</u>
Proportion	63.7%	15.2%	20.4%	0.7%	100%

December 31, 2023

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 149,313,689	\$ 35,329,719	\$ 47,460,225	\$ 260,750	\$ 232,364,383
Non-accrual receivables	<u>502,771</u>	<u>14,812</u>	<u>21,525</u>	<u>1,380,708</u>	<u>1,919,816</u>
	<u>\$ 149,816,460</u>	<u>\$ 35,344,531</u>	<u>\$ 47,481,750</u>	<u>\$ 1,641,458</u>	<u>\$ 234,284,199</u>
Proportion	63.9%	15.1%	20.3%	0.7%	100%

March 31, 2023

Location of Collateral	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 172,256,804	\$ 40,207,491	\$ 53,104,265	\$ 1,222,220	\$ 266,790,780
Non-accrual receivables	<u>518,181</u>	<u>13,836</u>	<u>19,997</u>	<u>1,368,084</u>	<u>1,920,098</u>
	<u>\$ 172,774,985</u>	<u>\$ 40,221,327</u>	<u>\$ 53,124,262</u>	<u>\$ 2,590,304</u>	<u>\$ 268,710,878</u>
Proportion	64.2%	15.0%	19.8%	1.0%	100%

c) Categories for credit risk quality

Cathay Life classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

d) Determination on the credit risk that has increased significantly since initial recognition

- i. Cathay Life assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, Cathay Life 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 of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

e) The definition of default and credit-impaired financial assets

Cathay Life's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - iii) The collateral of the borrowers had been provisionally seized or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
 - iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- f) Measurement of expected credit loss

- i. The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default (“PD”) of issuers, guarantee agencies or borrowers multiplied by loss given default (“LGD”) and exposure at default (“EAD”), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by Cathay Life in impairment assessment is based on information regularly issued by Moody’s. Probability of default is based on information regularly issued by Taiwan Ratings Corp. and Moody’s and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

- ii. Forward-looking information considerations

Cathay Life takes forward-looking information into consideration while measuring expected credit losses of financial assets.

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	March 31, 2024					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	
Investment grade						
Debt instruments at FVTOCI	\$ 424,097,710	\$ -	\$ -	\$ -	\$ -	\$ 424,097,710
Financial assets at amortized cost	4,152,278,667	-	-	-	(1,412,715)	4,150,865,952
Non-investment grade						
Debt instruments at FVTOCI	5,323,878	1,212,399	4,577,926	-	-	11,114,203
Financial assets at amortized cost	8,849,793	-	19,527,122	-	(1,833,211)	26,543,704

	December 31, 2023					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	
Investment grade						
Debt instruments at FVTOCI	\$ 417,136,556	\$ 8,174	\$ -	\$ -	\$ -	\$ 417,144,730
Financial assets at amortized cost	4,005,535,303	-	-	-	(1,428,846)	4,004,106,457
Non-investment grade						
Debt instruments at FVTOCI	7,151,032	278,022	3,394,569	-	-	10,823,623
Financial assets at amortized cost	8,276,741	1,491,789	18,770,769	-	(1,953,995)	26,585,304

	March 31, 2023					
	Stage 1	Stage 2	Stage 3			Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	
Investment grade						
Debt instruments at FVTOCI	\$ 343,786,856	\$ -	\$ -	\$ -	\$ -	\$ 343,786,856
Financial assets at amortized cost	3,941,109,051	-	-	-	(1,463,613)	3,939,645,438
Non-investment grade						
Debt instruments at FVTOCI	7,292,660	139,740	3,781,214	-	-	11,213,614
Financial assets at amortized cost	9,345,621	1,480,727	18,628,111	-	(1,831,732)	27,622,727

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

ii. Secured loans and non-accrual receivables of Cathay Life

	March 31, 2024						
	Stage 1	Stage 2	Stage 3			Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 222,678,012	\$ 372,382	\$ 5,106,244	\$ -	\$ (1,300,759)	\$ (2,695,933)	\$ 224,159,946
	December 31, 2023						
	Stage 1	Stage 2	Stage 3			Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans and non-accrual receivables	\$ 228,911,070	\$ 351,261	\$ 5,021,868	\$ -	\$ (1,277,067)	\$ (2,773,153)	\$ 230,233,979

March 31, 2023							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 262,013,594	\$ 1,275,594	\$ 5,421,690	\$ -	\$ (1,437,833)	\$ (2,680,153)	\$ 264,592,892

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2024	\$ 150,965	\$ 55,541	\$ 924,816	\$ -	\$ 1,131,322
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(2,449)	2,449	-	-	-
New financial assets originated or purchased	5,607	-	-	-	5,607
Financial assets that have been derecognized during the period	(6,043)	(1,162)	-	-	(7,205)
Changes in models/risk parameters	(8,314)	166,491	(59,918)	-	98,259
Foreign exchange and other movements	5,620	5,348	36,320	-	47,288
March 31, 2024	<u>\$ 145,386</u>	<u>\$ 228,667</u>	<u>\$ 901,218</u>	<u>\$ -</u>	<u>\$ 1,275,271</u>
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2023	\$ 144,268	\$ 33,000	\$ 917,054	\$ -	\$ 1,094,322
New financial assets originated or purchased	6,564	-	-	-	6,564
Financial assets that have been derecognized during the period	(9,170)	(2,302)	-	-	(11,472)
Changes in models/risk parameters	(795)	(2,918)	(61,033)	-	(64,746)
Foreign exchange and other movements	(1,037)	(372)	(11,420)	-	(12,829)
March 31, 2023	<u>\$ 139,830</u>	<u>\$ 27,408</u>	<u>\$ 844,601</u>	<u>\$ -</u>	<u>\$ 1,011,839</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, 2024	\$ 1,453,074	\$ 122,532	\$ 1,807,235	\$ -	\$ 3,382,841
New financial assets originated or purchased	13,512	-	-	-	13,512
Financial assets that have been derecognized during the period	(13,517)	(279,593)	-	-	(293,110)
Changes in models/risk parameters	(71,692)	151,091	(72,247)	-	7,152
Foreign exchange and other movements	55,766	5,970	73,795	-	135,531
March 31, 2024	<u>\$ 1,437,143</u>	<u>\$ -</u>	<u>\$ 1,808,783</u>	<u>\$ -</u>	<u>\$ 3,245,926</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 1,489,750	\$ 215,409	\$ 1,758,854	\$ -	\$ 3,464,013
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses during the duration of the period	(48)	48	-	-	-
Transferred to 12-month expected credit losses	75,463	(75,463)	-	-	-
New financial assets originated or purchased	17,502	-	-	-	17,502
Financial assets that have been derecognized during the period	(13,385)	(45)	-	-	(13,430)
Changes in models/risk parameters	(73,536)	(874)	(69,348)	-	(143,758)
Foreign exchange and other movements	(13,168)	(1,265)	(14,549)	-	(28,982)
March 31, 2023	<u>\$ 1,482,578</u>	<u>\$ 137,810</u>	<u>\$ 1,674,957</u>	<u>\$ -</u>	<u>\$ 3,295,345</u>

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

iii. Secured loans and non-accrual receivables

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2024	\$ 45,765	\$ 5,416	\$ 1,225,886	\$ -	\$ 1,277,067	\$ 2,773,153	\$ 4,050,220
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(11)	11	-	-	-	-	-
Transferred to credit-impaired financial assets	(24)	(8)	32	-	-	-	-
Transferred to 12-month expected credit losses	210	(117)	(93)	-	-	-	-
New financial assets originated or purchased	670	-	2,868	-	3,538	-	3,538
Financial assets that have been derecognized during the period	(1,031)	(54)	(12,289)	-	(13,374)	-	(13,374)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(77,220)	(77,220)
Changes in models/risk parameters	(532)	96	33,964	-	33,528	-	33,528
March 31, 2024	<u>\$ 45,047</u>	<u>\$ 5,344</u>	<u>\$ 1,250,368</u>	<u>\$ -</u>	<u>\$ 1,300,759</u>	<u>\$ 2,695,933</u>	<u>\$ 3,996,692</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2023	\$ 125,823	\$ 5,008	\$ 1,069,644	\$ -	\$ 1,200,475	\$ 3,147,892	\$ 4,348,367
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(21)	21	-	-	-	-	-
Transferred to credit-impaired financial assets	(30)	(8)	38	-	-	-	-
Transferred to 12-month expected credit losses	122	(122)	-	-	-	-	-
New financial assets originated or purchased	341	-	496	-	837	-	837
Financial assets that have been derecognized during the period	(4,526)	(72)	(22,708)	-	(27,306)	-	(27,306)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(467,739)	(467,739)
Changes in models/risk parameters	82,643	(4)	181,188	-	263,827	-	263,827
March 31, 2023	<u>\$ 204,352</u>	<u>\$ 4,823</u>	<u>\$ 1,228,658</u>	<u>\$ -</u>	<u>\$ 1,437,833</u>	<u>\$ 2,680,153</u>	<u>\$ 4,117,986</u>

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

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
March 31, 2024					
Gross carrying amount (Note)	\$ 69,828,945	\$ 60,020	\$ 454	\$ -	\$ 69,889,419
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,200	46	-	1,246

Note: Notes receivable of \$8,756 thousand and other receivables of \$69,880,663 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2023</u>					
Gross carrying amount (Note)	\$ 38,809,549	\$ 61,429	\$ 363	\$ 172	\$ 38,871,513
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,229	36	86	1,351

Note: Notes receivable of \$21,480 thousand and other receivables of \$38,850,033 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>March 31, 2023</u>					
Gross carrying amount (Note)	\$ 29,432,102	\$ 62,951	\$ 459	\$ -	\$ 29,495,512
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,259	46	-	1,305

Note: Notes receivable of \$1,513 thousand and other receivables of \$29,493,999 thousand were included.

The loss allowance was reconciled as follows:

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 1,351	\$ 1,292
(Amounts written off) provision for the current period	<u>(105)</u>	<u>13</u>
Ending balance	<u>\$ 1,246</u>	<u>\$ 1,305</u>

3) Liquidity risk

a) Sources of liquidity risk

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

b) Liquidity risk management

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

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

The analysis of cash outflows to Cathay Life and its subsidiaries is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

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

	March 31, 2024				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 23,729,476	\$ 376,273	\$ -	\$ -	\$ -
Other financial liabilities	1,055,461	469,333	2,424,420	2,333,349	2,119,154
Bonds payable (Note 1)	591,516	1,140,511	4,132,242	8,721,725	124,422,079
Lease liabilities (Note 2)	177,946	447,344	798,045	2,284,554	32,699,148
<u>Derivative financial liabilities</u>					
SWAP	52,706,999	4,864,798	-	-	-
Forward	25,231,019	834,300	1,524,100	-	-
CCS	1,212,467	-	-	-	-
Forward bonds	992,423	2,319,243	-	-	-
December 31, 2023					
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 20,690,322	\$ 725,449	\$ 1,127,487	\$ 351,664	\$ 21,553
Other financial liabilities	950,766	940,275	2,295,625	2,254,257	1,800,308
Bonds payable (Note 1)	559,620	2,066,062	4,121,677	8,690,032	124,196,066
Lease liabilities (Note 2)	372,954	450,324	751,386	2,607,699	33,211,417
<u>Derivative financial liabilities</u>					
SWAP	21,269,335	230,350	226,390	-	-
Forward	6,916,547	147,000	1,408,200	-	-
CCS	1,154,232	-	-	-	-
March 31, 2023					
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 15,554,889	\$ 1,187,888	\$ 246,840	\$ 211,276	\$ -
Other financial liabilities	765,660	378,182	1,387,393	3,504,368	1,576,457
Bonds payable (Note 1)	200,235	883,726	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	257,027	497,285	728,972	2,589,308	33,595,836
<u>Derivative financial liabilities</u>					
SWAP	17,066,427	15,114,104	234,150	-	-
Forward	7,460,770	2,971,200	358,000	-	-
CCS	7,185,244	238,760	480,795	-	-

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

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

Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and periodic presentations of the important risk management reports, are submitted to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment, risk indicators, capital adequacy, and other relevant project summaries, are reviewed comprehensively.
- 4) Development, establishment, validation, and monitoring of credit rating models.
- 5) The results of stress testing execution.
- 6) Important research and discussion matters raised by various risk management-related units of the Bank.
- 7) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the overall of the bank is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank.

ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion - adverse opinion.
- Auditors' opinion - disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for less than 90 days (inclusive) at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by Cathay United Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

- Information from credit records obtained from the People's Bank of China

On the reporting date, the financial instruments have not yet become overdue but the credit subject has been classified by financial institutions as non-performing (classified as substandard, doubtful, or loss) based on the credit records obtained from the People's Bank of China and remains unsettled, or the principal and interest payments are overdue for more than 90 days.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- Minimum risk for clients is classified as substandard, doubtful or loss.
- Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

iii. Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit impaired:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 31 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses based on the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody’s.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank grouped the credit assets by business segments and forward-looking models:

Financial assets are classified into the following categories according to their assessment methods and business segments:

Credit Category	Definition
Loan activities and interbank borrowing business	Grouped by product category and internal/external credit rating
Bills forfaiting business	Grouped by product category and internal/external credit rating
Off-balance sheet credit business	Grouped by product category and internal/external credit rating
Bond business and interbank deposits business	Grouped by product category and internal/external credit rating
Due from banks, call loan to banks business, and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	Grouped by product category and internal/external credit rating

Financial assets are classified into non-retail on the basis of forward-looking model requirements.

i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

- The PD is based on the internal/external credit rating of the borrower or the issuer, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
- The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking Regulatory Commission as a reference for the evaluation.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking Regulatory Commission.

iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by counterparty type

i) Loan portfolio

The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default (PD) and loss given default (LGD) were built using the Bank's historical delinquent information and recovery data and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

ii) Bond portfolio

The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is based on three main parameters: Probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iii) Cash equivalents, deposits and interbank lending

The segmentation of Indovina Bank's cash equivalents due from and call loans to banks is based on its counterparty type. The probability of default is calculated using Sovereign PD, and the loss given default is determined by the foundation approach in Basel II. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic, including product category and counterparty type as follows:

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

In cases of overdue credit, if any of the following situations occur, the estimated recoverable portion should be deducted and then transferred to non-performing loans:

- i. The debtor is dissolved, absconded, settled, declared bankrupt, or for other reasons, resulting in the total or partial unrecoverability of the debt.
- ii. The collateral and the assets of the primary and secondary debtors have been appraised at a very low value or, after deducting the priority mortgage rights, it is impossible to recover, or the execution costs are close to or may exceed the recoverable amount by Cathay United Bank, rendering the execution futile.
- iii. The collateral and the assets of the primary and secondary debtors have been auctioned multiple times at reduced prices without any buyers, and Cathay United Bank have also failed to acquire any beneficial interest.
- iv. Overdue loans and collections overdue for more than two years, which remain uncollected after collection efforts.

Cathay United Bank may still be engaged in ongoing recovery activities for written-off financial assets, including overdue loans and collections, and continues to pursue legal proceedings in accordance with relevant policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in March 31, 2024 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Nominal GDP %
Consumer loan	GDP per capita Unemployment rate % Price index
Credit card	Price index

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing banking industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank in March 31, 2024 include but are not limited to gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, etc.

Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in March 31, 2024 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in March 31, 2024 are as follows:

Segment	Selected Factors
Loans	Change of GDP (%) Change of volume of imports (%) Total external debt as percent of GDP (%) Change in reserves
Credit card	Current account balance as percent of GDP (%) Total general government expenditure

The valuation techniques or significant assumptions used by the Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of March 31, 2024.

g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

i. Category of credit asset

The credit risk of Cathay United Bank are classified into five categories. Normal credit assets are classified as "Category One". The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time the asset is overdue. Assets that require special mention are classified as "Category Two", assets that are substandard are classified as "Category Three", assets that are doubtful are classified as "Category Four", and assets for which there is loss are classified as "Category Five". For managing the default credits, the Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

Cathay United Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, Cathay United Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as housing mortgages, credit cards, and small-scale credit loans, the Bank also evaluates default risk of clients by using the rating model developed by the Bank.

To ensure the reasonableness of the estimated values of the credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default regularly so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, the Bank may use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-based securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

iv. Maximum exposure to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equals their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Irrevocable loan commitments	\$ 184,597,230	\$ 174,872,790	\$ 157,698,383
Credit card commitments	788,637,522	780,378,572	812,560,692
Unused commercial letters of credit	8,393,109	7,473,158	6,338,057
Guarantees on duties and contracts	18,794,109	18,835,713	19,642,640

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	\$ 1,194,417	\$ 1,157,447	\$ 1,179,387
Unused commercial letters of credit	520,075	524,797	1,089,237

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	\$ 17,307	\$ 16,628	\$ 19,521
Credit card commitments	372,337	352,725	338,790
Irrevocable loan commitments	182,736	219,358	283,279

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2024	December 31, 2023	March 31, 2023
Financial guarantee contracts	\$ 310,979	\$ 266,732	\$ 281,078
Unused commercial letters of credit	316,433	196,114	841,260
Irrevocable loan commitments	296,052	271,323	289,099

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conducts reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

March 31, 2024

	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 2,346,714,902	\$ 74,221,336	\$ 19,809,235	\$ -	\$ 2,440,745,473
Less: Allowance impairment	(4,458,017)	(3,634,402)	(7,869,258)	-	(15,961,677)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(25,094,771)	(25,094,771)
	<u>\$ 2,342,256,885</u>	<u>\$ 70,586,934</u>	<u>\$ 11,939,977</u>	<u>\$ (25,094,771)</u>	<u>\$ 2,399,689,025</u>

	Receivable				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 110,246,507	\$ 1,823,522	\$ 2,172,117	\$ -	\$ 114,242,146
Less: Allowance impairment	(558,704)	(407,552)	(1,716,510)	-	(2,682,766)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(58,471)	(58,471)
	<u>\$ 109,687,803</u>	<u>\$ 1,415,970</u>	<u>\$ 455,607</u>	<u>\$ (58,471)</u>	<u>\$ 111,500,909</u>

December 31, 2023

	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 2,231,297,751	\$ 69,398,181	\$ 18,783,183	\$ -	\$ 2,319,479,115
Less: Allowance impairment	(4,208,728)	(3,254,669)	(7,222,828)	-	(14,686,225)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(24,221,823)	(24,221,823)
	<u>\$ 2,227,089,023</u>	<u>\$ 66,143,512</u>	<u>\$ 11,560,355</u>	<u>\$ (24,221,823)</u>	<u>\$ 2,280,571,067</u>

	Receivable				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 115,276,076	\$ 1,856,377	\$ 2,155,129	\$ -	\$ 119,287,582
Less: Allowance impairment	(565,354)	(393,971)	(1,730,384)	-	(2,689,709)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(57,255)	(57,255)
	<u>\$ 114,710,722</u>	<u>\$ 1,462,406</u>	<u>\$ 424,745</u>	<u>\$ (57,255)</u>	<u>\$ 116,540,618</u>

March 31, 2023

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 2,077,898,670	\$ 58,607,084	\$ 17,521,632	\$ -	\$ 2,154,027,386
Less: Allowance impairment	(3,332,712)	(2,595,783)	(6,950,599)	-	(12,879,094)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(23,243,657)	(23,243,657)
	<u>\$ 2,074,565,958</u>	<u>\$ 56,011,301</u>	<u>\$ 10,571,033</u>	<u>\$ (23,243,657)</u>	<u>\$ 2,117,904,635</u>

	Receivable			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 107,667,565	\$ 1,682,802	\$ 2,038,234	\$ -	\$ 111,388,601
Less: Allowance impairment	(518,956)	(401,421)	(1,642,699)	-	(2,563,076)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(57,517)	(57,517)
	<u>\$ 107,148,609</u>	<u>\$ 1,281,381</u>	<u>\$ 395,535</u>	<u>\$ (57,517)</u>	<u>\$ 108,768,008</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 222,823,108	9.04	\$ 205,649,922	8.78	\$ 200,423,405	9.21
Financial institutions and insurance	110,333,176	4.48	101,379,845	4.33	101,602,181	4.67
Leasing and real estate	242,298,743	9.84	228,379,255	9.75	217,726,237	10.00
Individuals	1,574,733,607	63.94	1,500,439,286	64.07	1,345,420,251	61.80
Others	<u>312,746,833</u>	<u>12.70</u>	<u>306,092,565</u>	<u>13.07</u>	<u>312,041,763</u>	<u>14.32</u>
	<u>\$ 2,462,935,467</u>	<u>100.00</u>	<u>\$ 2,341,940,873</u>	<u>100.00</u>	<u>\$ 2,177,213,837</u>	<u>100.00</u>

Geographic Region	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 2,161,697,590	87.77	\$ 2,057,589,878	87.86	\$ 1,900,066,480	87.27
Asia	242,378,802	9.84	225,881,867	9.64	223,890,350	10.28
America	40,623,252	1.65	41,933,105	1.79	38,662,588	1.78
Others	<u>18,235,823</u>	<u>0.74</u>	<u>16,536,023</u>	<u>0.71</u>	<u>14,594,419</u>	<u>0.67</u>
	<u>\$ 2,462,935,467</u>	<u>100.00</u>	<u>\$ 2,341,940,873</u>	<u>100.00</u>	<u>\$ 2,177,213,837</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of Cathay United Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

b) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of Cathay United Bank and its subsidiaries is to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries holds highly marketable and diverse financial assets to meet payment obligations, i.e., assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortized cost, discounts and loans, and securities purchased under resell agreements.

ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	March 31, 2024				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 55,369,272	\$ 16,881,327	\$ 37,816,539	\$ 216,891	\$ 110,284,029
Non-derivative financial liabilities at FVTPL	-	807,588	202,923	41,267,100	42,277,611
Notes and bonds sold under repurchase agreements	14,058,064	2,624,884	-	2,422,763	19,105,711
Payables	16,880,956	12,745,697	4,105,104	560,167	34,291,924
Deposits and remittances	526,460,432	1,419,620,310	1,328,131,861	140,630,417	3,414,843,020
Financial debentures payable	2,434,328	12,192,885	-	12,924,037	27,551,250
Lease liabilities	103,033	444,126	448,379	2,163,166	3,158,704
Other capital outflow at maturity	20,177,917	32,420,363	9,410,564	963,763	62,972,607
	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 40,467,947	\$ 28,002,343	\$ 30,033,933	\$ 829,245	\$ 99,333,468
Non-derivative financial liabilities at FVTPL	-	-	610,807	39,648,150	40,258,957
Notes and bonds sold under repurchase agreements	8,662,306	1,009,618	-	7,853,418	17,525,342
Payables	25,444,637	3,875,097	46,958	543,586	29,910,278
Deposits and remittances	636,004,859	1,465,878,993	1,208,481,287	131,109,766	3,441,474,905
Financial debentures payable	-	14,563,066	-	12,865,620	27,428,686
Lease liabilities	137,548	493,459	502,076	2,120,575	3,253,658
Other capital outflow at maturity	25,858,441	35,035,011	2,256,610	897,997	64,048,059

	March 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 71,663,887	\$ 15,591,941	\$ 45,878,790	\$ 36,529	\$ 133,171,147
Non-derivative financial liabilities at FVTPL	-	768,811	193,180	39,285,660	40,247,651
Notes and bonds sold under repurchase agreements	17,623,549	21,371,763	-	-	38,995,312
Payables	21,041,644	7,626,287	2,545,034	371,733	31,584,698
Deposits and remittances	463,799,450	1,296,868,165	1,293,330,314	157,744,956	3,211,742,885
Financial debentures payable	10,316,025	340,924	-	27,100,000	37,756,949
Lease liabilities	130,211	625,258	680,047	1,871,230	3,306,746
Other capital outflow at maturity	18,316,856	33,677,981	6,670,809	757,503	59,423,149

Additional information about the maturity analysis for lease liabilities:

	March 31, 2024	December 31, 2023	March 31, 2023
Less than 1 year	\$ 995,538	\$ 1,133,083	\$ 1,435,516
1-5 years	1,781,539	1,715,536	1,621,962
5-10 years	<u>381,627</u>	<u>405,039</u>	<u>249,268</u>
	<u>\$ 3,158,704</u>	<u>\$ 3,253,658</u>	<u>\$ 3,306,746</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Non-delivery forwards and cash-settled exchange options.
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	March 31, 2024				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 169,844	\$ 36,297	\$ 20,291	\$ -	\$ 226,432
Interest rate derivative instruments	<u>532,294</u>	<u>3,064,255</u>	<u>1,348,352</u>	<u>28,864,504</u>	<u>33,809,405</u>
	<u>\$ 702,138</u>	<u>\$ 3,100,552</u>	<u>\$ 1,368,643</u>	<u>\$ 28,864,504</u>	<u>\$ 34,035,837</u>
	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 15,911	\$ 11,396	\$ 9,263	\$ -	\$ 36,570
Interest rate derivative instruments	<u>150,411</u>	<u>2,026,363</u>	<u>2,154,834</u>	<u>24,143,098</u>	<u>28,474,706</u>
	<u>\$ 166,322</u>	<u>\$ 2,037,759</u>	<u>\$ 2,164,097</u>	<u>\$ 24,143,098</u>	<u>\$ 28,511,276</u>
	March 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 355,931	\$ 9,726	\$ 28,911	\$ 39	\$ 394,607
Interest rate derivative instruments	<u>81,675</u>	<u>1,363,919</u>	<u>656,694</u>	<u>24,926,923</u>	<u>27,029,211</u>
	<u>\$ 437,606</u>	<u>\$ 1,373,645</u>	<u>\$ 685,605</u>	<u>\$ 24,926,962</u>	<u>\$ 27,423,818</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Forwards, swaps and total return exchange options;
- ii) Interest rate derivative instruments: Cross currency CCS.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	March 31, 2024				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (372,161,170)	\$ (252,260,542)	\$ (78,355,476)	\$ (4,494,794)	\$ (707,271,982)
Cash inflow	366,644,070	245,346,673	74,833,532	4,257,975	691,082,250
Interest rate derivative instruments					
Cash outflow	(125,057)	(2,147,091)	(6,842,276)	(6,429,769)	(15,544,193)
Cash inflow	122,030	1,981,665	6,717,241	6,306,345	15,127,281
Cash outflow subtotal	(372,286,227)	(254,407,633)	(85,197,752)	(10,924,563)	(722,816,175)
Cash inflow subtotal	<u>366,766,100</u>	<u>247,328,338</u>	<u>81,550,773</u>	<u>10,564,320</u>	<u>706,209,531</u>
Net cash flow	<u>\$ (5,520,127)</u>	<u>\$ (7,079,295)</u>	<u>\$ (3,646,979)</u>	<u>\$ (360,243)</u>	<u>\$ (16,606,644)</u>
	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (414,572,102)	\$ (444,892,193)	\$ (40,418,411)	\$ (6,388,153)	\$ (906,270,859)
Cash inflow	406,725,701	435,318,902	40,097,255	6,380,659	888,522,517
Interest rate derivative instruments					
Cash outflow	(1,536,750)	(122,404)	(4,634,554)	(7,131,402)	(13,425,110)
Cash inflow	1,390,250	119,419	4,462,141	6,927,048	12,898,858
Cash outflow subtotal	(416,108,852)	(445,014,597)	(45,052,965)	(13,519,555)	(919,695,969)
Cash inflow subtotal	<u>408,115,951</u>	<u>435,438,321</u>	<u>44,559,396</u>	<u>13,307,707</u>	<u>901,421,375</u>
Net cash flow	<u>\$ (7,992,901)</u>	<u>\$ (9,576,276)</u>	<u>\$ (493,569)</u>	<u>\$ (211,848)</u>	<u>\$ (18,274,594)</u>
	March 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (315,073,112)	\$ (426,361,440)	\$ (77,134,490)	\$ (11,930,677)	\$ (830,499,719)
Cash inflow	311,229,034	419,118,729	76,731,282	11,392,745	818,471,790
Interest rate derivative instruments					
Cash outflow	(682,626)	(10,414,598)	(3,045,400)	(4,378,803)	(18,521,427)
Cash inflow	633,230	9,661,391	2,780,940	4,269,862	17,345,423
Cash outflow subtotal	(315,755,738)	(436,776,038)	(80,179,890)	(16,309,480)	(849,021,146)
Cash inflow subtotal	<u>311,862,264</u>	<u>428,780,120</u>	<u>79,512,222</u>	<u>15,662,607</u>	<u>835,817,213</u>
Net cash flow	<u>\$ (3,893,474)</u>	<u>\$ (7,995,918)</u>	<u>\$ (667,668)</u>	<u>\$ (646,873)</u>	<u>\$ (13,203,933)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

March 31, 2024

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 136,998,077	\$ 39,276,346	\$ 8,322,807	\$ 184,597,230
Credit card commitments	15,564,889	398,798,366	374,274,267	788,637,522
Financial guarantee contracts	23,184,512	3,998,061	4,645	27,187,218

December 31, 2023

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 136,394,665	\$ 32,014,131	\$ 6,463,994	\$ 174,872,790
Credit card commitments	202,422,445	230,536,858	347,419,269	780,378,572
Financial guarantee contracts	20,878,211	5,427,238	3,422	26,308,871

March 31, 2023

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 124,398,971	\$ 24,071,961	\$ 9,227,451	\$ 157,698,383
Credit card commitments	16,086,123	202,709,899	593,764,670	812,560,692
Financial guarantee contracts	20,826,191	5,113,298	41,208	25,980,697

3) Market risk

a) Source and definition of market risk

Market risk is the potential gain or loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instrument, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., are used to measure the extent of investment portfolio loss that is influenced by market risk factors.

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, the relevant measures will be implemented immediately. If it meets special circumstance, the transaction department should document the responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent source and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively, foreign exchange rate at 5%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of trading book

Cathay United Bank prudently chooses its investment target by studying the credibility, financial position of the securities issuers, the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

iii. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

e) Interest risk management of banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to Cathay United Bank's capital and earnings.

i. Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and Cathay United Bank and its subsidiaries should pay attention to risk diversification.

ii. Management procedure

Cathay United Bank and its subsidiaries have established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (Δ NII) analysis, and economic value viewpoint (Δ EVE) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 5% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is to avoid the massive fluctuation of equity securities price that worsens Cathay United Bank's financial situation or earnings, as well as to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

Cathay United Bank sets limits on market risk in addition to the country, industries and companies. The above limitations are approved by the board of directors. Once the transaction reaches its stop-loss limitation, a response will be implemented immediately. In special circumstances, the transaction department should document the reason plan, report to the executive management for approval and report to the board of directors regularly.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

h) Value-at-risk of the trading books

Value-at-risk (VaR) is Cathay United Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

March 31, 2024				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 521,103	\$ 740,017	\$ 353,080	\$ 434,940
Foreign exchange	113,212	262,458	24,287	34,300
Equity securities price	173,706	222,934	85,821	186,943

December 31, 2023				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 475,212	\$ 740,017	\$ 267,725	\$ 633,802
Foreign exchange	132,858	262,458	24,287	24,287
Equity securities price	142,206	218,808	64,876	198,309

March 31, 2023				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 287,904	\$ 420,425	\$ 246,099	\$ 353,080
Foreign exchange	161,866	227,124	99,901	204,818
Equity securities price	122,758	262,298	61,215	86,458

Cathay United Bank transacts derivative contracts within the allowed market risk limit. The objectives in trading derivative instruments are to meet customers' hedging and trading needs or to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities.

i) Market risk stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

Stress Testing				
Market/Product	Scenarios	March 31, 2024	December 31, 2023	March 31, 2023
Stock market	Major domestic stock exchanges +15%	\$ 2,135,422	\$ 1,688,630	\$ 704,972
	Major domestic stock exchanges -15%	(2,135,422)	(1,688,630)	(704,972)
	Abroad stock exchanges +20%	97,044	-	161,787
	Abroad stock exchanges -20%	(97,044)	-	(161,787)
Interest rate/bond market	Major interest rate +150bp	(3,894,400)	(3,727,660)	(3,075,806)
	Major interest rate -150bp	2,970,162	1,328,162	1,532,549
Foreign exchange market	Major currencies +5%	351,392	327,284	340,454
	Major currencies -5%	(351,392)	(327,284)	(340,454)

The information of stress testing is defined by market risk management.

j) Market risk sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

		March 31, 2024	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 70,278	\$ -
	Exchange rate of each currency - 1%	(70,278)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(25,963)	-
	Yield curves parallel shift - 1bp	19,801	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	37,604	109,610
	Equity securities price - 1%	(37,604)	(109,610)

		December 31, 2023	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 65,457	\$ -
	Exchange rate of each currency - 1%	(65,457)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(24,851)	-
	Yield curves parallel shift - 1bp	8,854	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	13,517	99,058
	Equity securities price - 1%	(13,517)	(99,058)

Risk Factors	Changes (+/-)	March 31, 2023	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 68,091	\$ -
	Exchange rate of each currency - 1%	(68,091)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(20,505)	-
	Yield curves parallel shift - 1bp	10,217	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	(1,515)	56,603
	Equity securities price - 1%	1,515	(56,603)

Note: The information of sensitivity analysis is defined by market risk management.

k) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. By the end of, 2023, changes required to IT systems and internal processes have been identified and have completed the transition of benchmark interest rates for LIBOR derivatives and non-derivative financial assets and liabilities.

Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' 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

Market risk is the risk resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, which may decrease Cathay Century and its subsidiaries' income or value of investment portfolio.

Cathay Century and its subsidiaries 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 change. Cathay Century and its subsidiaries calculate VaR on the next day (week or two weeks) at 99% confidence level.

b) Stress testing

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

Cathay Century and its subsidiaries conduct 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, Cathay Century and its subsidiaries evaluate whether the event would result in losses to the current investment portfolio in the event.

ii) Hypothetical scenario

Cathay Century and its subsidiaries 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. Cathay Century and its subsidiaries' risk analysis, early warning, and business management are in accordance with the stress testing report.

Table of Stress Testing

Risk Factors	Changes (+/-)	March 31, 2024	December 31, 2023	March 31, 2023
Equity price risk (index)	-10%	\$ (1,157,257)	\$ (1,034,864)	\$ (700,406)
Interest rate risk (yield curve)	+20bps	(160,160)	(160,607)	(153,845)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(114,413)	(133,847)	(121,912)

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 to the consolidated financial statements.

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and beneficiary certificates.

- Sensitivity analysis

For the Three Months Ended March 31, 2024			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 28,211	\$ 6,085
	CNY appreciates 1%	718	-
	HKD appreciates 1%	229	-
	EUR appreciates 1%	8	-
	VND appreciates 1%	-	7,179
Interest rate risk sensitivity	Yield curve (USD):	(4,823)	-
	Upward parallel shift by 1bp		
	Yield curve (CNY):	(21)	-
	Upward parallel shift by 1bp		
Equity securities price sensitivity	Yield curve (NTD):	(2,350)	(784)
	Upward parallel shift by 1bp		
Equity securities price sensitivity	Increases 1% in equity price	-	115,726

For the Year Ended December 31, 2023

Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
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	-	103,486
	Increases 1% in equity price	-	103,486

For the Three Months Ended March 31, 2023

Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 27,655	\$ 4,597
	CNY appreciates 1%	661	-
	HKD appreciates 1%	904	540
	EUR appreciates 1%	446	106
	VND appreciates 1%	-	7,071
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,669)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(27)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,045)	(870)
	Equity securities price sensitivity	-	70,041
	Increases 1% in equity price	-	70,041

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 to the consolidated financial statements.

2) Credit risk

a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.

- i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of the underlying assets is the risk that Cathay Century and its subsidiaries 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 financial instruments.

b) Credit concentration risk analysis

- i. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

March 31, 2024

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,190,084	\$ -	\$ -	\$ -	\$ 309,220	\$ 9,499,304
Financial assets at FVTPL	262,062	-	-	-	-	262,062
Financial assets at FVTOCI	667,696	-	-	-	-	667,696
Financial assets at amortized cost	3,039,832	190,032	989,423	4,176,786	1,748,954	10,145,027
Total	\$ 13,159,674	\$ 190,032	\$ 989,423	\$ 4,176,786	\$ 2,058,174	\$ 20,574,089
Proportion	63.96%	0.92%	4.81%	20.30%	10.01%	100.00%

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%

March 31, 2023

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 8,307,653	\$ -	\$ -	\$ -	\$ 286,672	\$ 8,594,325
Financial assets at FVTPL	294,875	-	-	-	-	294,875
Financial assets at FVTOCI	686,506	-	-	-	-	686,506
Financial assets at amortized cost	3,070,562	-	1,093,824	3,818,085	1,786,995	9,769,466
Total	\$ 12,359,596	\$ -	\$ 1,093,824	\$ 3,818,085	\$ 2,073,667	\$ 19,345,172
Proportion	63.89%	-	5.65%	19.74%	10.72%	100.00%

- c) Determinants for whether the credit risk has increased significantly since initial recognition
- i. Cathay Century and its subsidiaries assess 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, Cathay Century and its subsidiaries consider reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit ratings, 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 Cathay Century and its subsidiaries is the same as a credit-impaired financial asset. If one or more of the criteria below are 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 factors: An 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 Cathay Century and its subsidiaries, 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, Cathay Century and its subsidiaries measure 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, Cathay Century and its subsidiaries measure loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate which resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Century and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings Corp. 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 historic data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries

	March 31, 2024					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 667,696	\$ -	\$ -	\$ -	\$ -	\$ 667,696
Financial assets measured at amortized cost	10,159,187	-	-	-	(14,160)	10,145,027
	December 31, 2023					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
	<u>Investment grade</u>					
Debt instruments at FVTOCI	\$ 678,881	\$ -	\$ -	\$ -	\$ -	\$ 678,881
Financial assets measured at amortized cost	9,779,572	-	-	-	(14,182)	9,765,390
	March 31, 2023					
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
	<u>Investment grade</u>					
Debt instruments at FVTOCI	\$ 686,506	\$ -	\$ -	\$ -	\$ -	\$ 686,506
Financial assets measured at amortized cost	9,773,403	-	-	-	(3,937)	9,769,466

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

ii. Secured loans of Cathay Century and its subsidiaries

	March 31, 2024					Gross Carrying Amount
	Stage 1	Stage 2	Stage 3		Loss Allowance	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 115,099	\$ -	\$ -	\$ -	\$ (1,611)	\$ 113,488

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

	March 31, 2023					Gross Carrying Amount
	Stage 1	Stage 2	Stage 3		Loss Allowance	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 117,946	\$ -	\$ -	\$ -	\$ (1,561)	\$ 116,385

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2024	\$ 42	\$ -	\$ -	\$ -	\$ 42
Changes in models/risk parameters	(2)	-	-	-	(2)
March 31, 2024	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40</u>
January 1, 2023	\$ 34	\$ -	\$ -	\$ -	\$ 34
Changes in models/risk parameters	1	-	-	-	1
March 31, 2023	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</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, 2024	\$ 14,182	\$ -	\$ -	\$ -	\$ 14,182
Changes in models/risk parameters	(22)	-	-	-	(22)
March 31, 2024	<u>\$ 14,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,160</u>
January 1, 2023	\$ 3,715	\$ -	\$ -	\$ -	\$ 3,715
Changes in models/risk parameters	222	-	-	-	222
March 31, 2023	<u>\$ 3,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,937</u>

iii. Secured loans

	Lifetime Expected Credit Losses					Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines For Handling Assessment Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets				
January 1, 2024	\$ 13	\$ -	\$ -	\$ -	\$ 13	\$ 1,742	\$ 1,755	
Changes in model/risk parameters	(2)	-	-	-	(2)	-	(2)	
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(142)	(142)	
March 31, 2024	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 1,600</u>	<u>\$ 1,611</u>	
January 1, 2023	\$ 70	\$ -	\$ -	\$ -	\$ 70	\$ 1,814	\$ 1,884	
Changes in model/risk parameters	(10)	-	-	-	(10)	-	(10)	
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(313)	(313)	
March 31, 2023	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 1,501</u>	<u>\$ 1,561</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

Cathay Century and its subsidiaries apply the simplified approach to providing for expected credit loss prescribed by IFRS 9, are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under a simplified approach is as follows:

March 31, 2024	Due	Overdue	Total
Carrying amount	\$ 2,357,117	\$ 790,179	\$ 3,147,296
Expected credit loss rate	1.03%	2.02%	
Lifetime expected credit losses	\$ 24,186	\$ 15,972	\$ 40,158
December 31, 2023	Due	Overdue	Total
Carrying amount	\$ 2,071,170	\$ 844,584	\$ 2,915,754
Expected credit loss rate	1.01%	2.12%	
Lifetime expected credit losses	\$ 20,955	\$ 17,919	\$ 38,874
March 31, 2023	Due	Overdue	Total
Carrying amount	\$ 1,368,843	\$ 740,310	\$ 2,109,153
Expected credit loss rate	1.06%	6.49%	
Lifetime expected credit losses	\$ 14,548	\$ 48,069	\$ 62,617

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 default risk that Cathay Century and its subsidiaries 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 that Cathay Century faces when it sells or offsets its assets during market disorder.

b) Liquidity risk management

Cathay Century and its subsidiaries 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, Cathay Century and its subsidiaries uses cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries 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 Cathay Century and its subsidiaries are 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.

March 31, 2024

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 4,130,648	\$ 60,981	\$ 44,700	\$ 2,830	\$ 6,028
Lease liabilities	77,180	74,747	68,828	22,380	17,937
<u>Derivative financial liabilities</u>					
Swap	2,324,273	2,930,207	-	-	-

December 31, 2023

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<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>					
Swap	2,329,026	266,182	-	-	-

March 31, 2023

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,625,857	\$ 72,943	\$ 5,068	\$ 9,222	\$ 5,996
Lease liabilities	66,362	8,630	4,169	1,859	-
<u>Derivative financial liabilities</u>					
Swap	2,552,758	1,019,567	-	-	-

Cathay Securities and its subsidiaries

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, department supervisor, director for compliance matters, information security officer, finance supervisor, accounting manager, risk management supervisor, and strategic planning supervisor. The meetings of the committee are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities and its subsidiaries compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors and changes in industry.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee and board of directors of Cathay Securities and its subsidiaries, and risk management office of the Company every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator (including e-mail) in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures and report to the responsible supervisor for approval based on authorized decision-making powers.

2) Market risk

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the sensitivities of interest and commodity factors:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.

ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.

iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	For the Three Months Ended March 31, 2024			
	Average	Highest	Lowest	End of Period
VaR	\$ 70,845	\$ 79,743	\$ 55,977	\$ 79,248
	For the Three Months Ended March 31, 2023			
	Average	Highest	Lowest	End of Period
VaR	\$ 47,370	\$ 56,478	\$ 37,782	\$ 55,292

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration of the immediate, significant, and comprehensive impact on financial markets.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

**For the Three Months Ended March 31, 2024
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (242,833)
Interest rate risk (yield curve)	+50bps	(271,385)
Exchange rate risk (exchange rate)	+3%	(33,982)
Product risk (price)	-10%	(1)

**For the Three Months Ended March 31, 2023
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (242,644)
Interest rate risk (yield curve)	+50bps	(144,283)
Exchange rate risk (exchange rate)	+3%	1,974
Product risk (price)	-10%	-

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.

- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

b) Determinants for whether the credit risk has increased significantly since initial recognition

- i. Cathay Securities and its subsidiaries assess, 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, Cathay Securities and its subsidiaries consider 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. Low credit risk: 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.

c) 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 Cathay Securities and its subsidiaries is the same as that of a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) 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, Cathay Securities and its subsidiaries measure 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, Cathay Securities and its subsidiaries measure the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and counterparties and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a counterparty defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and counterparties. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2024	\$ 5,643	\$ 572	\$ 34	\$ 5,511	\$ 443	\$ 151	\$ 74	\$ 12,428
(Decrease) increase	(294)	(67)	1	592	61	37	-	330
Recoveries of credits written off	-	-	-	20	-	-	-	20
Balance at								
March 31, 2024	<u>\$ 5,349</u>	<u>\$ 505</u>	<u>\$ 35</u>	<u>\$ 6,123</u>	<u>\$ 504</u>	<u>\$ 188</u>	<u>\$ 74</u>	<u>\$ 12,778</u>
Balance at								
January 1, 2023	\$ 2,784	\$ 190	\$ 23	\$ 5,784	\$ 294	\$ 80	\$ 74	\$ 9,229
Increase (decrease)	886	78	(2)	(7)	(27)	2	-	930
Recoveries of credits written off	-	-	-	28	-	-	-	28
Balance at								
March 31, 2023	<u>\$ 3,670</u>	<u>\$ 268</u>	<u>\$ 21</u>	<u>\$ 5,805</u>	<u>\$ 267</u>	<u>\$ 82</u>	<u>\$ 74</u>	<u>\$ 10,187</u>

4) Capital liquidity risk:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of March 31, 2024, December 31, 2023 and March 31, 2023, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$8,255,845 thousand, \$7,445,886 thousand and \$9,388,323 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

March 31, 2024

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,161,632	\$ -	\$ -	\$ -	\$ 1,161,632
Commercial paper payable	11,803,803	-	-	-	11,803,803
Financial liabilities at FVTPL	1,468,443	-	-	-	1,468,443
Bonds sold under repurchase agreements	8,857,889	-	-	-	8,857,889
Short sale margins and payables for short sale collateral received	91,050	182,100	273,150	1,092,603	1,638,903
Securities lending margin - deposit received	2,211	4,422	6,633	26,529	39,795
Futures trader's equity	12,050,578	-	-	-	12,050,578
Customer rights of special account and sub-account	57,694	-	-	-	57,694
Accounts payable	26,906,324	237,428	330	1,144,205	28,288,287
Amounts collected for others	1,609,832	-	-	-	1,609,832
Other financial liabilities	205,022	-	-	-	205,022
Lease liabilities	11,372	16,667	24,970	38,618	91,627
Others	259,817	-	-	-	259,817
Total	<u>\$ 64,485,667</u>	<u>\$ 440,617</u>	<u>\$ 305,083</u>	<u>\$ 2,301,955</u>	<u>\$ 67,533,322</u>
% to the total	<u>95.49%</u>	<u>0.65%</u>	<u>0.45%</u>	<u>3.41%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and bonds sold under repurchase agreements are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2024

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 2,812,276	\$ -	\$ -	\$ -	\$ 2,812,276
Financial assets at FVTPL					
Operation securities	8,360,061	-	-	-	8,360,061
Open-end funds and beneficiary certificates	52,276	-	-	-	52,276
Futures trading margin	430,632	-	-	-	430,632
Derivative assets - OTC	1,596	-	-	-	1,596
Financial assets at FVTOCI - current	9,148,269	-	-	-	9,148,269
Bonds purchased under resale agreements	28,119	-	-	-	28,119
Securities financing receivables	808,774	1,606,568	2,409,852	9,639,414	14,464,608
Refinancing margin and refinancing deposits receivable	1,156	2,312	3,468	13,866	20,802
Security lending receivable	312,171	624,342	936,511	-	1,873,024
Customer's margin accounts	12,071,867	-	-	-	12,071,867
Security lending deposits price and security lending margin deposits paid	20,329	40,658	60,987	243,950	365,924
Receivables	26,231,758	-	-	89,452	26,321,210
Receipts under custody for securities under writing	1,468,814	-	-	-	1,468,814
Others	1,188,876	-	-	1,505,504	2,694,380
	<u>62,936,974</u>	<u>2,273,880</u>	<u>3,410,818</u>	<u>11,492,186</u>	<u>80,113,858</u>
Residual cash	<u>\$ (1,548,693)</u>	<u>\$ 1,833,263</u>	<u>\$ 3,105,735</u>	<u>\$ 9,190,231</u>	<u>\$ 12,580,536</u>

December 31, 2023

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 322,988	\$ -	\$ -	\$ -	\$ 322,988
Commercial paper payable	7,128,247	-	-	-	7,128,247
Financial liabilities at FVTPL	860,708	-	-	-	860,708
Bonds sold under repurchase agreements	7,439,234	-	-	-	7,439,234
Short sale margins and payables for short sale collateral received	152,455	304,910	457,365	1,829,465	2,744,195
Securities lending margin - deposit received	693	1,386	2,079	8,315	12,473
Futures trader's equity	11,894,720	-	-	-	11,894,720
Customer rights of special account and sub-account	45,512	-	-	-	45,512
Accounts payable	20,689,298	636,340	237,520	401,790	21,964,948
Other financial liabilities	271,026	-	-	-	271,026
Lease liabilities	8,726	16,626	22,970	35,569	83,891
Others	375,805	-	-	-	375,805
Total	<u>\$ 49,189,412</u>	<u>\$ 959,262</u>	<u>\$ 719,934</u>	<u>\$ 2,275,139</u>	<u>\$ 53,143,747</u>
% to the total	<u>92.56%</u>	<u>1.81%</u>	<u>1.35%</u>	<u>4.28%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and bonds sold under repurchase agreements are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2023

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 2,579,555	\$ -	\$ -	\$ -	\$ 2,579,555
Financial assets at FVTPL					
Operation securities	5,014,817	-	-	-	5,014,817
Open-end funds and beneficiary certificates	51,844	-	-	-	51,844
Futures trading margin	177,930	-	-	-	177,930
Derivative assets - OTC	3,299	812	-	-	4,111
Financial assets at FVTOCI - current	7,888,104	-	-	-	7,888,104
Securities financing receivables	717,305	1,420,342	2,130,513	8,522,060	12,790,220
Refinancing margin and refinancing deposits receivable	3,632	7,264	10,896	43,591	65,383
Security lending receivable	250,720	501,440	752,159	-	1,504,319
Customer's margin accounts	11,915,201	-	-	-	11,915,201
Security lending deposits price and security lending margin deposits paid	438	876	1,314	5,252	7,880
Receivables	20,388,359	-	-	89,795	20,478,154
Others	1,119,266	-	-	1,577,787	2,697,053
	<u>50,110,470</u>	<u>1,930,734</u>	<u>2,894,882</u>	<u>10,238,485</u>	<u>65,174,571</u>
Residual cash	<u>\$ 921,058</u>	<u>\$ 971,472</u>	<u>\$ 2,174,948</u>	<u>\$ 7,963,346</u>	<u>\$ 12,030,824</u>

March 31, 2023

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 611,827	\$ -	\$ -	\$ -	\$ 611,827
Commercial paper payable	2,199,211	-	-	-	2,199,211
Financial liabilities at FVTPL	749,783	1,619	-	-	751,402
Bonds sold under repurchase agreements	5,258,088	-	-	-	5,258,088
Short sale margins and payables for short sale collateral received	98,066	196,132	294,198	1,176,787	1,765,183
Securities lending margin - deposit received	4,435	8,870	13,305	53,223	79,833
Futures trader's equity	14,178,414	-	-	-	14,178,414
Accounts payable	14,030,625	193,659	2,982	850,232	15,077,498
Other financial liabilities	944,340	-	-	-	944,340
Lease liabilities	7,347	13,724	20,169	36,047	77,287
Others	146,185	-	-	-	146,185
Total	<u>\$ 38,228,321</u>	<u>\$ 414,004</u>	<u>\$ 330,654</u>	<u>\$ 2,116,289</u>	<u>\$ 41,089,268</u>
% to the total	<u>93.04%</u>	<u>1.01%</u>	<u>0.80%</u>	<u>5.15%</u>	<u>100.00%</u>

Short-term borrowings, commercial paper payable and bonds sold under repurchase agreements are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

March 31, 2023

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,335,882	\$ -	\$ -	\$ -	\$ 3,335,882
Financial assets at FVTPL					
Securities lending	99,822	-	-	-	99,822
Operation securities	3,315,677	-	-	-	3,315,677
Open-end funds and beneficiary certificates	51,593	-	-	-	51,593
Futures trading margin	160,965	-	-	-	160,965
Derivative assets - OTC	314	-	-	-	314
Financial assets at FVTOCI - current	5,955,073	-	-	-	5,955,073
Securities financing receivables	437,846	862,312	1,293,468	5,173,871	7,767,497
Refinancing margin and refinancing deposits receivable	3,917	7,834	11,751	47,001	70,503
Security lending receivable	135,899	271,798	407,698	-	815,395
Customer's margin accounts	14,203,072	-	-	-	14,203,072
Security lending deposits price and security lending margin deposits paid	27,888	55,776	83,664	334,650	501,978
Receivables	13,829,919	-	-	43,402	13,873,321
Others	677,948	-	-	1,310,297	1,988,245
	<u>42,235,815</u>	<u>1,197,720</u>	<u>1,796,581</u>	<u>6,909,221</u>	<u>52,139,337</u>
Residual cash	<u>\$ 4,007,494</u>	<u>\$ 783,716</u>	<u>\$ 1,465,927</u>	<u>\$ 4,792,932</u>	<u>\$ 11,050,069</u>

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries consolidated financial statements are the real estate investments and management organizations. As of March 31, 2024, December 31, 2023 and March 31, 2023, Cathay Life and its subsidiaries all provided loans amounting to GBP331,300 thousand, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

Cathay Life and its subsidiaries

- a) Cathay Life and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay Life and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay Life and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>March 31, 2024</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 174,465,115	\$ 24,725,852
Financial assets at FVTOCI	-	43,611,171
Debt instruments at amortized cost	-	174,368,167
	<u>\$ 174,465,115</u>	<u>\$ 242,705,190</u>

	December 31, 2023	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 203,524,086	\$ 25,601,733
Financial assets at FVTOCI	-	43,354,338
Debt instruments at amortized cost	<u>-</u>	<u>167,183,734</u>
	<u>\$ 203,524,086</u>	<u>\$ 236,139,805</u>
	March 31, 2023	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 205,707,586	\$ 27,117,455
Financial assets at FVTOCI	-	37,093,749
Debt instruments at amortized cost	<u>-</u>	<u>161,476,914</u>
	<u>\$ 205,707,586</u>	<u>\$ 225,688,118</u>

Cathay United Bank and its subsidiaries

- a) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at FVTOCI	\$ 24,569,332	\$ 18,546,743	\$ 13,361,246
Debt instruments at amortized cost	<u>73,534,717</u>	<u>70,736,135</u>	<u>64,154,101</u>
	<u>\$ 98,104,049</u>	<u>\$ 89,282,878</u>	<u>\$ 77,515,347</u>

Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay Century and its subsidiaries maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets Cathay Century and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

- b) The carrying amounts of assets relating to the interests of non-controlling structural entities recognized by Cathay Century and its subsidiaries as at 31 March 2024, 31 December 2023 and 31 March 2023 are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at FVTPL	\$ 331,492	\$ 329,684	\$ 335,547
Debt instruments at amortized cost	<u>322,493</u>	<u>312,255</u>	<u>318,429</u>
	<u>\$ 653,985</u>	<u>\$ 641,939</u>	<u>\$ 653,976</u>

39. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

40. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

- a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Pearlmark and its subsidiaries	Real estate investment and management	March 28, 2023	55.5	<u>\$ 241,453</u>

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

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

	Pearlmark and Its Subsidiaries
Assets	
Cash and cash equivalents	\$ 3,167
Receivables	-
Property and equipment	1,362
Intangible assets	158,056
Other	32,003
Liabilities	
Other	<u>(43,646)</u>
	<u>\$ 150,942</u>

c. Non-controlling interests

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

d. Goodwill recognized on acquisitions

	Pearlmark and Its Subsidiaries
Consideration transferred	\$ 241,453
Plus: Non-controlling interests	<u>67,169</u>
	308,622
Less: Fair value of identifiable net assets acquired	<u>(150,942)</u>
Goodwill recognized on acquisitions	<u>\$ 157,680</u>

The goodwill recognized in the acquisition of Pearlmark and its subsidiaries mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill increased by \$11,991 thousand from January 1 to March 31, 2024 as a result of adjustments to the identifiable net assets acquired during the measurement period.

e. Net cash outflow on the acquisition of subsidiaries

	Pearlmark and Its Subsidiaries
Consideration paid in cash	\$ 241,453
Less: Cash and cash equivalent balances acquired	<u>(3,167)</u>
	<u>\$ 238,286</u>

f. Impact of acquisitions on the results of the Group

The financial performances of acquirees do not have significant impact to the Group from acquisition date to the date the consolidated financial statements authorized for issue.

41. DISPOSAL OF SUBSIDIARIES

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

- a. Consideration received from disposal

	Chen Fong Power
Cash and cash equivalents	<u>\$ 31,000</u>

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

	Chen Fong Power
Assets	
Cash	\$ 256
Property and equipment	1,097
Goodwill	961
Guarantee deposits paid	62,979
Other	35,845
Liabilities	
Payables	<u>(70,536)</u>
	<u>\$ 30,602</u>

- c. Gain on disposal of subsidiary

	Chen Fong Power
Consideration received	\$ 31,000
Net assets on disposal	<u>(30,602)</u>
Disposal of benefits	<u>\$ 398</u>

- d. Net cash inflow from disposal of subsidiary

	Chen Fong Power
Consideration received in cash	\$ 31,000
Less: Cash balance on disposal	<u>(256)</u>
	<u>\$ 30,744</u>

42. OTHERS

a. 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 the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	March 31, 2024		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 173,848,965	31.9900	\$ 5,561,428,390
AUD	8,869,441	20.8239	184,696,352
Non-monetary items			
USD	10,139,221	31.9900	324,353,680
<u>Financial liabilities</u>			
Monetary items			
USD	21,869,083	31.9900	699,591,965
	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 173,579,027	30.7350	\$ 5,334,951,395
AUD	9,021,451	21.0012	189,461,297
Non-monetary items			
USD	11,255,785	30.7350	345,946,552
<u>Financial liabilities</u>			
Monetary items			
USD	26,136,216	30.7350	803,296,599

	March 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 170,588,686	30.4540	\$ 5,195,107,843
AUD	9,288,128	20.3433	188,951,174
Non-monetary items			
USD	11,332,342	30.4540	345,115,143
<u>Financial liabilities</u>			
Monetary items			
USD	23,306,224	30.4540	709,767,746

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange gains (losses) for the three months ended March 31, 2024 and 2023 were gain on \$130,852,097 thousand and loss on \$24,214,836 thousand, respectively.

b. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of March 31, 2024, December 31, 2023 and March 31, 2023, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Domestic stocks	\$ 190,455,493	\$ 174,433,694	\$ 152,571,638
Overseas stocks	57,777,647	55,935,334	43,144,918
Notes and bonds purchased under resale agreements	12,112,000	7,914,000	6,659,000
Cash in banks	41,757,798	19,848,409	51,781,174
Beneficiary certificates	129,529	113,354	639,425
Futures and options	<u>49</u>	<u>47</u>	<u>47</u>
	<u>\$ 302,232,516</u>	<u>\$ 258,244,838</u>	<u>\$ 254,796,202</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of March 31, 2024, December 31, 2023 and March 31, 2023, the discretionary investments limits are as follows (in thousands of each currency):

	March 31, 2024	December 31, 2023	March 31, 2023
NTD	\$ 137,948,000	\$ 122,948,000	\$ 103,052,367
USD	322,800	375,400	452,400

2) Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries enter into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Domestic stocks	\$ 2,574,204	\$ 2,245,254	\$ 1,738,704
Cash in banks	566,202	593,738	734,134
Future margins	<u>38,437</u>	<u>38,437</u>	<u>38,272</u>
	<u>\$ 3,178,843</u>	<u>\$ 2,877,429</u>	<u>\$ 2,511,110</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of March 31, 2024, December 31, 2023 and March 31, 2023, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits of \$1,200,000 thousand.

c. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2024					March 31, 2023				
Item		Nonperforming Loan (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 406,652	\$ 418,932,144	0.10%	\$ 2,917,752	717.51%	\$ 272,592	\$ 382,884,486	0.07%	\$ 2,103,636	771.72%
	Unsecured	250,394	394,263,574	0.06%	11,020,983	4401.46%	163,869	364,597,494	0.04%	10,203,407	6226.56%
Consumer banking	Housing mortgage (Note 4)	484,474	572,108,090	0.08%	9,024,751	1862.79%	247,719	537,734,038	0.05%	8,383,479	3384.27%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	669,787	144,611,680	0.46%	6,437,073	961.06%	462,990	134,076,469	0.35%	5,215,512	1126.49%
	Other (Note 6)	Secured	791,161	740,797,154	0.11%	7,938,257	1003.37%	367,063	617,987,818	0.06%	7,029,651
Unsecured		26,956	75,806,102	0.04%	975,252	3617.94%	17,795	29,580,230	0.06%	409,131	2299.09%
Total Loan		\$ 2,629,424	\$ 2,346,518,744	0.11%	\$ 38,314,068	1457.13%	\$ 1,532,028	\$ 2,066,860,535	0.07%	\$ 33,344,816	2176.51%
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards		\$ 236,605	\$ 89,782,183	0.26%	\$ 2,401,180	1014.85%	\$ 126,811	\$ 90,993,341	0.14%	\$ 2,300,670	1814.24%
Accounts receivable factored without recourse (Note 7)		-	3,531,463	-	43,629	-	-	3,993,331	-	44,025	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494) accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type	Items	March 31, 2024		March 31, 2023	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 285	\$ 13,340	\$ 628	\$ 21,691
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	155,148	1,002,905	124,340	1,080,549
	Total	\$ 155,433	\$ 1,016,245	\$ 124,968	\$ 1,102,240

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2024			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 25,554,551	9.03
2	Group B - packaging and testing of semi-conductors	14,308,531	5.05
3	Group C - manufacture of computers	13,647,458	4.82
4	Group D - aluminum casting industry	10,000,000	3.53
5	Group E - convenience store chain	9,270,831	3.27
6	Group F - real estate development activities	8,674,800	3.06
7	Group G - real estate development activities	8,559,440	3.02
8	Group H - real estate development activities	7,625,657	2.69
9	Group I - computer and peripheral manufacturing	6,559,230	2.32
10	Group J - other holdings	6,430,902	2.27

March 31, 2023			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 25,634,629	10.22
2	Group B - packaging and testing of semi-conductors	12,746,339	5.08
3	Group C - manufacture of computers	11,145,794	4.44
4	Group D - aluminum casting industry	7,000,000	2.79
5	Group E - real estate development activities	6,793,100	2.71
6	Group F - real estate development activities	6,588,000	2.63
7	Group G - convenience store chain	6,237,590	2.49
8	Group H - real estate development activities	6,149,057	2.45
9	Group I - wired telecommunications industry	5,810,208	2.32
10	Group J - computer and peripheral manufacturing	5,481,720	2.18

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollar)
March 31, 2024

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,568,028,152	\$ 46,042,621	\$ 70,194,639	\$ 174,329,716	\$ 2,858,595,128
Interest rate-sensitive liabilities	220,239,604	2,041,146,291	321,530,916	53,028,422	2,635,945,233
Interest rate-sensitive gap	2,347,788,548	(1,995,103,670)	(251,336,277)	121,301,294	222,649,895
Net worth					283,110,205
Ratio of interest rate-sensitive assets to liabilities					108.45%
Ratio of interest rate sensitivity gap to net worth					78.64%

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,381,569,067	\$ 91,229,669	\$ 76,350,448	\$ 154,516,314	\$ 2,703,665,498
Interest rate-sensitive liabilities	188,556,857	1,896,686,397	292,795,048	71,914,488	2,449,952,790
Interest rate-sensitive gap	2,193,012,210	(1,805,456,728)	(216,444,600)	82,601,826	253,712,708
Net worth					250,908,050
Ratio of interest rate-sensitive assets to liabilities					110.36%
Ratio of interest rate sensitivity gap to net worth					101.12%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity (U.S. Dollars)
March 31, 2024**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,549,134	\$ 2,725,598	\$ 1,340,909	\$ 10,216,322	\$ 24,831,963
Interest rate-sensitive liabilities	13,031,918	4,520,129	5,754,302	4,105,607	27,411,956
Interest rate-sensitive gap	(2,482,784)	(1,794,531)	(4,413,393)	6,110,715	(2,579,993)
Net worth					8,849,960
Ratio of interest rate-sensitive assets to liabilities					90.59%
Ratio of interest rate sensitivity gap to net worth					(29.15%)

March 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 11,051,147	\$ 2,208,860	\$ 2,559,320	\$ 9,522,276	\$ 25,341,603
Interest rate-sensitive liabilities	14,549,936	4,397,709	6,462,919	4,925,623	30,336,187
Interest rate-sensitive gap	(3,498,789)	(2,188,849)	(3,903,599)	4,596,653	(4,994,584)
Net worth					8,238,919
Ratio of interest rate-sensitive assets to liabilities					83.54%
Ratio of interest rate sensitivity gap to net worth					(60.62%)

Note 1: The above amounts included only U.S. dollar amounts held by Cathay United Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

4) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)
March 31, 2024

(In Thousands of New Taiwan Dollar)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,519,142,021	\$ 422,767,316	\$ 423,696,267	\$ 330,459,345	\$ 248,440,511	\$ 410,425,657	\$ 1,683,352,925
Main capital outflow on maturity	4,402,921,713	171,260,370	258,849,784	620,512,944	697,357,502	876,740,159	1,778,200,954
Gap	(883,779,692)	251,506,946	164,846,483	(290,053,599)	(448,916,991)	(466,314,502)	(94,848,029)

March 31, 2023

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,355,868,672	\$ 392,922,649	\$ 413,439,561	\$ 369,277,639	\$ 345,001,896	\$ 378,821,436	\$ 1,456,405,491
Main capital outflow on maturity	4,057,939,660	163,265,587	245,034,737	563,624,772	623,619,272	765,448,531	1,696,946,761
Gap	(702,070,988)	229,657,062	168,404,824	(194,347,133)	(278,617,376)	(386,627,095)	(240,541,270)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
March 31, 2024

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 107,799,022	\$ 40,840,127	\$ 26,251,858	\$ 14,926,497	\$ 13,093,752	\$ 12,686,788
Main capital outflow on maturity	112,775,740	42,678,251	27,570,690	15,325,091	18,842,585	8,359,123
Gap	(4,976,718)	(1,838,124)	(1,318,832)	(398,594)	(5,748,833)	4,327,665

March 31, 2023

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 101,236,136	\$ 34,023,666	\$ 25,048,452	\$ 15,486,169	\$ 14,253,687	\$ 12,424,162
Main capital outflow on maturity	105,937,699	32,050,970	24,754,472	18,574,927	21,064,939	9,492,391
Gap	(4,701,563)	1,972,696	293,980	(3,088,758)	(6,811,252)	2,931,771

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On January 5, 2024, the board of directors of Cathay Life resolved to issue the corporate bonds, and the transaction was approved by the authorities on January 18, 2024.
 - 1) Pursuant to Order No. Securities-TPEX-Bond-11300018721 of the Taipei Exchange, Cathy Life issued its first unsecured cumulative subordinated ordinary corporate bonds on April 24, 2024. The key terms and conditions are as follows:
 - a) Issue amount: \$44,000,000 thousand. According to the different issuance conditions, it is divided into two classes, A and B bonds, of which the issuance amount of Class A bond is \$32,350,000 thousand, and the issuance amount of Class B bond is \$11,650,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Class A Notes with 10 years, and Class B Notes with 15 years.

- d) Coupon rate: Fixed rate of 3.70% for Class A Notes and 3.85% for Class B Notes.
- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
- f) Right of early redemption: After 10 years of issuance of Class B Notes, if Cathay Life's risk-based capital ratio, after considering the early redemption, is greater than the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
- g) Forms of bonds: Book-entry securities.
- 2) Pursuant to Order No. Securities-TPEX-Bond-11300025291 of the Taipei Exchange, Cathy Life issued the second tranche of US-denominated unsecured cumulative subordinated corporate bonds on May 9, 2024 through public offering. The key terms and conditions are as follows:
- a) Issue amount: US\$187,000 thousand.
- b) Principal amount and issue price: The face value is US\$100 thousand each, and is issued at par.
- c) Years to maturity: 10 years.
- d) Coupon rate: Fixed rate of 5.8%.
- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
- f) Right of early redemption: None.
- g) Forms of bonds: Book-entry securities.
- b. On May 15, 2024, the board of directors of Cathay Life resolved to establish 100% shareholding Cathaylife Singapore Pte. Ltd. with estimated initial investment capital of US\$30,000 thousand.

44. SUPPLEMENTAL DISCLOSURES

- a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	None
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note 3
9	Endorsements/guarantees provided	Note 4
10	Marketable securities held as of March 31, 2023	Table 2 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 5.
- d. The significant intercompany transactions among the Group are disclosed in Note 30 and Table 6.
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7).

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL

MARCH 31, 2024

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	\$ 384,089 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay United Bank Co., Ltd.	Subsidiary	6,379,049 (Note 2)	-	-	-	-	-
	Cathay Century Insurance Co., Ltd.	Subsidiary	300,816 (Note 2)	-	-	-	-	-
	Cathay Securities Corporation	Subsidiary	493,139 (Note 2)	-	-	-	-	-
	Cathay Securities Investment Trust Co., Ltd.	Subsidiary	584,284 (Note 2)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	20,458,394 (Note 2)	-	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Sibling company	835,926 (Note 3)	-	-	-	835,926	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	The Company	319,123 (Note 4)	-	-	-	-	-
Cathay Capital (Asia) Limited	Cathay Securities (Hong Kong) Limited	The Company	319,593 (Note 5)	-	-	-	-	-

Note 1: The ending balance is mainly comprises interest receivables of subordinated corporate bonds of Cathay Life.

Note 2: The ending balance is mainly comprises receivables from integrated tax, etc.

Note 3: The ending balance is mainly comprised of commission receivable.

Note 4: The ending balance is mainly comprised of management fees receivable.

Note 5: The ending balance is mainly comprised of accounts receivable arising from delivery payments.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u> Accelerated CB	N/A	Financial assets at fair value through profit or loss	-	\$ 46,965	-	\$ 46,965	
	<u>Beneficiary certificates</u> Mega Diamond Money Market Fund	N/A	Financial assets at fair value through profit or loss	19,422	251,350	-	251,350	
	Taishin 1699 Money Market Fund	"	"	19,485	272,568	-	272,568	
	Cathay Taiwan Money Market Fund	"	"	19,659	251,668	-	251,668	
	<u>Stocks</u> Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	3,096	28.20	3,096	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	133,937	32.28	133,937	
	Tien-Tai Optronics Corporation	"	"	10,125	137,424	33.64	137,424	
	CDIB BioScience Ventures I, Inc.	N/A	Financial assets at fair value through other comprehensive income	2,526	2,294	11.40	2,294	
	Harbinger Venture Capital	"	"	20	137	10.00	137	
	Harbinger Three Venture Capital	"	"	10	272	10.00	272	
	HSBC Venture Capital Co., Ltd.	"	"	140	8,727	5.13	8,727	
	Yu Ji Venture Capital Corporation	"	"	750	15,246	10.00	15,246	
	Hanyu Venture Capital Co., Ltd.	"	"	4,000	37,524	11.11	37,524	
	Grand Cathay Venture Capital II Co., Ltd.	"	"	2,000	51,713	2.50	51,713	
	Baodian Venture Capital Co., Ltd.	"	"	215	2,822	9.79	2,822	
	Harbinger Eight Venture Capital	"	"	10,000	100,556	7.71	100,556	
	Appworks Fund II Co., Ltd.	"	"	4,455	109,058	11.11	109,058	
	Appworks Fund III Co., Ltd.	"	"	16,770	159,605	5.83	159,605	
	Hiroca Holdings Ltd.	N/A	Financial assets at fair value through profit or loss	439	15,632	-	15,632	
	Shane Global Holdings Inc.	"	"	3,700	229,381	3.35	229,381	
	Tot Biopharm Co., Ltd	"	"	6,909	46,603	-	46,603	
	WW Holding Inc.	"	"	1,364	169,114	2.08	169,114	
	World Known MFG (Cayman) Limited	"	"	1,413	95,801	4.17	95,801	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Easywell Biomedicals Inc.	N/A	Financial assets at fair value through profit or loss	1,429	\$ 99,295	1.23	\$ 99,295	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	14,410	4.01	14,410	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	75,800	1.63	75,800	
	Weblink International Inc.	"	"	1,541	100,473	1.89	100,473	
	EasyCard Investment Holdings Co., Ltd.	"	"	915	25,460	1.37	25,460	
	EasyCard Co., Ltd.	"	"	327	26,376	-	26,376	
	Lan An Co., Ltd.	"	"	125	1,834	5.00	1,834	
	Koatech Technology Corp.	"	"	401	2,152	1.32	2,152	
	Mega Union Technology Incorporated.	"	"	4,154	319,804	6.82	319,804	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	114,675	15.00	114,675	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	30,708	4.02	30,708	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	12,933	4.96	12,933	
	Episonica Holding	"	"	2,708	5,767	7.43	5,767	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,547	29,780	3.46	29,780	
	Transound Electronics Co., Ltd.	"	"	1,200	-	3.05	-	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	-	4.34	-	
	NORATECH PHARMACEUTICALS, INC	"	"	317	-	-	-	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	63,203	6.91	63,203	
	DTCO (Samoa)	"	"	325	-	2.46	-	
	Tennrich International Corp.	"	"	144	-	3.19	-	
	KKDAY	"	"	5,946	15,282	-	15,282	
	Smart Games	"	"	164	-	1.59	-	
	PSS Co., Ltd.	"	"	494	81,083	-	81,083	
	Anywhere 2 Go	"	"	2	-	8.99	-	
	Yikon Genomics	"	"	1,340	39,275	3.04	39,275	
	Mimetas B.V.	"	"	8	9,458	2.81	9,458	
	Xiongchuang (Samoa)	"	"	21	7,244	4.45	7,244	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	14,875	9.51	14,875	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	-	1.10	-	
	Pacific 8 Venture	"	"	-	147,049	15.00	147,049	
	Monk's hill Venture Fund	"	"	-	67,803	3.00	67,803	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	7,160	1.34	7,160	
	One Degree	"	"	350,926	31,583	2.02	31,583	
	Validus Investment Holdings	"	"	183	50,281	1.74	50,281	
	VIZIONFOCUS INC.	"	"	1,700	584,800	3.24	584,800	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Finaxar Pte. Ltd.	N/A	Financial assets at fair value through profit or loss	87	\$ -	4.00	\$ -	
	aetherAI Co., Ltd.	"	"	5,824	22,188	9.67	22,188	
	Intudo Venture II,LP	"	"	-	76,242	3.76	76,242	
	King Point Enterprise Co., Ltd.	"	"	1,000	25,200	2.53	25,200	
	INNOPACK VIETNAM CO., LTD	"	"	1,350	-	9.00	-	
	Pharmosa Biopharma Inc.	"	"	2,778	222,240	2.15	222,240	
	Transcene Corp.	"	"	4,000	42,640	11.14	42,640	
	Cirocomm Technology Corporation	"	"	542	3,856	4.20	3,856	
	Ampak Technology Inc.	"	"	583	74,624	-	74,624	
	New Garden Co., Ltd.	"	"	6,225	9,338	8.50	9,338	
	TMY Technology Inc.	"	"	1,071	14,700	2.78	14,700	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	27,710	-	27,710	
	Taiwan Aerospace Corp.	"	"	1	19	-	19	
	Winking Entertainment Co., Ltd.	"	"	9,307	35,275	3.33	35,275	
	Palm Drive Capital III LP (Cayman)	"	"	-	35,202	2.00	35,202	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	13,357	2.85	13,357	
	VisEra Technologies Co., Ltd.	"	"	580	175,160	-	175,160	
	Formosa Pharmaceuticals, Inc.	"	"	1,248	31,846	-	31,846	
	Phoenix Pioneer Technology Co., Ltd.	"	"	2,867	41,686	-	41,686	
	Pickupp Limited	"	"	395	4,932	1.93	4,932	
	Jia Wei Lifestyle, Inc.	"	"	986	59,456	1.23	59,456	
	Annji Pharmaceutical Co., Ltd.	"	"	1,783	71,340	1.96	71,340	
	Morrison Opto-Electronics Ltd.	"	"	331	16,514	1.44	16,514	
	Evergreen Aviation Technologies Corporation	"	"	973	106,057	-	106,057	
	Intudo Venture III, LP	"	"	-	28,773	1.39	28,773	
	Morning Glow Holding	"	"	4,683	84,570	9.37	84,570	
	GRAID Technology Inc. (USA)	"	"	682	10,986	2.41	10,986	
	Infinite Finance Co., LTD	"	"	1,500	45,990	-	45,990	
	AmMax Bio, Inc.	"	"	1,575	55,256	4.22	55,256	
	Shenghe Energy Co., LTD	"	"	10,000	92,100	10.00	92,100	
	Cloud Mile, Inc.	"	"	689	25,047	2.33	25,047	
	Tung Mung Development Co., Ltd	"	"	7,000	45,360	1.68	45,360	
	Power Master International Investment Holdings Co., Ltd.	"	"	312	10,106	-	10,106	
	Certain Micro Application Technology Inc	"	"	1,200	35,292	6.48	35,292	
	Toyo Automation Co., Ltd.	"	"	152	10,483	-	10,483	
	Partipost Pte Ltd (Singapore)	"	"	629	15,834	1.53	15,834	
	GreenHarvest Co., Ltd.	"	"	1,111	10,432	8.40	10,432	
	H2 Inc. Taiwan Branch (Cayman Islands)	"	"	2,557	25,472	3.53	25,472	
	Taishan Buffalo No. 2 Biotechnology Venture Capital Limited Partnership	"	"	-	242,505	6.78	242,505	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Taishan Buffalo No. 3 Biotechnology Venture Capital Limited Partnership	N/A	Financial assets at fair value through profit or loss	-	\$ 73,074	6.09	\$ 73,074	
	QT Medical Inc.	"	"	1,053	28,516	5.45	28,516	
	CUUMED CATHETER MEDICAL CO., LTD.	"	"	1,200	21,840	3.06	21,840	
	Reed Semiconductor Corp.	"	"	250	30,050	-	30,050	
	Sunny Friend Environmental Technology Co., Ltd.	"	"	100	9,760	-	9,760	
	INTEGRATED SERVICE TECHNOLOGY INC.	"	"	478	59,033	-	59,033	
	Acepodia	"	"	3,370	69,961	-	69,961	
	DAWUSHAN FARM TECHNOLOGY CO., LTD	"	"	200	11,200	-	11,200	
	Remex Medical Corp.	"	"	1,154	19,454	6.58	19,454	
	UNITRAVEL SERVICES CO., LTD.	"	"	150	13,500	-	13,500	
	ITH Corporation	"	"	1,000	32,365	-	32,365	
	Yun yun AI Baby camera Co., Ltd.	"	"	2,500	30,000	1.55	30,000	
	Asia Skin Cosmetics Company	"	"	714	18,659	4.26	18,659	
	Ezconn	"	"	10	1,405	-	1,405	
	Eastern Union Interactive Corp.	"	"	300	45,000	1.37	45,000	
	Excelsius Medical Co., Ltd.	"	"	1,000	10,000	7.14	10,000	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u> JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	51,114	13.19	51,114	
	<u>Stocks</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	8,321	2,229,012	1.53	2,229,012	
Conning Inc.	<u>Preferred stock</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income (Note)	400	3,244	1.76	3,244	
Cathay Capital (Asia) Limited	<u>Overseas bonds</u> EBIUH 4.38 07/26/29	N/A	Financial assets at fair value through profit or loss	20	92	-	92	
	MASQUH 3.75 11/15/24	"	"	910	4,025	-	4,025	
	EBIUH 3.05 08/06/30 EMTN	"	"	150	4,225	-	4,225	
	EBIUH 3 03/31/31 CORP	"	"	40	1,113	-	1,113	
	MQGAU 4 03/01/27	"	"	25	772	-	772	
	KNFP 8.5 05/15/26	"	"	250	407	-	407	
	SOCGEN 8 1/2 PERP REGS	"	"	3,000	95,592	-	95,592	
	T 4 1/4 02/15/54	"	"	2,000	62,958	-	62,958	

Note: For the information of the relevant assets and liabilities of Conning Holdings Limited reclassified as the disposal groups held for sale on March 31,2024, please refer to Note 11.

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	\$ 370,000	\$ 370,000	\$ 130,000	2.1	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,651,786	\$ 1,651,786
		Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	22,000	22,000	20,164	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	30,000	30,000	8,000	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	70,000	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
		Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	2,000	-	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	70,000	70,000	37,500	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
		Cathy Sunrise Two Co., Ltd.	Other receivables from related parties	Yes	2,200	2,200	2,200	2.1	Short-term financing	-	Operating capital	-	-	-	1,651,786	1,651,786
2	Neo Cathay Power Corp.	Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	15,000	15,000	11,532	2.1	Short-term financing	-	Operating capital	-	-	-	640,983	640,983
		Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	12,000	12,000	3,100	2.1	Short-term financing	-	Operating capital	-	-	-	640,983	640,983
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables from related parties	Yes	25,600	25,600	-	2.1	Short-term financing	-	Operating capital	-	-	-	106,527	106,527
4	CM Energy Co., Ltd.	Cathay Power Inc.	Other receivables from related parties	Yes	230,000	230,000	37,500	2.1	Short-term financing	-	Operating capital	-	-	-	439,170	439,170

Note: The maximum amount for total loan of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth as stated in its latest reviewed financial statements. Limit on loans of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy are 40% of its net worth as stated in its latest reviewed financial statements.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	b	\$ 10,323,665	\$ 3,774,296	\$ 3,774,296	\$ 1,877,179	\$ -	91.40	\$ 10,323,665	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	10,323,665	215,412	215,412	150,812	-	5.22	10,323,665	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	10,323,665	53,000	53,000	51,000	-	1.28	10,323,665	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	10,323,665	380,000	380,000	250,000	-	9.20	10,323,665	(Note 2)	(Note 2)	N	(Note 3)
2	SUNRISE PV ONE CO., LTD.	Cathay Power Inc.	c	2,828,919	1,005,590	1,005,590	125,000	-	88.87	2,828,919	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,828,919	354,410	354,410	354,410	-	31.32	2,828,919	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,006,145	2,220,000	2,220,000	1,200,797	-	138.54	4,006,145	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,006,145	1,017,500	1,017,500	509,373	-	63.50	4,006,145	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,006,145	462,500	462,500	294,549	-	28.86	4,006,145	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,744,813	23,521	21,921	20,412	-	2.00	3,293,776	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,744,813	427,860	325,132	320,486	-	29.61	3,293,776	(Note 2)	(Note 2)	N	(Note 6)

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- The Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
- Due to a joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to their ownership.
- Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: It is not a case where the listed parent company endorses the subsidiary or the subsidiary endorses the listed parent company.

Note 3: The total amount of endorsement/guarantee provided by Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 4: The total amount of endorsement/guarantee provided by SUNRISE PV ONE shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 5: The total amount of endorsement/guarantee provided by Neo Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 6: The total amount of endorsement/guarantee provided by CM Energy shall be 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2024	Remittance of Funds for the period		Accumulated Outward Remittance for Investments from Taiwan as of March 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment (Loss) Gain (Note 2)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ (1,358,962)	50.0	\$ (679,481) (Note 2,b,2))	\$ 7,751,963	\$ -
Cathay Insurance Company Limited (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	16,252	49.0	7,962 (Note 2,b,3))	5,045,406	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	34,959	100.0	31,662 (Note 2,b,2))	8,337,092	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	72,333	100.0	72,333 (Note 2,b,2))	17,035,695	-
BSCOM Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(15,210)	33.3	(5,065) (Note 2,b,2))	230,462	-
Beijing BSCOM Cathay Capital Management Co., Ltd. (Note 4)	Assets management services	511,481	c	-	-	-	-	3,197	33.3	1,065 (Note 2,b,2))	166,998	-

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 34,824,675	\$ 591,400,895

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region).
- c. Others.

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

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
 - 1) The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - 2) The financial statements are reviewed and certified by the parent company's auditors in Taiwan.
 - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: BSCOM Cathay Asset Management Co., Ltd. invested in Beijing BSCOM Cathay Capital Management Co., Ltd. in the amount of CNY110 million in Mainland China.

Note 5: Information on investments in mainland China:

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of March 31, 2024, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of March 31, 2024, Cathay Life’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of March 31, 2024, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is 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, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of March 31, 2024, Cathay Century has remitted US\$97,292 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014, and was authorized by MOEAIC, on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. Cathay United Bank’s obtained approval from MOEAIC to increase the working capital of Shenzhen branch by CNY400,000 (US\$60,710) thousand on January 5, 2015 and was authorized by MOEAIC on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named BSCOM Cathay Asset Management, originally named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities CO., Ltd., originally named China Development Bank Securities LLC) Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in BSCOM Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, and was completed on September 29, 2017. As of March 31, 2024, Cathay Securities Investment Trust remittances to BSCOM Cathay Asset Management totaled approximately CNY119,880 thousand.
- h. Information on Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) is as follows:
 - 1) Location: Shanghai, China.
 - 2) Status of capital funds and related income: As of March 31, 2024, the investment assets of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amount to NT\$114,977,657 thousand and NT\$9,040,125 thousand, respectively, and net investment income (loss) is gain on NT\$177,097 thousand and loss on NT\$123,796 thousand, respectively.
 - 3) Provision methodology and balance of insurance policy reserves

As of March 31, 2024, the balances of reserves of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) are as follows:

	Cathay Lujiazui Life Insurance Co., Ltd.	Cathay Insurance Company Limited (China)
Provision for unpaid premiums	\$ 358,856	\$ 7,698,967
Claims preparation	591,057	4,250,936
Preparation of responsibilities	<u>80,744,793</u>	<u>59,682</u>
	<u>\$ 81,694,706</u>	<u>\$ 12,009,585</u>

(Continued)

Provision methodology of insurance policy reserves:

- a) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.
 - b) Loss reserve: The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance.
 - c) Policy reserve: The life table and interest rates stipulated in the mainland reserve law shall be provided in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- 4) Premium income and percentage of insurance benefits: As of for the year ended March 31, 2024, the premium income of Cathay Lujiazui Life Insurance Co., Ltd. was NT\$7,498,198 thousand accounted for 7.93% of Cathay Life, and the premium income of Cathay Insurance Company Limited (China) was NT\$7,369,289 thousand accounted for 7.8% and 82.88% of Cathay Life and Cathay Century, respectively.
 - 5) Insurance claims and payments and its ratio to the insurance industry: As of March 31, 2024, the insurance claims and payments of Cathay Lujiazui Life Insurance Co., Ltd. were NT\$1,104,026 accounting for 1.13% of Cathay Life, and the insurance claims and payments of Cathay Insurance Company Limited (China) were NT\$4,508,682 accounting for 4.62% and 122.35% of Cathay Life and Cathay Century, respectively.

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.27
		Cathay Life	a	Receivables	384,089	Not significantly different with that of third parties	-
		Cathay Life	a	Payable	20,458,394	Not significantly different with that of third parties	0.16
		Cathay Life	a	Interest revenue	313,279	Not significantly different with that of third parties	0.27
		Cathay United Bank	a	Receivables	6,379,049	Not significantly different with that of third parties	0.05
		Cathay Century	a	Receivables	300,816	Not significantly different with that of third parties	-
		Cathay Securities	a	Receivables	493,139	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	584,284	Not significantly different with that of third parties	-
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	198,687	Not significantly different with that of third parties	-
		Cathay United Bank	c	Cash and cash equivalents	43,994,264	Not significantly different with that of third parties	0.34
		Cathay United Bank	c	Other general and administrative expenses	2,092,139	Not significantly different with that of third parties	1.79
		Cathay United Bank	c	Gain (loss) on investment property	172,984	Not significantly different with that of third parties	0.15
		Cathay United Bank	c	Payable	835,926	Not significantly different with that of third parties	0.01
		Cathay United Bank	c	Service fee and commission fee	261,213	Not significantly different with that of third parties	0.22
		Cathay United Bank	c	Gains and losses on financial assets and liabilities measured at fair value through profit or loss	1,298,915	Not significantly different with that of third parties	1.11
		Cathay Century	c	Net other non-interest gain	212,820	Not significantly different with that of third parties	0.18
		Cathay Century	c	Other general and administrative expenses	113,431	Not significantly different with that of third parties	0.10
		Cathay Futures	c	Guarantee deposits paid	1,940,675	Not significantly different with that of third parties	0.01
		Cathay Walbrook Holding 1 Limited	c	Loans	12,697,308	Not significantly different with that of third parties	0.10
		Cathay Walbrook Holding 1 Limited	c	Interest revenue	256,933	Not significantly different with that of third parties	0.22
		Cathay Walbrook Holding 2 Limited	c	Loans	676,140	Not significantly different with that of third parties	0.01
		Conning Holdings Limited	c	Payable	319,123	Not significantly different with that of third parties	-
		Conning Holdings Limited	c	Service fee and commission fee	314,335	Not significantly different with that of third parties	0.27
		2	Cathay United Bank	Cathay Century	c	Deposits	1,936,875
Cathay Century	c			Gains and losses on financial assets and liabilities measured at fair value through profit or loss	136,338	Not significantly different with that of third parties	0.12
Cathay Securities	c			Deposits	4,470,540	Not significantly different with that of third parties	0.03
Cathay Venture	c			Deposits	665,793	Not significantly different with that of third parties	0.01
Cathay Securities Investment Trust	c			Deposits	305,683	Not significantly different with that of third parties	-
Cathay Private Equity	c			Deposits	112,429	Not significantly different with that of third parties	-
Cathay Futures	c			Deposits	888,915	Not significantly different with that of third parties	0.01
Cathay Futures	c			Guarantee deposits paid	1,178,637	Not significantly different with that of third parties	0.01
Lin Yuan	c			Deposits	1,956,429	Not significantly different with that of third parties	0.01

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
		Cathay Industrial R&D Center	c	Deposits	\$ 1,289,376	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Interbank lending	4,862,480	Not significantly different with that of third parties	0.04
		CUBC Bank	c	Interbank deposits	704,737	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Receivables	140,294	Not significantly different with that of third parties	-
		CUBCN Bank	c	Other financial assets	3,085,115	Not significantly different with that of third parties	0.02
		CUBCN Bank	c	Receivables	218,802	Not significantly different with that of third parties	-
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	302,715	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	2,720,695	Not significantly different with that of third parties	0.02
		Cathay Life (Vietnam)	c	Payable	171,438	Not significantly different with that of third parties	-
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	430,632	Not significantly different with that of third parties	-
		Cathay Futures	c	Cash and cash equivalents	333,563	Not significantly different with that of third parties	-
5	Cathay Securities (Hong Kong)	Cathay Capital (Asia)	c	Payable	319,593	Not significantly different with that of third parties	-
6	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	c	Receivables	220,983	Not significantly different with that of third parties	-

Note 1: Parent company is numbered 0, subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

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

For balance sheet accounts: Transaction amount ÷ Total consolidated assets.

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

TABLE 7**CATHAY FINANCIAL HOLDING CO., LTD.****INFORMATION ON MAJOR SHAREHOLDERS
MARCH 31, 2024**

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.	2,249,443,425	13.88

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.