

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of June 30, 2021, December 31, 2020 and June 30, 2020, the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021, December 31, 2020 and June 30, 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, and its consolidated cash flows for the six months ended June 30, 2021 and 2020, 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.

### **Basis for Opinion**

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the six months ended June 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the six months ended June 30, 2021 are as follows:

### Valuation of Policy Reserve and Liability Adequacy Test

Cathay Life Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its management adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve and liability adequacy test. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. The liability adequacy test on insurance contracts is performed in accordance with the requirements issued by the Actuarial Institute of Chinese Taipei, and the discount rates for future years used in the test are based on its best estimate scenario as well as the rate of the portfolio return under current information. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve and the liability adequacy test, the valuation of policy reserves and liability adequacy test was identified as a key audit matter. For the related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 21 to the accompanying consolidated financial statements.

The main audit procedures we performed in response to the key audit matter described above are as follows:

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.
2. We obtained the actuarial report issued by the contracted actuary which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:
  - a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.
  - b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.
  - c. Performed profiling tests on long-term insurance policies as of June 30, 2021 to identify any abnormalities on the recognized amounts of policy reserve on each individual insurance policy.

- d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the six months ended June 30, 2021.
4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:
    - a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the six months ended June 30, 2021.
    - b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.
    - c. Tested and assessed the actuarial model and its significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.
    - d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the six months ended June 30, 2021.

#### Assessment of the Fair values of Investment Properties

The investment properties of Cathay Life Insurance Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, Cathay Life Insurance Co., Ltd. used the fair values assessed by external independent appraisers. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 14 to the accompanying consolidated financial statements.

The main audit procedures we performed in response to the key audit matter described above are as follows:

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.
2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by its management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

#### Impairment Assessment on Loans

Cathay United Bank Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its domestic loans was considered material to the consolidated financial statements as a whole. As the assessment of impairment of loans involves accounting estimates and management's significant judgment, and as the impairment assessment on loans under the relevant regulations issued by the authorities is substantially larger than that under IFRS 9, hence, we determined the impairment of the loans under the relevant regulations prescribed by the authorities as a key audit matter.

Its management regularly assesses the impairment on its loans. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and provision of impairment loss. For the accounting policies and relevant information on the impairment assessment of loans, refer to Notes 4, 5 and 11.

The main audit procedures we performed in response to the key audit matter described above are as follows:

1. We understood and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories to see if it complies with the relevant regulations issued by the authorities.
3. We performed the test on selected samples to ensure the appropriateness of impairment by the length of the overdue period and the value of the collateral of each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective category to see if it complies with the relevant regulations issued by the authorities.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 19, 2021

Notice to Readers

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

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

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 544,477,045	5	\$ 536,716,255	5	\$ 449,880,117	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	197,432,609	2	129,503,924	1	137,765,455	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,815,942,101	16	1,748,081,143	16	1,696,475,809	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,588,241,683	14	1,562,998,457	14	1,310,379,571	13
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,174,595,890	28	3,161,044,538	29	3,104,500,105	30
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	129,913	-	146,959	-	669,856	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	71,938,703	1	67,264,342	1	66,317,955	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	190,169,621	2	191,916,164	2	170,470,715	2
CURRENT TAX ASSETS	4,318,128	-	4,689,275	-	4,672,977	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,263,477,801	20	2,141,276,205	19	2,105,202,259	20
REINSURANCE CONTRACT ASSETS, NET	12,034,071	-	9,646,628	-	9,025,154	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	33,204,066	-	33,036,282	-	32,161,134	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	712,764,024	6	660,547,975	6	580,569,220	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	429,841,499	4	419,476,228	4	410,703,272	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	99,362,398	1	98,405,132	1	101,042,437	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,168,739	-	4,138,543	-	3,960,071	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	52,646,092	-	54,002,407	-	56,008,318	1
DEFERRED TAX ASSETS (Note 4)	67,992,966	1	61,507,384	1	50,353,464	-
OTHER ASSETS, NET (Notes 28 and 29)	<u>55,706,122</u>	<u>-</u>	<u>66,074,603</u>	<u>1</u>	<u>56,711,097</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 11,318,443,471</u></b>	<b><u>100</u></b>	<b><u>\$ 10,950,472,444</u></b>	<b><u>100</u></b>	<b><u>\$ 10,346,868,986</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 87,645,603	1	\$ 66,131,059	1	\$ 73,500,085	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-	410,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	95,581,687	1	140,778,098	1	124,769,294	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	36,014	-	139,858	-	65,647	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	21,854,793	-	12,299,564	-	21,075,281	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	44,829,587	-	39,519,918	1	43,139,714	1
PAYABLES (Note 28)	157,844,631	1	68,696,694	1	97,279,092	1
CURRENT TAX LIABILITIES (Note 4)	15,557,668	-	20,628,900	-	15,828,571	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,725,931,758	24	2,615,799,063	24	2,404,243,391	23
BONDS PAYABLE (Note 20)	141,800,000	1	148,800,000	1	127,700,000	1
OTHER BORROWINGS	1,962,265	-	1,657,576	-	566,726	-
PROVISIONS (Notes 4, 21 and 22)	6,279,543,571	56	6,117,073,219	56	5,924,697,854	57
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	739,667,099	7	692,760,284	6	629,262,965	6
LEASE LIABILITIES (Notes 4, 16 and 28)	14,486,802	-	13,011,637	-	12,791,433	-
DEFERRED TAX LIABILITIES (Note 4)	60,297,442	1	67,823,378	1	52,819,639	1
OTHER LIABILITIES (Note 28)	<u>32,911,999</u>	<u>-</u>	<u>39,501,515</u>	<u>-</u>	<u>31,480,680</u>	<u>-</u>
Total liabilities	<u>10,421,026,919</u>	<u>92</u>	<u>10,045,696,763</u>	<u>92</u>	<u>9,559,630,372</u>	<u>92</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)</b>						
Share capital						
Ordinary shares	131,692,102	1	131,692,102	1	131,692,102	2
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	177,251,872	2	177,256,053	2	177,254,459	2
Retained earnings						
Legal reserve	59,471,895	1	51,967,688	-	51,967,688	1
Special reserve	150,716,023	1	149,894,910	1	149,894,910	1
Unappropriated earnings	217,691,715	2	169,606,342	2	126,826,108	1
Other equity	<u>133,980,387</u>	<u>1</u>	<u>197,311,121</u>	<u>2</u>	<u>122,832,628</u>	<u>1</u>
Total equity attributable to owners of the Company	886,136,994	8	893,061,216	8	775,800,895	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>11,279,558</u>	<u>-</u>	<u>11,714,465</u>	<u>-</u>	<u>11,437,719</u>	<u>-</u>
Total equity	<u>897,416,552</u>	<u>8</u>	<u>904,775,681</u>	<u>8</u>	<u>787,238,614</u>	<u>8</u>
<b>TOTAL</b>	<b><u>\$ 11,318,443,471</u></b>	<b><u>100</u></b>	<b><u>\$ 10,950,472,444</u></b>	<b><u>100</u></b>	<b><u>\$ 10,346,868,986</u></b>	<b><u>100</u></b>

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 June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 28)	\$ 51,487,619	33	\$ 52,175,597	33	\$ 102,858,694	30	\$ 105,959,714	33
INTEREST EXPENSE (Notes 4 and 28)	<u>(3,226,839)</u>	<u>(2)</u>	<u>(4,550,351)</u>	<u>(3)</u>	<u>(6,545,784)</u>	<u>(2)</u>	<u>(10,054,311)</u>	<u>(3)</u>
NET INTEREST INCOME	<u>48,260,780</u>	<u>31</u>	<u>47,625,246</u>	<u>30</u>	<u>96,312,910</u>	<u>28</u>	<u>95,905,403</u>	<u>30</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME								
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	2,744,326	2	490,519	-	5,476,198	1	2,799,013	1
Net income on insurance operations (Notes 4, 25 and 28)	55,144,132	35	89,890,987	56	120,374,921	35	169,022,435	53
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	97,331,306	62	141,016,239	89	101,475,319	29	33,180,943	10
Gain on investment properties (Notes 4, 14 and 28)	3,743,854	2	4,570,531	3	6,504,040	2	7,584,001	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	12,096,487	8	8,906,227	6	20,816,003	6	18,628,050	6
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	6,161,112	4	9,573,975	6	26,561,821	8	23,387,112	7
Foreign exchange loss (Note 4)	(59,615,902)	(38)	(45,597,335)	(29)	(58,236,121)	(17)	(40,126,942)	(12)
Reversal of impairment loss (impairment loss) on assets	1,154,606	1	(1,049,387)	(1)	2,059,317	1	(1,975,191)	(1)
Share of profit (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	453,576	-	(12,621,800)	(8)	1,020,630	-	(13,010,397)	(4)
(Loss) gain on reclassification using the overlay approach (Notes 4 and 7)	(16,543,207)	(10)	(91,266,564)	(57)	16,585,584	5	11,449,821	4
Net other non-interest gain (Note 28)	<u>5,237,518</u>	<u>3</u>	<u>7,520,229</u>	<u>5</u>	<u>6,825,819</u>	<u>2</u>	<u>14,306,371</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>156,168,588</u>	<u>100</u>	<u>159,058,867</u>	<u>100</u>	<u>345,776,441</u>	<u>100</u>	<u>321,150,619</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(94,621,356)</u>	<u>(61)</u>	<u>(125,654,628)</u>	<u>(79)</u>	<u>(198,469,429)</u>	<u>(57)</u>	<u>(241,909,202)</u>	<u>(75)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(858,759)</u>	<u>-</u>	<u>(586,559)</u>	<u>-</u>	<u>(2,180,526)</u>	<u>(1)</u>	<u>(920,134)</u>	<u>-</u>
OPERATING EXPENSES (Notes 25 and 28)								
Employee benefit expenses	(13,067,806)	(8)	(14,327,460)	(9)	(26,725,557)	(8)	(26,462,190)	(8)
Depreciation and amortization expenses	(1,797,343)	(1)	(1,792,999)	(1)	(3,575,760)	(1)	(3,548,305)	(1)
Other general and administrative expenses	<u>(5,498,500)</u>	<u>(4)</u>	<u>(5,183,095)</u>	<u>(4)</u>	<u>(10,636,815)</u>	<u>(3)</u>	<u>(10,487,050)</u>	<u>(4)</u>
Total operating expenses	<u>(20,363,649)</u>	<u>(13)</u>	<u>(21,303,554)</u>	<u>(14)</u>	<u>(40,938,132)</u>	<u>(12)</u>	<u>(40,497,545)</u>	<u>(13)</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 June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 40,324,824	26	\$ 11,514,126	7	\$ 104,188,354	30	\$ 37,823,738	12
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(6,375,411)</u>	<u>(4)</u>	<u>(2,325,728)</u>	<u>(1)</u>	<u>(12,672,341)</u>	<u>(3)</u>	<u>(5,122,026)</u>	<u>(2)</u>
NET INCOME	<u>33,949,413</u>	<u>22</u>	<u>9,188,398</u>	<u>6</u>	<u>91,516,013</u>	<u>27</u>	<u>32,701,712</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 24)								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	-	-	-	-	(655)	-	1,126	-
(Loss) gain on equity instruments at fair value through other comprehensive income	(1,033,891)	(1)	8,784,766	5	8,620,183	3	(2,815,054)	(1)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(180,924)	-	(587,117)	-	275,768	-	1,117,321	1
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity the method for items that will not be reclassified subsequently to profit or loss	(222,887)	-	72,972	-	8,217	-	164,632	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	683,699	-	(295,805)	-	153,787	-	540,833	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	(1,951,130)	(1)	(1,641,550)	(1)	(1,860,467)	(1)	(3,463,900)	(1)
Gain (loss) on hedging instruments	54,795	-	(416,939)	-	(91,595)	-	151,837	-
Gain (loss) on debt instruments at fair value through other comprehensive income	29,232,402	19	57,625,675	36	(62,710,582)	(18)	17,487,731	6
Share of other comprehensive loss of associates and joint ventures accounted for using equity method for items that may be reclassified subsequently to profit or loss	(366,626)	-	(90,683)	-	(536,411)	-	(324,651)	-

(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 June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) on reclassification using the overlay approach	\$ 16,543,207	10	\$ 91,266,564	57	\$ (16,585,584)	(5)	\$ (11,449,821)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>(7,975,408)</u>	<u>(5)</u>	<u>(17,626,500)</u>	<u>(11)</u>	<u>10,871,104</u>	<u>3</u>	<u>345,324</u>	<u>-</u>
Total other comprehensive income (loss) for the period, net of income tax	<u>34,783,237</u>	<u>22</u>	<u>137,091,383</u>	<u>86</u>	<u>(61,856,235)</u>	<u>(18)</u>	<u>1,755,378</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 68,732,650</u>	<u>44</u>	<u>\$ 146,279,781</u>	<u>92</u>	<u>\$ 29,659,778</u>	<u>9</u>	<u>\$ 34,457,090</u>	<u>11</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 33,684,448	22	\$ 8,832,074	6	\$ 91,050,474	26	\$ 32,121,758	10
Non-controlling interests	<u>264,965</u>	<u>-</u>	<u>356,324</u>	<u>-</u>	<u>465,539</u>	<u>-</u>	<u>579,954</u>	<u>-</u>
	<u>\$ 33,949,413</u>	<u>22</u>	<u>\$ 9,188,398</u>	<u>6</u>	<u>\$ 91,516,013</u>	<u>26</u>	<u>\$ 32,701,712</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 68,524,219	44	\$ 146,085,053	92	\$ 29,228,505	9	\$ 33,785,391	11
Non-controlling interests	<u>208,431</u>	<u>-</u>	<u>194,728</u>	<u>-</u>	<u>431,273</u>	<u>-</u>	<u>671,699</u>	<u>-</u>
	<u>\$ 68,732,650</u>	<u>44</u>	<u>\$ 146,279,781</u>	<u>92</u>	<u>\$ 29,659,778</u>	<u>9</u>	<u>\$ 34,457,090</u>	<u>11</u>
EARNINGS PER SHARE (Note 27)								
Basic earnings per share	<u>\$ 2.30</u>		<u>\$ 0.41</u>		<u>\$ 6.66</u>		<u>\$ 2.18</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										Other Equity						
	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	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	Other	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings											
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365	\$ 10,279,814	\$ 782,027,179
Appropriation of 2019 earnings	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(2,517)	-	-	-	-	-	-	-	-	-	-	-	(2,517)	-	(2,517)
Net income for the six months ended June 30, 2020	-	-	-	-	-	32,121,758	-	-	-	-	-	-	-	-	32,121,758	579,954	32,701,712
Other comprehensive (loss) income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	(3,424,679)	12,989,274	125,640	893,857	(9,361)	-	(8,911,098)	-	1,663,633	91,745	1,755,378
Total comprehensive income (loss) for six months ended June 30, 2020	-	-	-	-	-	32,121,758	(3,424,679)	12,989,274	125,640	893,857	(9,361)	-	(8,911,098)	-	33,785,391	671,699	34,457,090
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(129,340)	-	129,340	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486,206	486,206
BALANCE AT JUNE 30, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,254,459	\$ 51,967,688	\$ 149,894,910	\$ 126,826,108	\$ (16,744,299)	\$ 81,438,567	\$ 457,570	\$ (956,651)	\$ (1,517,225)	\$ 11,097,089	\$ 49,057,577	\$ -	\$ 775,800,895	\$ 11,437,719	\$ 787,238,614
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216	\$ 11,714,465	\$ 904,775,681
Appropriation of 2020 earnings	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(4,181)	-	-	-	-	-	-	-	-	-	-	-	(4,181)	-	(4,181)
Actual acquisition of interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	731,017	176,506	(176,506)	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,103)	(11,103)	-	(11,103)
Net income for the six months ended June 30, 2021	-	-	-	-	-	91,050,474	-	-	-	-	-	-	-	-	91,050,474	465,539	91,516,013
Other comprehensive (loss) income for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	(1,947,523)	(42,996,598)	(71,317)	220,615	(9,503)	-	(17,017,643)	-	(61,821,969)	(34,266)	(61,856,235)
Total comprehensive income (loss) for six months ended June 30, 2021	-	-	-	-	-	91,050,474	(1,947,523)	(42,996,598)	(71,317)	220,615	(9,503)	-	(17,017,643)	-	29,228,505	431,273	29,659,778
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,163,754	-	(2,163,754)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(689,674)	(689,674)
BALANCE AT JUNE 30, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,251,872	\$ 59,471,895	\$ 150,716,023	\$ 217,691,715	\$ (17,411,532)	\$ 61,047,488	\$ 276,554	\$ (1,258,090)	\$ (1,975,782)	\$ 11,032,164	\$ 85,493,974	\$ (3,224,389)	\$ 886,136,994	\$ 11,279,558	\$ 897,416,552

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 Six Months Ended June 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 104,188,354	\$ 37,823,738
Adjustments for:		
Depreciation expense	1,977,064	1,962,833
Amortization expense	1,598,696	1,585,472
Bad debt expense	2,180,526	920,134
Gain on financial assets and liabilities at fair value through profit or loss	(98,261,402)	(28,333,182)
Interest expense	6,545,784	10,054,311
Net gain on derecognition of financial assets at amortized cost	(26,561,821)	(23,387,112)
Interest income	(102,858,694)	(105,959,714)
Dividend income	(5,783,800)	(5,256,971)
Net change in insurance liabilities	168,395,512	222,474,993
Net changes in other provisions	(5,604,605)	(11,400,105)
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,020,630)	13,010,397
Gain on reclassification using the overlay approach	(16,585,584)	(11,449,821)
Loss on disposal and retirement of property and equipment	4,216	1,436
(Gain) loss on disposal of investment properties	(23,700)	505,615
Gain on disposal of investments accounted for using the equity method	(16,691)	(1,815,267)
Gain on disposal of investments	(19,521,231)	(18,058,121)
(Reversal of expected credit loss) expected credit loss on financial assets	(2,059,317)	1,975,191
Gain on changes in fair value of investment properties	(1,064,457)	(2,362,756)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(7,534,536)	(2,349,811)
Decrease in financial assets at fair value through profit or loss	41,311,464	72,219,307
Increase in financial assets at fair value through other comprehensive income	(59,125,493)	(94,432,658)
Decrease (increase) in debt instruments at amortized cost	14,613,542	(14,048,637)
Decrease in financial assets for hedging	257,309	65,717
Decrease in receivables	3,829,920	15,440,516
Increase in loans	(124,411,988)	(39,229,175)
Increase in reinsurance assets	(2,579,251)	(481,834)
Decrease (increase) in other financial assets	994,918	(1,758,921)
Decrease in other assets	6,798,387	3,217,913
Increase (decrease) deposits from the Central Bank and banks	21,514,544	(10,608,043)
Decrease in financial liabilities at fair value through profit or loss	(55,368,162)	(62,113,587)
Decrease in financial liabilities for hedging	(435,702)	-
Increase (decrease) in notes and bonds sold under repurchase agreements	9,555,229	(29,203,252)
Increase in payables	54,241,969	3,079,759

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2021	2020
Increase in deposits and remittances	\$ 110,132,695	\$ 100,799,575
Decrease in provisions for employee benefits	(7,529)	(54,985)
Decrease in provisions	(121,218)	(180,413)
Decrease in other financial liabilities	(6,304,468)	(11,402,128)
Decrease in other liabilities	<u>(5,043,630)</u>	<u>(2,060,108)</u>
Cash generated from operations	7,846,220	9,190,306
Interest received	101,731,427	105,837,133
Dividends received	5,753,358	5,758,030
Interest paid	(8,459,553)	(12,360,075)
Income tax paid	<u>(20,926,260)</u>	<u>(4,130,668)</u>
Net cash generated from operating activities	<u>85,945,192</u>	<u>104,294,726</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(21,602,910)	(16,496,503)
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,306,624	15,497,239
Acquisition of financial assets at fair value through profit or loss	(557,856)	(405,843)
Proceeds from disposal of financial assets at fair value through profit or loss	307,515	294,894
Proceeds from capital reduction of financial assets at fair value through profit or loss	14,800	-
Acquisition of investments accounted for using equity method	(234,500)	(372,185)
Proceeds from disposal of investments accounted for using equity method	17,550	-
Net cash outflow from acquisition of subsidiaries (deducted cash and cash equivalent balances acquired)	-	(664,119)
Proceeds from capital reduction of investments accounted for using equity method	377,287	-
Acquisition of property and equipment	(1,305,779)	(1,059,771)
Proceeds from disposal of property and equipment	851	2,375
Acquisition of intangible assets	(271,614)	(393,358)
Acquisition of investment properties	(9,347,699)	(2,572,208)
Proceeds from disposal of investment properties	117,100	149,708
Decrease (increase) in other assets	2,296,580	(2,787,508)
Dividends received	<u>19,253</u>	<u>-</u>
Net cash used in investing activities	<u>(8,862,798)</u>	<u>(8,807,279)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in funds borrowed from the Central Bank and banks	\$ -	\$ 410,000
Increase (decrease) in commercial paper payable	5,310,000	(10,880,000)
Proceeds from issuance of bonds payable	-	8,900,000
Repayment of financial debentures	(7,000,000)	(100,000)
Increase (decrease) in borrowings	348,491	(1,648,933)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,289,165)
Repayment of the principal portion of lease liabilities	(851,498)	(874,426)
(Decrease) increase in other liabilities	(831,224)	2,596,009
Acquisition of interests in subsidiaries	(605,519)	-
Changes in non-controlling interests	<u>(379,447)</u>	<u>(816,784)</u>
Net cash used in financing activities	<u>(4,009,197)</u>	<u>(13,703,299)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(198,349)</u>	<u>1,878,784</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,874,848	83,662,932
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>657,824,480</u>	<u>503,214,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 730,699,328</u>	<u>\$ 586,877,080</u>
Reconciliation of cash and cash equivalents:		
	June 30	
	2021	2020
Cash and cash equivalents presented in the consolidated balance sheets	\$ 544,477,045	\$ 449,880,117
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	114,283,580	70,679,008
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>71,938,703</u>	<u>66,317,955</u>
Cash and cash equivalents at the end of the periods	<u>\$ 730,699,328</u>	<u>\$ 586,877,080</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 SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 August 19, 2021.

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

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

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

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

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

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

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

Note 1: The amendments to IFRS 9 are applicable prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applicable retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

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

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

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

### Recognition

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

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

### Measurement on initial recognition

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

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

### Subsequent measurement

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

### Onerous contracts

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

### Premium Allocation Approach (PAA)

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

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

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

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

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

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

### Investment contracts with discretionary participation features

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

### Modification and derecognition

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

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

### Transition

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **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 12 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 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.

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

### **Property and Equipment**

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

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

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

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

### **Investment Properties**

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

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

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

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

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

## **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 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.

### **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.

#### **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 36.

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 mention (“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.

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

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are 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 recognized in profit or loss.

Financial liabilities may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency 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 does not incorporate any interest or dividends paid on the 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 36.

#### 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. 10704504821. Provision of reserve for the other insurance liabilities is as follows:

#### 1) Unearned premium reserve

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

#### 2) Loss reserve

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

#### 3) Policy reserve

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

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

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

When an insurance enterprise elects to measure investment property at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. 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 dividend. On the date of declaration, dividend 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 China Insurance Regulatory Commission.

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 and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

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

Unearned premium reserve for the policy-related 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-related 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 recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

### 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 recognised 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; if 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 and its subsidiaries

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:

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

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

## **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 on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and amortized on a straight-line basis over the lease terms.

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

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

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

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

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its 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 tax payer. 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, 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.

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 the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

a. Estimated impairment of 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 36 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 or based on own judgment, 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 14 and 36.

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.

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

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Cash on hand	\$ 19,019,351	\$ 18,412,103	\$ 18,967,070
Cash in banks	219,365,477	166,785,873	204,124,294
Time deposits	233,170,487	252,042,783	175,245,528
Checks for clearing	2,511,720	2,628,849	2,954,129
Cash equivalents	29,055,209	46,599,213	12,751,809
Due from banks	41,363,579	50,269,827	35,846,513
Less: Loss allowance	<u>(8,778)</u>	<u>(22,393)</u>	<u>(9,226)</u>
	<u>\$ 544,477,045</u>	<u>\$ 536,716,255</u>	<u>\$ 449,880,117</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 575,870,688	\$ 538,241,070	\$ 499,784,742
Funds and beneficiary certificates	665,149,171	681,814,769	641,892,404
Government bonds	24,193,994	35,857,067	34,787,829
Corporate bonds	14,039,629	8,251,384	8,572,372
Financial debentures	36,964,991	20,556,752	19,429,159
Overseas bonds	231,036,606	148,917,957	212,083,243
Short-term notes	181,714,671	195,725,296	165,587,799
Futures trading margin	136,793	1,329,790	610,406
Structured time deposits	10,037,843	18,027,331	19,106,748
Derivative instruments	<u>76,797,715</u>	<u>99,359,727</u>	<u>94,621,107</u>
	<u>\$ 1,815,942,101</u>	<u>\$ 1,748,081,143</u>	<u>\$ 1,696,475,809</u>

### Financial liabilities at FVTPL

Designated as at FVTPL			
Bonds	\$ 42,602,622	\$ 44,204,582	\$ 46,232,246
Held for trading			
Derivative instruments	52,715,912	81,426,781	74,214,813
Security lending payable (non-hedging)	-	14,909,925	4,181,643
Security lending payable (hedging)	<u>263,153</u>	<u>236,810</u>	<u>140,592</u>
	<u>\$ 95,581,687</u>	<u>\$ 140,778,098</u>	<u>\$ 124,769,294</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:

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 566,779,468	\$ 523,742,759	\$ 489,778,973
Funds and beneficiary certificates	627,499,959	635,702,636	604,083,633
Financial debentures	12,080,159	10,675,230	13,194,549
Overseas bonds	228,668,922	147,576,634	211,339,064
Structured time deposits	<u>10,037,843</u>	<u>18,027,331</u>	<u>19,106,748</u>
	<u>\$ 1,445,066,351</u>	<u>\$ 1,335,724,590</u>	<u>\$ 1,337,502,967</u>

Reclassifications from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months and six months ended June 30, 2021 and 2020 are as below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Gain due to application of IFRS 9 to profit or loss	\$ 56,257,591	\$ 120,000,580	\$ 76,992,185	\$ 40,952,875
Gain if applying IAS 39 to profit or loss	(39,714,384)	(28,734,016)	(93,577,769)	(52,402,696)
Loss (gain) reclassified due to application of overlay approach	\$ 16,543,207	\$ 91,266,564	\$ (16,585,584)	\$ (11,449,821)

Due to application of overlay approach, the amounts of gain on financial assets and liabilities at FVTPL for the three months and six months ended June 30, 2021 and 2020 had decreased from \$97,331,306 thousand to \$80,788,099 thousand, decreased from \$141,016,239 thousand to \$49,749,675 thousand, increased from \$101,475,319 thousand to \$118,060,903 thousand and increased from \$33,180,943 thousand to \$44,630,764 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 December 2014, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty years), which were subsequently issued on March 30, 2015. 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 4.20%. The bonds were redeemed on March 30, 2020.

In March 2017, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty years), which were subsequently issued on April 11, 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 4.30%. The bonds were all redeemed on April 13, 2020.

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 six months ended June 30, 2021 and 2020, such interest rate swaps were valued with a net loss of \$722,903 thousand and net gain of \$3,811,110 thousand, respectively.

As of June 30, 2021 and 2020, no 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

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in equity instrument at FVTOCI			
Stocks	\$ 167,659,946	\$ 123,365,677	\$ 96,924,646
Investments in debt instrument at FVTOCI			
Government bonds	91,554,239	121,984,303	104,350,392
Corporate bonds	118,835,023	104,379,875	72,159,318
Financial debentures	80,343,131	82,202,742	75,155,983
Overseas bonds	1,099,592,116	1,078,517,070	847,654,598
Asset-backed securities	6,955,613	14,299,523	26,832,487
Negotiable certificates of deposits	24,439,536	39,411,018	88,448,217
Less: Litigation deposits	(46,097)	(46,761)	(46,278)
Less: Deposits to the Central Bank	<u>(1,091,824)</u>	<u>(1,114,990)</u>	<u>(1,099,792)</u>
	<u>1,420,581,737</u>	<u>1,439,632,780</u>	<u>1,213,454,925</u>
	<u>\$ 1,588,241,683</u>	<u>\$ 1,562,998,457</u>	<u>\$ 1,310,379,571</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 and six months ended June 30, 2021 and 2020 were \$1,178,422 thousand, \$523,534 thousand, \$1,294,722 thousand and \$583,975 thousand, respectively. Those related to investment derecognized for the three months and six months ended June 30, 2021 and 2020 were \$229,185 thousand, \$18,852 thousand, \$233,673 thousand and \$18,856 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$23,919,233 thousand and \$19,709,759 thousand at the time of sale, and transferred unrealized gain of \$2,163,754 thousand and loss of \$129,340 thousand from other equity to retained earnings for the six months ended June 30, 2021 and 2020, respectively.
- d. As of June 30, 2021, December 31, 2020 and June 30, 2020, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$14,116,019 thousand, \$9,074,539 thousand and \$18,225,352 thousand, respectively. The proceeds amounting to \$13,828,014 thousand, \$9,175,931 thousand and \$17,471,502 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$13,847,280 thousand, \$9,189,593 thousand and \$17,487,356 thousand before the end of December 2021, June 2021 and December 2020, respectively.
- e. As of June 30, 2021, December 31, 2020 and June 30, 2020, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$2,500,000 thousand, \$2,200,000 thousand and \$2,950,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

## 9. DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2021	December 31, 2020	June 30, 2020
Time deposits	\$ 4,015,575	\$ 2,553,632	\$ 2,625,616
Financial debentures	53,466,929	52,527,979	65,689,044
Corporate bonds	43,372,736	43,041,834	40,785,517
Government bonds	69,756,217	50,605,910	46,284,014
Overseas bonds	2,530,346,191	2,555,705,009	2,581,908,464
Financial asset beneficiary certificates	445,000	445,000	802,808
Asset-backed securities	53,028,870	32,298,469	40,090,219
Short-term notes	431,115,000	436,402,937	339,053,167
Less: Guarantee deposits	(1,441,678)	(1,353,429)	(1,343,077)
Less: Deposits in the Central Bank	(8,540,436)	(8,546,113)	(8,551,866)
Less: Loss allowance (Note)	(968,514)	(2,636,690)	(2,843,801)
	<u>\$ 3,174,595,890</u>	<u>\$ 3,161,044,538</u>	<u>\$ 3,104,500,105</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of June 30, 2021, December 31, 2020 and June 30, 2020, the amounts were \$327 thousand, \$1,258 thousand and \$1,563 thousand, respectively.

- a. For the three months and six months ended June 30, 2021 and 2020, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in gains (losses) on disposal of \$590,703 thousand, \$(1,477,432) thousand, \$3,201,885 thousand and \$(1,288,488) thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$5,203,298 thousand, \$10,753,570 thousand, \$22,282,768 thousand and \$24,437,470 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gain on disposal of \$688,250 thousand, \$297,837 thousand, \$1,398,307 thousand and \$238,130 thousand, respectively.
- b. As of June 30, 2021, December 31, 2020 and June 30, 2020, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$6,349,991 thousand, \$1,095,769 thousand and \$1,101,647 thousand, respectively. The proceeds amounting to \$5,510,603 thousand, \$916,127 thousand and \$1,050,789 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$5,512,457 thousand, \$915,796 thousand and \$1,051,004 thousand before the end of November 2021, January 2021 and July 2020, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

## 10. RECEIVABLES, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ 463,480	\$ 448,479	\$ 504,515
Accounts receivable	80,029,488	107,627,139	82,501,015
Interest receivables	54,805,513	53,277,785	53,750,632
Acceptances	1,654,341	1,074,796	737,175
Factoring receivables	3,872,728	4,924,287	4,785,241
Others	<u>51,980,453</u>	<u>27,171,566</u>	<u>30,759,312</u>
	192,806,003	194,524,052	173,037,890
Less: Loss allowance	<u>(2,636,382)</u>	<u>(2,607,888)</u>	<u>(2,567,175)</u>
	<u>\$ 190,169,621</u>	<u>\$ 191,916,164</u>	<u>\$ 170,470,715</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 six months ended June 30, 2021

	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
<u>Receivables</u>						
Balance at the beginning of the period	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,127)	92,691	(2,055)	85,509	-	85,509
Transferred to credit-impaired financial assets	(1,010)	(5,150)	74,731	68,571	-	68,571
Transferred to 12-month ECLs	3,763	(73,555)	(2,209)	(72,001)	-	(72,001)
Derecognition of financial assets in current period	(103,259)	(68,937)	(42,796)	(214,992)	-	(214,992)
New financial assets purchased or originated	91,126	45,703	228,927	365,756	-	365,756
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	2,679	2,679
Written off as bad debt expense	-	-	(233,567)	(233,567)	-	(233,567)
Effects of exchange rate changes and others	<u>(8,733)</u>	<u>(20,177)</u>	<u>39,888</u>	<u>10,978</u>	<u>-</u>	<u>10,978</u>
Balance at the end of the period	<u>\$ 442,602</u>	<u>\$ 173,051</u>	<u>\$ 1,794,380</u>	<u>\$ 2,410,033</u>	<u>\$ 65,620</u>	<u>\$ 2,475,653</u>

For the six months ended June 30, 2020

	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
<u>Receivables</u>						
Balance at the beginning of the period	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,886)	95,045	(5,089)	86,070	-	86,070
Transferred to credit-impaired financial assets	(641)	(3,237)	110,006	106,128	-	106,128
Transferred to 12-month ECLs	3,191	(60,109)	(3,703)	(60,621)	-	(60,621)
Derecognition of financial assets in current period	(94,928)	(58,519)	(18,510)	(171,957)	-	(171,957)
New financial assets purchased or originated	109,371	38,683	159,097	307,151	-	307,151
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(114)	(114)
Written off as bad debt expense	-	-	(289,603)	(289,603)	-	(289,603)
Effects of exchange rate changes and others	13,910	(26,174)	72,866	60,602	175	60,777
Balance at the end of the period	<u>\$ 536,899</u>	<u>\$ 139,995</u>	<u>\$ 1,685,168</u>	<u>\$ 2,362,062</u>	<u>\$ 53,037</u>	<u>\$ 2,415,099</u>

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 145,168	\$ 159,212
Provision for the current period	15,361	1,435
Amounts written off	-	(8,574)
Foreign exchange	<u>200</u>	<u>3</u>
Ending balance	<u>\$ 160,729</u>	<u>\$ 152,076</u>

## 11. DISCOUNTS AND LOANS, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Export negotiations	\$ 1,135,548	\$ 1,492,261	\$ 1,091,080
Loans	2,289,214,909	2,166,663,868	2,130,684,335
Discounts and overdrafts	1,344,087	1,557,418	1,567,252
Overdue loans	<u>6,276,840</u>	<u>4,546,927</u>	<u>4,527,465</u>
	2,297,971,384	2,174,260,474	2,137,870,132
Less: Loss allowance	<u>(34,493,583)</u>	<u>(32,984,269)</u>	<u>(32,667,873)</u>
	<u>\$ 2,263,477,801</u>	<u>\$ 2,141,276,205</u>	<u>\$ 2,105,202,259</u>

As of June 30, 2021, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,645,084,034 thousand and \$26,284,192 thousand, respectively.

For the six months ended June 30, 2021, Cathay United Bank sold credit assets to accelerate recovery of claim, and recognized a loss of \$321,139 thousand in the net gain on derecognition of financial assets at amortized cost.

Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2021	December 31, 2020	June 30, 2020	
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	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate investment and management	99.00	-	-	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	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	
The Company and 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	61.15	53.13	53.00	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.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.34	85.67	84.00	
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	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2021	December 31, 2020	June 30, 2020	
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.72	99.72	99.72	
Global Evolution Financial ApS	Global Evolution Fondsmæglerelskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Mogambo2 Holding ApS	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 Fondsmæglerelskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmæglerelskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Mogambo2 Holding ApS	Global Evolution USA GP, LLC	Asset management services	-	-	100.00	Note 3
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance services	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	
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. ("Cathay Securities (Hong Kong)")	Securities services	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	Note 4
Cathay Venture	Cathay Investment Inc. ("Cathay Investment")	Venture capital	100.00	100.00	100.00	Note 5
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

(Concluded)

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

Note 2: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. In addition, non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.02% equity shares on June 24, 2020, and its ownership interest increased from 53.13% to 61.15%

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

Note 4: It was established by Cathay Securities (Hong Kong) on February 24, 2020.

Note 5: Cathay Investment was resolved for dissolution by the board of directors (on behalf of shareholders) on April 27, 2021. As of June 30, 2021, the liquidation process was not completed.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			June 30, 2021	December 31, 2020	June 30, 2020	
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.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in unconsolidated subsidiaries	\$ 761,941	\$ 637,478	\$ 518,986
Investments in associates	<u>32,442,125</u>	<u>32,398,804</u>	<u>31,642,148</u>
	<u>\$ 33,204,066</u>	<u>\$ 33,036,282</u>	<u>\$ 32,161,134</u>

#### a. Investments in unconsolidated subsidiaries

	June 30, 2021	December 31, 2020	June 30, 2020
Cathay Securities Investment Consulting	<u>\$ 761,941</u>	<u>\$ 637,478</u>	<u>\$ 518,986</u>

#### b. Investments in associates

	June 30, 2021	December 31, 2020	June 30, 2020
Rizal Commercial Banking Corporation	\$ 16,332,756	\$ 16,447,489	\$ 16,119,308
Cathay Insurance Company Limited (China)	4,681,578	4,621,539	4,325,487
Taiwan Finance Corp.	1,833,539	1,765,602	1,734,935
Dasheng Venture Capital Co., Ltd.	1,777,454	2,042,511	2,004,143
PSS Co., Ltd.	929,779	911,004	895,227
Ding Teng Co., Ltd.	837,409	830,172	804,420
Dasheng IV Venture Capital Co., Ltd.	828,938	760,743	870,729
Cathay Power Inc. (Former Cathay Sunrise Corporation)	771,402	728,790	701,742
Neo Cathay Power Corp.	738,979	704,798	690,881
CMG International One Corp.	672,810	674,804	674,277
CMG International Two Corp.	669,194	671,916	671,622
CM Energy Co., Ltd.	481,244	329,516	286,347
Greenhealth Water Resources Co., Ltd.	461,224	455,862	466,995
CDBS Cathay Asset Management Co., Ltd.	393,338	407,101	395,694
Symphox Information Co., Ltd.	391,116	403,866	434,390
TaiYang Solar Power Co., Ltd.	243,780	147,430	70,309
Tien-Tai Optronics Corporation	130,084	141,287	145,745
Tiantai II Optoelectronics Co., Ltd.	126,456	135,982	-
Taiwan Real-estate Management Corp.	95,397	97,567	99,551
Lin Yuan Property Management Co., Ltd.	36,758	56,461	40,985
Tien-Tai Management Consulting Co., Ltd.	4,611	5,865	7,013
WK Technology Fund VI Co., Ltd.	4,279	58,499	60,681
RI-Zhao Energy Corp.	-	-	50,032
Dun-Yang Energy Corp.	-	-	46,922
Yong-Chang Energy Corp.	-	-	44,713
PT Bank Mayapada Internasional Tbk	-	-	-
	<u>\$ 32,442,125</u>	<u>\$ 32,398,804</u>	<u>\$ 31,642,148</u>

Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
The Group's share of:				
Net income (loss)	\$ 397,498	\$ (12,665,514)	\$ 897,098	\$ (13,107,635)
Other comprehensive loss	<u>(590,085)</u>	<u>(17,747)</u>	<u>(529,125)</u>	<u>(160,219)</u>
Total comprehensive income (loss) for the period	<u>\$ (192,587)</u>	<u>\$ (12,683,261)</u>	<u>\$ 367,973</u>	<u>\$ (13,267,854)</u>

- 1) 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 loss of associates were based on non-audited financial statements.
- 2) PT Bank Mayapada Internasional Tbk, Cathay Life's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, Cathay Life recognized a loss on investment in associates accounted for using the equity method of \$13,980,277 thousand for the six months ended June 30, 2020.
- 3) In 2020, in order to enhance the operational efficiency and competitiveness, RI-Zhao Energy Corp., Dun-Yang Energy Corp., and Yong-Chang Energy Corp. were integrated to Tiantai II Optoelectronics Co., Ltd., through a share swap at a swap rate of 1:1. After the conversion, Cathay Venture's holding percentage in Tiantai II Optoelectronics Co., Ltd. is 32.279%.
- 4) Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.
- 5) The investments in associates were not pledged as collateral.

#### 14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
January 1, 2020	\$ 298,205,802	\$ 104,791,226	\$ 4,546,717	\$ 1,152,363	\$ 408,696,108
Additions	-	-	1,680,237	891,971	2,572,208
Disposals	(129,794)	(525,529)	-	-	(655,323)
Other reclassification	1,797,506	4,565,698	(4,531,179)	(1,348,888)	483,137
Gain (loss) on changes in fair value of investment property	(1,205,477)	3,568,233	-	-	2,362,756
Foreign exchange	<u>(997,025)</u>	<u>(1,758,589)</u>	<u>-</u>	<u>-</u>	<u>(2,755,614)</u>
June 30, 2020	<u>\$ 297,671,012</u>	<u>\$ 110,641,039</u>	<u>\$ 1,695,775</u>	<u>\$ 695,446</u>	<u>\$ 410,703,272</u>
January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	1,504,399	7,593,300	10,773,109
Disposals	(65,307)	(28,093)	-	-	(93,400)
Other reclassification	4,943,596	753,701	(756,420)	(5,963,022)	(1,022,145)
Gain (loss) on changes in fair value of investment property	241,447	823,010	-	-	1,064,457
Foreign exchange	<u>(116,313)</u>	<u>(240,437)</u>	<u>-</u>	<u>-</u>	<u>(356,750)</u>
June 30, 2021	<u>\$ 308,860,575</u>	<u>\$ 113,942,205</u>	<u>\$ 2,276,526</u>	<u>\$ 4,762,193</u>	<u>\$ 429,841,499</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Rental income from investment properties	\$ 2,643,958	\$ 2,739,671	\$ 5,415,883	\$ 5,738,885
Direct operating expenses of investment properties that generate rental income	(239,703)	(221,427)	(368,315)	(371,713)
Direct operating expenses of investment properties that do not generate rental income	<u>(48,255)</u>	<u>(43,359)</u>	<u>(77,107)</u>	<u>(68,308)</u>
	<u>\$ 2,356,000</u>	<u>\$ 2,474,885</u>	<u>\$ 4,970,461</u>	<u>\$ 5,298,864</u>

- a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- b. As of June 30, 2021, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$384,318,105 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. Investment properties held by the Group were not pledged.
- c. The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at June 30, 2021, December 31, 2020 and June 30, 2020:

Name of Appraisal Firms	June 30, 2021	December 31,	
		2020	June 30, 2020
DTZ Real Estate Appraiser Firm	Gen-yuan, Li; Chun-chun, Hu; Jia-he, Tsai	Gen-yuan, Li; Chun-chun, Hu; Jia-he, Tsai	Gen-yuan, Li; Chun-chun, Hu; Jia-he, Tsai
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang; Jia-xian, Liao
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu; Wei-ru, Li

(Continued)

Names of Appraisers Offices	June 30, 2021	December 31, 2020	June 30, 2020
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Jun-han, Lin	You-qi, Liang; Yu-zhi, Gao; Jun-han, Lin	You-qi, Liang; Yu-zhi, Gao; Jun-han, Lin
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee

(Concluded)

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, which should be applied in the preparation of the financial report beginning in the first quarter of 2020. However, 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 the 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 the 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 the 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 the sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by the cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Land under construction with building permit is mainly valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Direct capitalization rates (net)	0.68%-5.13%	0.84%-5.70%	0.84%-6.48%
Discount rates	3.09%-4.26%	3.09%-4.26%	3.18%-4.38%

External appraisers use the 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.

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 appraised by qualified real estate appraisers in Taiwan, according to the Technical Rules for Real Estate Valuation. The valuation dates were June 30, 2021, December 31, 2020 and June 30, 2020, respectively:

Name of Appraiser Office	June 30, 2021	December 31, 2020	June 30, 2020
REPro Knight Frank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu	Hsiang-yi, Hsu; Yu-hsiang, Tsai	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu; Wei-ju, Li

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 their rentals are similar to comparable properties in neighboring areas, their fair values have been mainly determined using comparison approach and income approach.

Net rental income is based on current market practices, assuming an annual rent increase of 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 R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

Land value tax is based on the changes in the announced land values of the underlying property in the past years and the actual payment data, to further extrapolate the announced land value in the future.

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, replacement allowance for significant renovation costs 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Direct capitalization rates	1.94%-3.75%	1.93%-3.79%	1.95%-5.77%
Overall capital interest rate	0.67%-1.93%	0.67%-1.93%	0.67%-2.51%

- 2) For reserved areas in hillside land, scenic land site and areas for agriculture, animal husbandry and forestry, there are few market transactions due to regulatory regulations, and low development efficiency, resulting in no significant change that would affect the related property market in the near future. Their fair values are determined by the method of land development analysis and comparison approach.
- 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 and Yu-lin, Chen) that met the qualification requirements for real estate appraisers in the R.O.C., respectively, with valuation dates at June 30, 2021, December 31, 2020 and June 30, 2020.

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.

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Estimated future cash inflows	\$ 444,503	\$ 445,029	\$ 444,233
Estimated future cash outflows	<u>(14,737)</u>	<u>(14,672)</u>	<u>(14,711)</u>
Estimated net cash inflows	<u>\$ 429,766</u>	<u>\$ 430,357</u>	<u>\$ 429,522</u>
Discount rate	2.295%	2.295%	2.295%
Direct capitalization rate	2.54%	2.56%	2.56%

The market rentals ranged from \$4,000 to \$6,000 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 \$3,595 thousand and \$3,580 thousand, respectively, for the six months ended June 30, 2021 and 2020.

The estimated future cash inflows consist of rental income, interest of deposit and value of disposal at the end 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 five years. The value of disposal at the end of the period is estimated using the direct capitalization method. The estimated future cash outflows consist of land tax, property 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 at June 30, 2021, December 31, 2020 and June 30, 2020 are determined based on the interest rate on a 2-year time deposit of petty cash plus 3, 5 and 3 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 398,420,117	\$ 390,874,044
Amount recognized in profit or loss		
Gain from investment property	1,064,457	2,362,756
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	(356,750)	(2,755,614)
Disposals	(93,400)	(646,500)
Transfers to property and equipment	(2,719)	(60,111)
Transfers from investment property under construction	756,420	4,531,179
Transfers from prepayment for buildings and land	-	803,611
	<u>                    </u>	<u>                    </u>
Ending balance	<u>\$ 399,788,125</u>	<u>\$ 395,109,365</u>

The above amount excludes those part measured at cost.

h. Refer to Table 3 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.

i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

## 15. 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
<b>Cost</b>								
Balance at January 1, 2020	\$ 71,692,186	\$ 46,606,608	\$ 8,673,295	\$ 1,098,481	\$ 127,383	\$ 12,503,689	\$ 791,729	\$ 141,493,371
Additions	-	-	438,509	9,924	4,209	213,348	393,781	1,059,771
Disposals	-	-	(148,091)	(166)	(3,705)	(91,295)	-	(243,257)
Reclassification	(451,389)	(263,178)	85,697	7,764	2,672	106,933	(262,089)	(773,590)
Others	(1,200)	-	-	-	-	-	-	(1,200)
Foreign exchange	(8,439)	(63,080)	(31,969)	(19,068)	(1,854)	(5,619)	(2,582)	(132,611)
Balance at June 30, 2020	<u>71,231,158</u>	<u>46,280,350</u>	<u>9,017,441</u>	<u>1,096,935</u>	<u>128,705</u>	<u>12,727,056</u>	<u>920,839</u>	<u>141,402,484</u>
<b>Depreciation and impairment</b>								
Balance at January 1, 2020	103,134	22,932,481	5,883,294	685,957	86,835	9,946,299	-	39,638,000
Depreciation	-	461,459	399,875	46,707	5,693	324,604	-	1,238,338
Disposals	-	-	(146,570)	(166)	(3,705)	(90,205)	-	(240,646)
Reclassification	-	(231,430)	-	-	-	991	-	(230,439)
Foreign exchange	-	(9,697)	(26,312)	(3,377)	(1,229)	(4,591)	-	(45,206)
Balance at June 30, 2020	<u>103,134</u>	<u>23,152,813</u>	<u>6,110,287</u>	<u>729,121</u>	<u>87,594</u>	<u>10,177,098</u>	<u>-</u>	<u>40,360,047</u>
Carrying amount at June 30, 2020	<u>\$ 71,128,024</u>	<u>\$ 23,127,537</u>	<u>\$ 2,907,154</u>	<u>\$ 367,814</u>	<u>\$ 41,111</u>	<u>\$ 2,549,958</u>	<u>\$ 920,839</u>	<u>\$ 101,042,437</u>
<b>Cost</b>								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	480,793	64,286	5,049	182,450	573,081	1,305,779
Disposals	-	-	(431,402)	(881)	(3,179)	(78,126)	-	(513,588)
Reclassification	1,019,831	42,059	96,524	63,377	1,710	115,406	(338,004)	1,000,903
Others	(1,200)	-	-	-	-	-	-	(1,200)
Foreign exchange	(12,076)	(27,675)	(38,169)	(16,795)	(2,577)	(10,398)	(1,024)	(108,714)
Balance at June 30, 2021	<u>69,739,240</u>	<u>46,261,049</u>	<u>9,296,743</u>	<u>1,337,774</u>	<u>125,242</u>	<u>12,942,266</u>	<u>1,273,724</u>	<u>140,976,038</u>
<b>Depreciation and impairment</b>								
Balance at January 1, 2021	103,134	23,570,910	6,298,771	794,288	87,773	10,032,850	-	40,887,726
Depreciation	-	446,034	434,832	50,265	4,934	331,633	-	1,267,698
Disposals	-	-	(428,184)	(881)	(3,178)	(76,278)	-	(508,521)
Reclassification	-	4,984	4	4	-	(5,406)	-	(418)
Foreign exchange	-	(6,270)	(17,382)	(8,121)	(1,767)	695	-	(32,845)
Balance at June 30, 2021	<u>103,134</u>	<u>24,010,674</u>	<u>6,293,021</u>	<u>835,555</u>	<u>87,762</u>	<u>10,283,494</u>	<u>-</u>	<u>41,613,640</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 68,629,551</u>	<u>\$ 22,675,635</u>	<u>\$ 2,890,226</u>	<u>\$ 433,499</u>	<u>\$ 36,466</u>	<u>\$ 2,700,084</u>	<u>\$ 1,039,671</u>	<u>\$ 98,405,132</u>
Carrying amount at June 30, 2021	<u>\$ 69,636,106</u>	<u>\$ 22,250,375</u>	<u>\$ 3,003,722</u>	<u>\$ 502,219</u>	<u>\$ 37,480</u>	<u>\$ 2,658,772</u>	<u>\$ 1,273,724</u>	<u>\$ 99,362,398</u>

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

Buildings and construction	1-70 years
Computer equipment	3-10 years
Leasehold improvements	3-6 years or lease term
Transportation equipment	3-7 years
Other equipment	2-22 years

- b. Property and equipment were not pledged as collateral.

## 16. LEASE AGREEMENTS

- a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Buildings	\$ 4,065,999	\$ 4,042,404	\$ 3,873,753
Office equipment	15,958	13,109	13,563
Machine equipment	2,431	5,135	2,312
Transportation equipment	<u>84,351</u>	<u>77,895</u>	<u>70,443</u>
	<u>\$ 4,168,739</u>	<u>\$ 4,138,543</u>	<u>\$ 3,960,071</u>
The right-of-use assets presented as investment properties	<u>\$ 10,107,931</u>	<u>\$ 8,548,824</u>	<u>\$ 8,665,126</u>

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ 387,183</u>	<u>\$ 470,720</u>	<u>\$ 662,353</u>	<u>\$ 816,537</u>
Depreciation expense for right-of-use assets				
Buildings	\$ 340,023	\$ 357,693	\$ 678,154	\$ 693,843
Office equipment	1,325	1,220	2,667	2,448
Machine equipment	289	372	700	747
Transportation equipment	<u>12,859</u>	<u>15,013</u>	<u>27,845</u>	<u>27,457</u>
	<u>\$ 354,496</u>	<u>\$ 374,298</u>	<u>\$ 709,366</u>	<u>\$ 724,495</u>

- b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Carrying amount	<u>\$ 14,486,802</u>	<u>\$ 13,011,637</u>	<u>\$ 12,791,433</u>

Range of discount rates for lease liabilities is as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Buildings	0.04%-8.57%	0.33%-8.57%	0.33%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%	0.71%-4.76%
Machine equipment	0.36%-4.15%	0.70%-4.15%	0.70%-4.15%
Transportation equipment	0.48%-4.35%	0.67%-4.43%	0.67%-5.38%
Investment property-superficies right	2.82%-4.00%	2.82%-3.71%	2.82%-3.71%

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Franchises</b>	<b>Trademarks</b>	<b>Customer Relationships</b>	<b>Goodwill</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2020	\$ 5,796,439	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 18,924,948	\$ 211,890	\$ 66,536,250
Acquisition through business combination (Note 38)	-	-	-	2,467,576	3,587,422	-	6,054,998
Addition - acquired separately	393,358	-	-	-	-	-	393,358
Disposal	(251,328)	-	-	-	-	-	(251,328)
Reclassification	28,283	-	-	-	-	-	28,283
Foreign exchange	(19,398)	-	(5,851)	(52,567)	(114,712)	(3,107)	(195,635)
Balance at June 30, 2020	<u>\$ 5,947,354</u>	<u>\$ 37,659,600</u>	<u>\$ 389,110</u>	<u>\$ 5,963,421</u>	<u>\$ 22,397,658</u>	<u>\$ 208,783</u>	<u>\$ 72,565,926</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2020	\$ 4,147,171	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 15,265,278
Amortization	341,393	1,039,692	-	194,874	-	9,513	1,585,472
Disposal	(251,328)	-	-	-	-	-	(251,328)
Foreign exchange	(13,141)	-	-	(25,927)	-	(2,746)	(41,814)
Balance at June 30, 2020	<u>\$ 4,224,095</u>	<u>\$ 10,396,916</u>	<u>\$ -</u>	<u>\$ 1,752,573</u>	<u>\$ -</u>	<u>\$ 184,024</u>	<u>\$ 16,557,608</u>
Carrying amount at June 30, 2020	<u>\$ 1,723,259</u>	<u>\$ 27,262,684</u>	<u>\$ 389,110</u>	<u>\$ 4,210,848</u>	<u>\$ 22,397,658</u>	<u>\$ 24,759</u>	<u>\$ 56,008,318</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	271,614	-	-	-	-	-	271,614
Disposal	(443,890)	-	-	-	-	-	(443,890)
Reclassification	121,048	-	-	-	-	-	121,048
Other	-	-	-	(172,492)	368,174	-	195,682
Foreign exchange	(14,298)	-	(8,369)	(117,866)	(260,812)	(4,494)	(405,839)
Balance at June 30, 2021	<u>\$ 6,141,134</u>	<u>\$ 37,659,600</u>	<u>\$ 365,627</u>	<u>\$ 5,441,443</u>	<u>\$ 21,950,142</u>	<u>\$ 196,179</u>	<u>\$ 71,754,125</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	356,728	1,039,691	-	193,353	-	8,924	1,598,696
Disposal	(443,890)	-	-	-	-	-	(443,890)
Foreign exchange	(9,433)	-	-	(46,184)	-	(4,259)	(59,876)
Balance at June 30, 2021	<u>\$ 4,326,002</u>	<u>\$ 12,476,298</u>	<u>\$ -</u>	<u>\$ 2,115,165</u>	<u>\$ -</u>	<u>\$ 190,568</u>	<u>\$ 19,108,033</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 1,784,063</u>	<u>\$ 26,222,993</u>	<u>\$ 373,996</u>	<u>\$ 3,763,805</u>	<u>\$ 21,842,780</u>	<u>\$ 14,770</u>	<u>\$ 54,002,407</u>
Carrying amount at June 30, 2021	<u>\$ 1,815,132</u>	<u>\$ 25,183,302</u>	<u>\$ 365,627</u>	<u>\$ 3,326,278</u>	<u>\$ 21,950,142</u>	<u>\$ 5,611</u>	<u>\$ 52,646,092</u>

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

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

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

1) Cathay Life and its subsidiaries

Cathay Life and its subsidiaries recognized goodwill in the acquisitions (1) of all assets, liabilities and operations except reserved assets and liabilities of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of goodwill were \$13,392,273 thousand, \$13,278,169 thousand and \$13,820,869 thousand, respectively.

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 for 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 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.

## 18. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Nominal amount	\$ 44,830,000	\$ 39,520,000	\$ 43,140,000
Less: Discount on short-term bills payable	<u>(413)</u>	<u>(82)</u>	<u>(286)</u>
	<u>\$ 44,829,587</u>	<u>\$ 39,519,918</u>	<u>\$ 43,139,714</u>
Interest rate range	0.20%-0.29%	0.23%-0.35%	0.28%-0.48%

## 19. DEPOSITS AND REMITTANCES

	June 30, 2021	December 31, 2020	June 30, 2020
Checking deposits	\$ 14,168,040	\$ 15,533,633	\$ 12,301,075
Demand deposits	715,220,055	694,644,715	578,825,617
Demand savings deposits	1,207,039,536	1,102,957,219	994,148,797
Time deposits	426,341,408	433,098,232	438,947,920
Time savings deposits	354,009,016	359,917,919	369,213,571
Negotiable certificates of deposit	5,733,732	7,516,122	7,013,221
Outward remittances and remittances payable	<u>3,419,971</u>	<u>2,131,223</u>	<u>3,793,190</u>
	<u>\$ 2,725,931,758</u>	<u>\$ 2,615,799,063</u>	<u>\$ 2,404,243,391</u>

## 20. BONDS PAYABLE

	June 30, 2021	December 31, 2020	June 30, 2020
Subordinated financial debentures	\$ 46,800,000	\$ 53,800,000	\$ 53,800,000
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000	45,000,000
Unsecured corporate bonds	<u>50,000,000</u>	<u>50,000,000</u>	<u>28,900,000</u>
	<u>\$ 141,800,000</u>	<u>\$ 148,800,000</u>	<u>\$ 127,700,000</u>

### a. Subordinated financial debentures

	June 30, 2021	December 31, 2020	June 30, 2020
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000	\$ 1,500,000
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	-	2,500,000	2,500,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000

(Continued)

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
First issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	\$ -	\$ 3,000,000	\$ 3,000,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
First issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
First issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 46,800,000</u>	<u>\$ 53,800,000</u>	<u>\$ 53,800,000</u> (Concluded)

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.

## 21. PROVISIONS

	June 30, 2021	December 31, 2020	June 30, 2020
Insurance liability			
Unearned premium reserve	\$ 33,153,023	\$ 32,513,604	\$ 30,825,992
Loss reserve	23,422,856	22,026,118	20,931,191
Policy reserve	6,166,669,706	5,999,277,822	5,815,629,779
Special reserve	13,676,428	13,706,823	13,845,850
Premium deficiency reserve	11,932,744	13,806,541	17,426,235
Reserve for insurance contracts with the nature of financial products	14,417,363	13,731,508	12,457,360
Reserve for foreign exchange valuation	9,216,260	14,820,865	6,600,772
Other reserve	<u>1,870,925</u>	<u>1,876,925</u>	<u>1,861,141</u>
	6,274,359,305	6,111,760,206	5,919,578,320
Provisions for employee benefits	4,044,403	4,051,931	3,887,832
Other reserves	<u>1,139,863</u>	<u>1,261,082</u>	<u>1,231,702</u>
	<u>\$ 6,279,543,571</u>	<u>\$ 6,117,073,219</u>	<u>\$ 5,924,697,854</u>

As of June 30, 2021, policy reserve belonging to Cathay Life amounted to \$6,124,020,851 thousand.

a. Cathay Life and its subsidiaries

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

	<b>June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 69,294	\$ -	\$ 69,294
Individual injury insurance	7,117,099	-	7,117,099
Individual health insurance	9,834,556	-	9,834,556
Group insurance	1,260,092	-	1,260,092
Investment-linked insurance	<u>115,116</u>	-	<u>115,116</u>
	<u>18,396,157</u>	-	<u>18,396,157</u>
Less ceded unearned premium reserve			
Individual life insurance	729,650	-	729,650
Individual injury insurance	19,919	-	19,919
Individual health insurance	<u>192,569</u>	-	<u>192,569</u>
	<u>942,138</u>	-	<u>942,138</u>
	<u>\$ 17,454,019</u>	<u>\$ -</u>	<u>\$ 17,454,019</u>
	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,313,660	-	7,313,660
Individual health insurance	9,966,083	-	9,966,083
Group insurance	1,306,110	-	1,306,110
Investment-linked insurance	<u>116,825</u>	-	<u>116,825</u>
	<u>18,775,949</u>	-	<u>18,775,949</u>
Less ceded unearned premium reserve			
Individual life insurance	878,870	-	878,870
Individual injury insurance	25,638	-	25,638
Individual health insurance	<u>208,531</u>	-	<u>208,531</u>
	<u>1,113,039</u>	-	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

	<b>June 30, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Individual life insurance	\$ 79,184	\$ -	\$ 79,184
Individual injury insurance	6,680,721	-	6,680,721
Individual health insurance	9,290,155	-	9,290,155
Group insurance	1,595,449	-	1,595,449
Investment-linked insurance	<u>116,802</u>	-	<u>116,802</u>
	<u>17,762,311</u>	-	<u>17,762,311</u>
Less ceded unearned premium reserve			
Individual life insurance	694,062	-	694,062
Individual injury insurance	21,512	-	21,512
Individual health insurance	<u>242,709</u>	-	<u>242,709</u>
	<u>958,283</u>	-	<u>958,283</u>
	<u>\$ 16,804,028</u>	<u>\$ -</u>	<u>\$ 16,804,028</u>

The changes in unearned premium reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	18,210,541	-	18,210,541
Recovery	(18,586,431)	-	(18,586,431)
Reclassification	-	-	-
Foreign exchange	<u>(3,902)</u>	-	<u>(3,902)</u>
Ending balance	<u>18,396,157</u>	-	<u>18,396,157</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Increase	-	-	-
Decrease	<u>(170,901)</u>	-	<u>(170,901)</u>
Ending balance	<u>942,138</u>	-	<u>942,138</u>
Net ending balance	<u>\$ 17,454,019</u>	<u>\$ -</u>	<u>\$ 17,454,019</u>

**For the Six Months Ended June 30, 2020**

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 17,832,203	\$ -	\$ 17,832,203
Provision	17,605,628	-	17,605,628
Recovery	(17,692,263)	-	(17,692,263)
Reclassification	25,778	-	25,778
Foreign exchange	(9,035)	-	(9,035)
Ending balance	<u>17,762,311</u>	<u>-</u>	<u>17,762,311</u>
Less ceded unearned premium reserve			
Beginning balance	894,878	-	894,878
Increase	63,405	-	63,405
Decrease	-	-	-
Ending balance	<u>958,283</u>	<u>-</u>	<u>958,283</u>
Net ending balance	<u>\$ 16,804,028</u>	<u>\$ -</u>	<u>\$ 16,804,028</u>

2) Loss reserve

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 2,681,580	\$ 8,639	\$ 2,690,219
Not yet filed	44,269	-	44,269
Individual injury insurance			
Filed but not paid	45,476	-	45,476
Not yet filed	2,076,349	-	2,076,349
Individual health insurance			
Filed but not paid	1,375,779	-	1,375,779
Not yet filed	3,603,517	-	3,603,517
Group insurance			
Filed but not paid	98,151	-	98,151
Not yet filed	1,640,048	-	1,640,048
Investment-linked insurance			
Filed but not paid	173,609	-	173,609
Not yet filed	1,800	-	1,800
	<u>11,740,578</u>	<u>8,639</u>	<u>11,749,217</u>
Less ceded loss reserve			
Individual life insurance	49,581	-	49,581
Individual injury insurance	37	-	37
Individual health insurance	9,856	-	9,856
Group insurance	4,915	-	4,915
	<u>64,389</u>	<u>-</u>	<u>64,389</u>
	<u>\$ 11,676,189</u>	<u>\$ 8,639</u>	<u>\$ 11,684,828</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 3,002,905	\$ 35,590	\$ 3,038,495
Not yet filed	38,807	-	38,807
Individual injury insurance			
Filed but not paid	40,812	-	40,812
Not yet filed	1,952,214	-	1,952,214
Individual health insurance			
Filed but not paid	1,654,400	-	1,654,400
Not yet filed	3,284,612	-	3,284,612
Group insurance			
Filed but not paid	69,091	-	69,091
Not yet filed	1,863,008	-	1,863,008
Investment-linked insurance			
Filed but not paid	221,863	-	221,863
Not yet filed	551	-	551
	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Individual life insurance	46,636	-	46,636
Individual injury insurance	29	-	29
Individual health insurance	21,914	-	21,914
Group insurance	3,144	-	3,144
	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>

	<b>June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 2,515,329	\$ 16,875	\$ 2,532,204
Not yet filed	40,061	-	40,061
Individual injury insurance			
Filed but not paid	26,776	-	26,776
Not yet filed	1,925,757	-	1,925,757
Individual health insurance			
Filed but not paid	1,439,860	-	1,439,860
Not yet filed	3,300,416	-	3,300,416
Group insurance			
Filed but not paid	73,681	-	73,681
Not yet filed	1,943,610	-	1,943,610

(Continued)

	<b>June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Investment-linked insurance			
Filed but not paid	\$ 197,218	\$ -	\$ 197,218
Not yet filed	666	-	666
	<u>11,463,374</u>	<u>16,875</u>	<u>11,480,249</u>
Less ceded loss reserve			
Individual life insurance	40,281	-	40,281
Individual injury insurance	37	-	37
Individual health insurance	7,207	-	7,207
Group insurance	3,077	-	3,077
	<u>50,602</u>	<u>-</u>	<u>50,602</u>
	<u>\$ 11,412,772</u>	<u>\$ 16,875</u>	<u>\$ 11,429,647</u>
			(Concluded)

The changes in loss reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,527,538	8,639	11,536,177
Recovery	(11,898,204)	(35,590)	(11,933,794)
Foreign exchange	(17,019)	-	(17,019)
Ending balance	<u>11,740,578</u>	<u>8,639</u>	<u>11,749,217</u>
Less ceded loss reserve:			
Beginning balance	71,723	-	71,723
Increase	24,732	-	24,732
Decrease	(31,933)	-	(31,933)
Foreign exchange	(133)	-	(133)
Ending balance	<u>64,389</u>	<u>-</u>	<u>64,389</u>
Net ending balance	<u>\$ 11,676,189</u>	<u>\$ 8,639</u>	<u>\$ 11,684,828</u>

**For the Six Months Ended June 30, 2020**

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 11,011,412	\$ 31,200	\$ 11,042,612
Provision	11,245,704	16,875	11,262,579
Recovery	(10,776,314)	(31,200)	(10,807,514)
Foreign exchange	<u>(17,428)</u>	<u>-</u>	<u>(17,428)</u>
Ending balance	<u>11,463,374</u>	<u>16,875</u>	<u>11,480,249</u>
Less ceded loss reserve:			
Beginning balance	24,014	-	24,014
Increase	69,236	-	69,236
Decrease	(42,240)	-	(42,240)
Foreign exchange	<u>(408)</u>	<u>-</u>	<u>(408)</u>
Ending balance	<u>50,602</u>	<u>-</u>	<u>50,602</u>
Net ending balance	<u>\$ 11,412,772</u>	<u>\$ 16,875</u>	<u>\$ 11,429,647</u>

3) Policy reserve

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,311,686,334	\$ 3,735	\$ 5,311,690,069
Injury insurance	7,004,044	-	7,004,044
Health insurance	832,459,545	-	832,459,545
Annuity insurance	1,358,823	12,415,352	13,774,175
Investment-linked insurance	<u>1,293,263</u>	<u>-</u>	<u>1,293,263</u>
Total (Note 2)	<u>6,153,802,009</u>	<u>12,419,087</u>	<u>6,166,221,096</u>
Less ceded policy reserve			
Life insurance	393,565	-	393,565
Health insurance	<u>18,380</u>	<u>-</u>	<u>18,380</u>
	<u>411,945</u>	<u>-</u>	<u>411,945</u>
	<u>\$ 6,153,390,064</u>	<u>\$ 12,419,087</u>	<u>\$ 6,165,809,151</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,178,748,267	\$ 3,810	\$ 5,178,752,077
Injury insurance	7,058,104	-	7,058,104
Health insurance	796,516,850	-	796,516,850
Annuity insurance	1,381,226	14,175,381	15,556,607
Investment-linked insurance	<u>936,020</u>	<u>-</u>	<u>936,020</u>
Total (Note 2)	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Life insurance	406,053	-	406,053
Health insurance	<u>19,465</u>	<u>-</u>	<u>19,465</u>
	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>
	<b>June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,028,107,759	\$ 3,690	\$ 5,028,111,449
Injury insurance	7,141,969	-	7,141,969
Health insurance	760,729,207	-	760,729,207
Annuity insurance	1,385,663	17,015,854	18,401,517
Investment-linked insurance	<u>783,118</u>	<u>-</u>	<u>783,118</u>
Total (Note 2)	<u>5,798,147,716</u>	<u>17,019,544</u>	<u>5,815,167,260</u>
Less ceded policy reserve			
Life insurance	400,425	-	400,425
Health insurance	<u>15,709</u>	<u>-</u>	<u>15,709</u>
	<u>416,134</u>	<u>-</u>	<u>416,134</u>
	<u>\$ 5,797,731,582</u>	<u>\$ 17,019,544</u>	<u>\$ 5,814,751,126</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 \$6,166,669,598 thousand, \$5,999,277,703 thousand and \$5,815,629,652 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

The changes in policy reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 5,984,640,467	\$ 14,179,191	\$ 5,998,819,658
Provision	301,788,405	43,913	301,832,318
Recovery	(100,215,793)	(1,803,943)	(102,019,736)
Reclassification	5,686	-	5,686
Foreign exchange	<u>(32,416,756)</u>	<u>(74)</u>	<u>(32,416,830)</u>
Ending balance	<u>6,153,802,009</u>	<u>12,419,087</u>	<u>6,166,221,096</u>
Less ceded policy reserve			
Beginning balance	425,518	-	425,518
Increase	39,504	-	39,504
Decrease	(46,421)	-	(46,421)
Foreign exchange	<u>(6,656)</u>	<u>-</u>	<u>(6,656)</u>
Ending balance	<u>411,945</u>	<u>-</u>	<u>411,945</u>
Net ending balance	<u>\$ 6,153,390,064</u>	<u>\$ 12,419,087</u>	<u>\$ 6,165,809,151</u>

	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 5,572,026,192	\$ 20,479,782	\$ 5,592,505,974
Provision	342,344,582	100,319	342,444,901
Recovery	(95,284,887)	(3,560,501)	(98,845,388)
Reclassification	163,599	-	163,599
Foreign exchange	<u>(21,101,770)</u>	<u>(56)</u>	<u>(21,101,826)</u>
Ending balance	<u>5,798,147,716</u>	<u>17,019,544</u>	<u>5,815,167,260</u>
Less ceded policy reserve			
Beginning balance	421,465	-	421,465
Increase	49,985	-	49,985
Decrease	(42,616)	-	(42,616)
Foreign exchange	<u>(12,700)</u>	<u>-</u>	<u>(12,700)</u>
Ending balance	<u>416,134</u>	<u>-</u>	<u>416,134</u>
Net ending balance	<u>\$ 5,797,731,582</u>	<u>\$ 17,019,544</u>	<u>\$ 5,814,751,126</u>

4) Special reserve

<b>June 30, 2021</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (56,272)	\$ -	\$ -	\$ (56,272)
Dividend risk reserve	57,685	-	-	57,685
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,413</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,737</u>
<b>December 31, 2020</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	54,928	-	-	54,928
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>
<b>June 30, 2020</b>				
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (63,893)	\$ -	\$ -	\$ (63,893)
Dividend risk reserve	65,094	-	-	65,094
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,201</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,525</u>

The changes in special reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776
Provision for participating policies dividends reserve	7,917	-	-	7,917
Recovery of participating policies dividends reserve	(10,713)	-	-	(10,713)
Provision for dividend risk reserve	<u>2,757</u>	<u>-</u>	<u>-</u>	<u>2,757</u>
Ending balance	<u>\$ 1,413</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,737</u>
	<b>For the Six Months Ended June 30, 2020</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	4,277	-	-	4,277
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)
Provision for dividend risk reserve	<u>6,894</u>	<u>-</u>	<u>-</u>	<u>6,894</u>
Ending balance	<u>\$ 1,201</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,525</u>

5) Premium deficiency reserve

	<b>June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 10,662,209	\$ -	\$ 10,662,209
Individual injury insurance	848	-	848
Individual health insurance	1,199,432	-	1,199,432
Group insurance	<u>66,222</u>	<u>-</u>	<u>66,222</u>
	<u>\$ 11,928,711</u>	<u>\$ -</u>	<u>\$ 11,928,711</u>
	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	934	-	934
Individual health insurance	1,225,954	-	1,225,954
Group insurance	<u>5,713</u>	<u>-</u>	<u>5,713</u>
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>
	<b>June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 16,026,918	\$ -	\$ 16,026,918
Individual injury insurance	987	-	987
Individual health insurance	1,271,337	-	1,271,337
Group insurance	<u>126,073</u>	<u>-</u>	<u>126,073</u>
	<u>\$ 17,425,315</u>	<u>\$ -</u>	<u>\$ 17,425,315</u>

The changes in premium deficiency reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343
Provision	66,140	-	66,140
Recovery	(1,847,478)	-	(1,847,478)
Foreign exchange	<u>(92,294)</u>	<u>-</u>	<u>(92,294)</u>
Ending balance	<u>\$ 11,928,711</u>	<u>\$ -</u>	<u>\$ 11,928,711</u>

	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	126,364	-	126,364
Recovery	(2,280,421)	-	(2,280,421)
Foreign exchange	<u>(100,085)</u>	<u>-</u>	<u>(100,085)</u>
Ending balance	<u>\$ 17,425,315</u>	<u>\$ -</u>	<u>\$ 17,425,315</u>

6) Other reserve

	<b>June 30, 2021</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,870,925</u>	<u>\$ -</u>	<u>\$ 1,870,925</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,876,925</u>	<u>\$ -</u>	<u>\$ 1,876,925</u>

	<b>June 30, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>	<b>Participation Features</b>	<b>Total</b>
Others	\$ <u>1,861,141</u>	\$ _____ -	\$ <u>1,861,141</u>

The changes in other reserve are summarized below:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>	<b>Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925
Recovery	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Ending balance	\$ <u>1,870,925</u>	\$ _____ -	\$ <u>1,870,925</u>

	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>	<b>Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141
Recovery	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Ending balance	\$ <u>1,861,141</u>	\$ _____ -	\$ <u>1,861,141</u>

7) Liability adequacy reserve

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Unearned premium reserve	\$ 18,396,157	\$ 18,775,949	\$ 17,762,311
Policy reserve	6,166,669,598	5,999,277,703	5,815,629,652
Premium deficiency reserve	11,928,711	13,802,343	17,425,315
Other reserve	<u>1,870,925</u>	<u>1,876,925</u>	<u>1,861,141</u>
Book value of insurance liabilities	\$ <u>6,198,865,391</u>	\$ <u>6,033,732,920</u>	\$ <u>5,852,678,419</u>
Estimated present value of cash flows	\$ <u>5,413,974,739</u>	\$ <u>5,225,717,939</u>	\$ <u>5,080,411,971</u>
Balance of liability adequacy reserve	\$ _____ -	\$ _____ -	\$ _____ -

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.

Note 4: There is no merger or transfer of insurance contracts for Cathay Lujiazui Life and Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from the book value of insurance liability for liability adequacy reserve test.

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</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	Under the asset allocation situation on March 31, 2021, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on March 31, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</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.

(Continued)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
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 2020; 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 2019; 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 2019; with neutral assumptions for the discount rate after 30 years.

(Concluded)

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</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 Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 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 June 30, 2021, December 31, 2020 and June 30, 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Life insurance	\$ 13,351,113	\$ 12,793,432	\$ 11,475,150
Investment-linked insurance	<u>1,066,250</u>	<u>938,076</u>	<u>982,210</u>
	<u>\$ 14,417,363</u>	<u>\$ 13,731,508</u>	<u>\$ 12,457,360</u>

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 13,731,508	\$ 10,932,008
Premiums received	2,154,092	2,959,139
Claims and payments	(1,826,689)	(1,470,166)
Net provision of statutory reserve	504,461	368,263
Foreign exchange	<u>(146,009)</u>	<u>(331,884)</u>
Ending balance	<u>\$ 14,417,363</u>	<u>\$ 12,457,360</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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 14,820,865	\$ 18,000,877
Provision:		
Compulsory reserve	3,538,863	4,213,412
Additional reserve	<u>560,436</u>	<u>2,000,000</u>
	4,099,299	6,213,412
Recovery	<u>(9,703,904)</u>	<u>(17,613,517)</u>
Ending balance	<u>\$ 9,216,260</u>	<u>\$ 6,600,772</u>

c) Effects due to reserve for foreign exchange valuation

<b>Item</b>	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Inapplicable Amount (1)</b>	<b>Applicable Amount (2)</b>	<b>Effects (3)=(2)-(1)</b>
Net income attributable to owners of the Company	\$ 86,566,791	\$ 91,050,474	\$ 4,483,683
Earnings per share	6.32	6.66	0.34
Reserve for foreign exchange valuation	-	9,216,260	9,216,260
Equity attributable to owners of the Company	889,907,106	886,136,994	(3,770,112)

Item	For the Six Months Ended June 30, 2020		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 23,001,674	\$ 32,121,758	\$ 9,120,084
Earnings per share	1.49	2.18	0.69
Reserve for foreign exchange valuation	-	6,600,772	6,600,772
Equity attributable to owners of the Company	777,478,615	775,800,895	(1,677,720)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	June 30, 2021			
	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	\$ 1,940,931	\$ 300,808	\$ 1,184,583	\$ 1,057,156
Marine insurance	244,600	11,674	169,157	87,117
Land and air insurance	5,777,991	34,351	204,829	5,607,513
Liability insurance	863,227	3,347	202,839	663,735
Guarantee insurance	61,353	4,114	36,790	28,677
Other property insurance	1,313,885	47,775	981,538	380,122
Accident insurance	1,534,979	7,751	109,569	1,433,161
Health insurance	671,568	330	417,121	254,777
Policy-oriented residential earthquake insurance	224,330	30,799	224,330	30,799
Compulsory automobile liability insurance	1,225,075	457,978	735,045	948,008
	<u>\$ 13,857,939</u>	<u>\$ 898,927</u>	<u>\$ 4,265,801</u>	<u>\$ 10,491,065</u>

**December 31, 2020**

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	\$ 1,841,551	\$ 182,263	
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Guarantee insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488
Policy-oriented residential earthquake insurance	225,463	26,857	225,463	26,857
Compulsory automobile liability insurance	<u>1,227,564</u>	<u>460,947</u>	<u>736,539</u>	<u>951,972</u>
	<u>\$ 12,980,350</u>	<u>\$ 757,305</u>	<u>\$ 3,626,938</u>	<u>\$ 10,110,717</u>

**June 30, 2020**

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	\$ 1,851,951	\$ 213,844	
Marine insurance	163,862	18,716	132,669	49,909
Land and air insurance	5,307,179	16,283	206,316	5,117,146
Liability insurance	716,541	1,899	187,463	530,977
Guarantee insurance	57,037	5,310	39,986	22,361
Other property insurance	1,155,688	52,012	866,538	341,162
Accident insurance	1,484,275	7,627	113,839	1,378,063
Health insurance	57,377	3,743	4	61,116
Policy-oriented residential earthquake insurance	220,814	28,813	220,814	28,813
Compulsory automobile liability insurance	<u>1,233,720</u>	<u>466,990</u>	<u>740,232</u>	<u>960,478</u>
	<u>\$ 12,248,444</u>	<u>\$ 815,237</u>	<u>\$ 3,527,739</u>	<u>\$ 9,535,942</u>

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

	<b>For the Six Months Ended June 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>	<b>Unearned Premium Reserve</b>	<b>Ceded Unearned Premium Reserve</b>
Beginning balance	\$ 13,737,655	\$ 3,626,938	\$ 12,736,870	\$ 3,199,204
Provision	14,759,342	4,267,076	13,065,541	3,528,541
Recovery	(13,763,977)	(3,634,422)	(12,753,711)	(3,203,041)
Foreign exchange	<u>23,846</u>	<u>6,209</u>	<u>14,981</u>	<u>3,035</u>
Ending balance	<u>\$ 14,756,866</u>	<u>\$ 4,265,801</u>	<u>\$ 13,063,681</u>	<u>\$ 3,527,739</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

Items	<b>June 30, 2021</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed not yet paid	\$ 5,632,848	\$ 918,480	\$ 2,739,395	\$ 3,811,933
Not yet filed	<u>4,670,863</u>	<u>451,448</u>	<u>1,538,940</u>	<u>3,583,371</u>
	<u>\$ 10,303,711</u>	<u>\$ 1,369,928</u>	<u>\$ 4,278,335</u>	<u>\$ 7,395,304</u>

Items	<b>December 31, 2020</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed not yet paid	\$ 4,577,293	\$ 786,091	\$ 1,582,443	\$ 3,780,941
Not yet filed	<u>4,043,812</u>	<u>455,069</u>	<u>1,238,524</u>	<u>3,260,357</u>
	<u>\$ 8,621,105</u>	<u>\$ 1,241,160</u>	<u>\$ 2,820,967</u>	<u>\$ 7,041,298</u>

Items	<b>June 30, 2020</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
Filed not yet paid	\$ 4,234,002	\$ 658,180	\$ 1,511,244	\$ 3,380,938
Not yet filed	<u>4,077,607</u>	<u>481,153</u>	<u>1,207,526</u>	<u>3,351,234</u>
	<u>\$ 8,311,609</u>	<u>\$ 1,139,333</u>	<u>\$ 2,718,770</u>	<u>\$ 6,732,172</u>

b) Net changes in loss reserve and ceded loss reserve

For the six months ended June 30, 2021

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve (5)=(1)-(2)+ (3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Filed not yet paid	\$ 5,653,899	\$ 4,597,494	\$ 918,480	\$ 786,091	\$ 1,188,794
Not yet filed	<u>4,649,674</u>	<u>4,023,236</u>	<u>451,448</u>	<u>455,069</u>	<u>622,817</u>
	<u>\$ 10,303,573</u>	<u>\$ 8,620,730</u>	<u>\$ 1,369,928</u>	<u>\$ 1,241,160</u>	<u>\$ 1,811,611</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Filed not yet paid	\$ 2,747,871	\$ 1,590,676	\$ 1,157,195
Not yet filed	<u>1,530,721</u>	<u>1,230,100</u>	<u>300,621</u>
	<u>\$ 4,278,592</u>	<u>\$ 2,820,776</u>	<u>\$ 1,457,816</u>

For the six months ended June 30, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve (5)=(1)-(2)+ (3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Filed not yet paid	\$ 4,253,582	\$ 4,115,365	\$ 658,180	\$ 680,547	\$ 115,850
Not yet filed	<u>4,058,298</u>	<u>4,103,229</u>	<u>481,153</u>	<u>458,050</u>	<u>(21,828)</u>
	<u>\$ 8,311,880</u>	<u>\$ 8,218,594</u>	<u>\$ 1,139,333</u>	<u>\$ 1,138,597</u>	<u>\$ 94,022</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve (8)=(6)-(7)
	Provision (6)	Recovery (7)	
Filed not yet paid	\$ 1,521,270	\$ 1,250,753	\$ 270,517
Not yet filed	<u>1,197,836</u>	<u>1,199,002</u>	<u>(1,166)</u>
	<u>\$ 2,719,106</u>	<u>\$ 2,449,755</u>	<u>\$ 269,351</u>

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

Insurance Type	June 30, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,136,495	\$ 28,214	\$ 3,164,709
Marine insurance	258,311	397,834	656,145
Land and air insurance	1,512,044	1,556,757	3,068,801
Liability insurance	667,713	685,089	1,352,802
Guarantee insurance	56,954	35,700	92,654
Other property insurance	371,618	143,456	515,074
Accident insurance	102,091	505,130	607,221
Health insurance	4,678	46,964	51,642
Policy-oriented residential earthquake insurance	12	-	12
Compulsory automobile liability insurance	<u>441,412</u>	<u>1,723,167</u>	<u>2,164,579</u>
	<u>\$ 6,551,328</u>	<u>\$ 5,122,311</u>	<u>\$ 11,673,639</u>
Insurance Type	December 31, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,524,317	\$ 35,616	\$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Guarantee insurance	71,574	32,880	104,454
Other property insurance	528,177	105,129	633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>517,204</u>	<u>1,746,771</u>	<u>2,263,975</u>
	<u>\$ 5,363,384</u>	<u>\$ 4,498,881</u>	<u>\$ 9,862,265</u>
Insurance Type	June 30, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,228,356	\$ 20,159	\$ 1,248,515
Marine insurance	376,027	69,669	445,696
Land and air insurance	1,558,209	1,388,766	2,946,975
Liability insurance	534,016	658,737	1,192,753
Guarantee insurance	76,109	85,352	161,461

(Continued)

Insurance Type	June 30, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Other property insurance	\$ 505,572	\$ 125,454	\$ 631,026
Accident insurance	112,384	506,537	618,921
Health insurance	2,630	46,720	49,350
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>498,879</u>	<u>1,657,366</u>	<u>2,156,245</u>
	<u>\$ 4,892,182</u>	<u>\$ 4,558,760</u>	<u>\$ 9,450,942</u>

(Concluded)

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

Insurance Type	June 30, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,802,808	\$ 11,750	\$ 1,814,558
Marine insurance	142,147	302,378	444,525
Land and air insurance	88,189	45,154	133,343
Liability insurance	394,002	266,212	660,214
Guarantee insurance	14,139	17,955	32,094
Other property insurance	172,491	64,228	236,719
Accident insurance	7,434	30,791	38,225
Health insurance	1,612	3,589	5,201
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>116,573</u>	<u>796,883</u>	<u>913,456</u>
	<u>\$ 2,739,395</u>	<u>\$ 1,538,940</u>	<u>\$ 4,278,335</u>

Insurance Type	December 31, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 518,834	\$ 7,832	\$ 526,666
Marine insurance	182,974	60,591	243,565
Land and air insurance	51,255	36,432	87,687
Liability insurance	352,700	241,410	594,110
Guarantee insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657

(Continued)

Insurance Type	December 31, 2020		
	Filed	Not Yet	Total
	Paid	Filed	
Health insurance	\$ -	\$ -	\$ -
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>178,296</u>	<u>801,641</u>	<u>979,937</u>
	<u>\$ 1,582,443</u>	<u>\$ 1,238,524</u>	<u>\$ 2,820,967</u> (Concluded)

Insurance Type	June 30, 2020		
	Filed	Not Yet	Total
	Paid	Filed	
Fire insurance	\$ 442,387	\$ 6,881	\$ 449,268
Marine insurance	241,098	41,839	282,937
Land and air insurance	44,854	38,936	83,790
Liability insurance	295,107	253,836	548,943
Guarantee insurance	34,463	31,782	66,245
Other property insurance	274,316	56,082	330,398
Accident insurance	6,607	31,396	38,003
Health insurance	-	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>172,412</u>	<u>746,774</u>	<u>919,186</u>
	<u>\$ 1,511,244</u>	<u>\$ 1,207,526</u>	<u>\$ 2,718,770</u>

e) Reconciliation of loss reserve and ceded loss reserve

	For the Six Months Ended June 30			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 9,862,265	\$ 2,820,967	\$ 9,357,750	\$ 2,450,072
Provision	11,673,501	4,278,592	9,451,213	2,719,106
Recovery	(9,861,890)	(2,820,776)	(9,357,191)	(2,449,755)
Foreign exchange	<u>(237)</u>	<u>(448)</u>	<u>(830)</u>	<u>(653)</u>
Ending balance	<u>\$ 11,673,639</u>	<u>\$ 4,278,335</u>	<u>\$ 9,450,942</u>	<u>\$ 2,718,770</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 865,038	\$ 1,122,321
Provision	46,695	23,418
Recovery	<u>(77,051)</u>	<u>(160,150)</u>
Ending balance	<u>\$ 834,682</u>	<u>\$ 985,589</u>

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

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 411,992	\$ 1,345,017	\$ 1,757,009
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 411,992</u>	<u>\$ 1,345,017</u>	<u>\$ 1,757,009</u>

	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Catastrophic Event</b>	<b>Fluctuation of Risk</b>	<b>Total</b>
Beginning balance	\$ 430,719	\$ 1,345,017	\$ 1,775,736
Provision	-	-	-
Recovery	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 430,719</u>	<u>\$ 1,345,017</u>	<u>\$ 1,775,736</u>

If the notice for the improvement of the reserves of natural disaster insurance (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises, notice for enhancing the reserves of residential earthquake insurance pool members and regulations governing the reserves of nuclear energy insurance are not applied, there is no significant impact on the Cathay Century and its subsidiaries' pre-tax income/loss and earnings per share, the special reserve under liabilities and equity would decrease by \$1,448,509 thousand and \$1,467,236 thousand and increase by \$371,511 thousand and \$441,141 thousand for the six months ended June 30, 2021 and 2020, respectively.

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

<b>June 30, 2021</b>				
<b>Insurance Type</b>	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ -	\$ -	
Marine insurance	3,361	672	-	4,033
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>\$ 3,361</u>	<u>\$ 672</u>	<u>\$ -</u>	<u>\$ 4,033</u>

<b>December 31, 2020</b>				
<b>Insurance Type</b>	<b>Premium Deficiency Reserve</b>		<b>Ceded Premium Deficiency Reserve</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Direct Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	
	Fire insurance	\$ -	\$ -	
Marine insurance	3,082	916	-	3,998
Land and air insurance	118	82	-	200
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 3,200</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 4,198</u>

**June 30, 2020**

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business Reserve (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	12	897	-	909
Land and air insurance	-	11	-	11
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 12</u>	<u>\$ 908</u>	<u>\$ -</u>	<u>\$ 920</u>

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

	For the Six Months Ended June 30, 2021								Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	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)	
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,361	3,082	672	916	35	-	-	-	35
Land and air insurance	-	118	-	82	(200)	-	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 3,361</u>	<u>\$ 3,200</u>	<u>\$ 672</u>	<u>\$ 998</u>	<u>\$ (165)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (165)</u>

For the Six Months Ended June 30, 2020									
	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	12	12	897	613	284	-	-	-	284
Land and air insurance	-	-	11	1,400	(1,389)	-	-	-	(1,389)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 908</u>	<u>\$ 2,013</u>	<u>\$ (1,105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,105)</u>

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

	For the Six Months Ended June 30			
	2021		2020	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 4,198	\$ -	\$ 2,025	\$ -
Provision	4,033	-	920	-
Recovery	<u>(4,198)</u>	<u>-</u>	<u>(2,025)</u>	<u>-</u>
Ending balance	<u>\$ 4,033</u>	<u>\$ -</u>	<u>\$ 920</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

June 30, 2021

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>\$ 108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>

December 31, 2020

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	\$ 119	\$ -	\$ -	\$ 119

June 30, 2020

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	\$ 127	\$ -	\$ -	\$ 127

b) Net changes in policy reserve and ceded policy reserve

For the six months ended June 30, 2021

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Health insurance	\$ 16	\$ 28	\$ -	\$ -	\$ (12)

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

For the six months ended June 30, 2020

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve (5)=(1)-(2)+(3)-(4)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	
Health insurance	\$ 61	\$ 13	\$ -	\$ -	\$ 48

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

## 22. 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, 2020 and 2019, respectively, and recognized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Employee benefit expenses	\$ 121,159	\$ 122,780	\$ 242,268	\$ 244,794

## 23. OTHER FINANCIAL ASSETS AND LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 694,895,535	\$ 641,684,568	\$ 571,235,243
Others	<u>17,868,489</u>	<u>18,863,407</u>	<u>9,333,977</u>
	<u>\$ 712,764,024</u>	<u>\$ 660,547,975</u>	<u>\$ 580,569,220</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 694,895,535	\$ 641,684,568	\$ 571,235,243
Principal received from the sale of structured products	34,332,753	40,034,992	51,028,617
Others	<u>10,438,811</u>	<u>11,040,724</u>	<u>6,999,105</u>
	<u>\$ 739,667,099</u>	<u>\$ 692,760,284</u>	<u>\$ 629,262,965</u>

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 468,482	\$ 447,744	\$ 490,440
Financial assets at FVTPL	688,940,205	632,843,466	564,816,440
Other receivables	<u>5,352,037</u>	<u>8,264,484</u>	<u>5,807,641</u>
	<u>\$ 694,760,724</u>	<u>\$ 641,555,694</u>	<u>\$ 571,114,521</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 455,577	\$ 701,555	\$ 258,682
Reserve for separate accounts - insurance contracts	304,465,593	277,388,301	236,077,731
Reserve for separate accounts - investment contracts	<u>389,839,554</u>	<u>363,465,838</u>	<u>334,778,108</u>
	<u>\$ 694,760,724</u>	<u>\$ 641,555,694</u>	<u>\$ 571,114,521</u>
	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>
			<b>2020</b>
<u>Separate account insurance product income</u>			
Premium income	\$ 7,258,139	\$ 14,593,035	\$ 39,633,523
Interest income	73	433	1,381
Gains (losses) from financial assets at FVTPL	11,794,200	23,747,449	17,138,554
Foreign exchange losses	<u>(4,867,721)</u>	<u>(3,201,207)</u>	<u>(3,355,627)</u>
	<u>\$ 14,184,691</u>	<u>\$ 35,139,710</u>	<u>\$ 53,417,831</u>
<u>Separate account insurance product expenses</u>			
Claims and payments	\$ 3,484,816	\$ 2,590,829	\$ 6,053,394
Cash surrender value	6,784,730	3,575,783	16,827,046
Provision (reversal) of separate account reserve	2,776,232	28,050,067	28,267,057
Administrative expenses	1,178,198	960,512	2,339,921
Non-operating income and expenses	<u>(39,285)</u>	<u>(37,481)</u>	<u>(69,587)</u>
	<u>\$ 14,184,691</u>	<u>\$ 35,139,710</u>	<u>\$ 53,417,831</u>

For the three months and six months ended June 30, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products amounted to \$206,481 thousand, \$206,142 thousand, \$412,515 thousand and \$429,971 thousand, respectively, which were recorded under service fee income.

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>	
<u>Separate account insurance product assets</u>				
Cash in bank	\$ 3,348	\$ 4,845	\$ 28,848	
Financial assets at FVTPL	131,423	123,985	91,837	
Others	<u>40</u>	<u>44</u>	<u>37</u>	
	<u>\$ 134,811</u>	<u>\$ 128,874</u>	<u>\$ 120,722</u>	
<u>Separate account insurance product liabilities</u>				
Other payables	\$ 1,890	\$ 1,723	\$ 646	
Reserve for separate accounts - insurance contracts	<u>132,921</u>	<u>127,151</u>	<u>120,076</u>	
	<u>\$ 134,811</u>	<u>\$ 128,874</u>	<u>\$ 120,722</u>	
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Separate account insurance product income</u>				
Premium income	\$ 12	\$ 50	\$ 25	\$ 101
Gains from financial assets and liabilities at FVTPL	8,669	16,872	8,044	13,539
Interest income	<u>6</u>	<u>11</u>	<u>11</u>	<u>29</u>
	<u>\$ 8,687</u>	<u>\$ 16,933</u>	<u>\$ 8,080</u>	<u>\$ 13,669</u>
<u>Separate account insurance product expenses</u>				
Cash surrender value	\$ -	\$ 5,879	\$ -	\$ 6,265
Provision of separate account reserve	8,206	9,640	7,191	5,871
Administrative expenses	417	368	835	742
Tax expense	<u>64</u>	<u>1,046</u>	<u>54</u>	<u>791</u>
	<u>\$ 8,687</u>	<u>\$ 16,933</u>	<u>\$ 8,080</u>	<u>\$ 13,669</u>

## 24. EQUITY

### a. Share capital

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	18,000,000	18,000,000	18,000,000
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>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</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 the 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.
  - 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 statutory 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 statutory 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 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 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>165,371</u>	<u>169,552</u>	<u>167,958</u>
	<u>\$ 177,251,872</u>	<u>\$ 177,256,053</u>	<u>\$ 177,254,459</u>

2) 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 presents the remaining balance after the appropriation of 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 current year) 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 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 30% 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 employees' compensation and remuneration of directors in the Articles, refer to employees' compensation and remuneration of directors in Note 25 e.

Legal reserve should be appropriated 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.

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meeting on July 23, 2021 and June 12, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 7,504,207	\$ 5,844,843
Special reserve provision (reversal)	1,025,611	(71,928,090)
Cash dividends of ordinary shares	32,923,025	26,338,420
Cash dividends of preference shares	3,390,924	3,390,924

The Company suspended its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The shareholders' meeting was held on July 23, 2021. However, the voting result by way of electronic transmission regarding the appropriation of earnings for 2020 reached the legal resolution threshold and the Company adjusted the related amount accordingly.

d. Special reserves

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
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 appropriated at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	108,879,082	108,057,969	108,057,969
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,716,023</u>	<u>\$ 149,894,910</u>	<u>\$ 149,894,910</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. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. 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 IFRSs, 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 IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. 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.
- e. Other equity

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	<u>\$ (15,464,009)</u>	<u>\$ (13,319,620)</u>
Recognized for the period	(1,673,619)	(3,265,441)
Share of associates accounted for using the equity method	(495,596)	(307,077)
Tax effects	<u>221,692</u>	<u>147,839</u>
Other comprehensive loss recognized for the period	<u>(1,947,523)</u>	<u>(3,424,679)</u>
Ending balance	<u>\$ (17,411,532)</u>	<u>\$ (16,744,299)</u>

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	<u>\$ 106,207,840</u>	<u>\$ 68,319,953</u>
Recognized for the period	(34,640,296)	32,605,628
Share of associates accounted for using the equity method	(21,063)	159,259
Reclassification adjustments		
Disposal of debt instruments	(19,521,231)	(18,058,119)
Tax effects	<u>11,185,992</u>	<u>(1,717,494)</u>
Other comprehensive (loss) income recognized for the period	(42,996,598)	12,989,274
Cumulative unrealized (gain) loss of equity instruments transferred to retained earnings due to disposal	<u>(2,163,754)</u>	<u>129,340</u>
Ending balance	<u>\$ 61,047,488</u>	<u>\$ 81,438,567</u>

3) Gain (loss) on hedging instruments

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 347,871	\$ 331,930
Recognized for the period	(67,718)	186,172
Reclassification adjustments		
Hedged item that affects profit or loss	(23,877)	(34,335)
Tax effects	20,278	(26,197)
Other comprehensive (loss) income recognized for the period	<u>(71,317)</u>	<u>125,640</u>
Ending balance	<u>\$ 276,554</u>	<u>\$ 457,570</u>

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (1,478,705)	\$ (1,850,508)
Recognized for the period	275,768	1,117,321
Tax effects	(55,153)	(223,464)
Other comprehensive income recognized for the period	<u>220,615</u>	<u>893,857</u>
Ending balance	<u>\$ (1,258,090)</u>	<u>\$ (956,651)</u>

5) Remeasurement of defined benefit plans

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (1,966,279)	\$ (1,507,864)
Recognized for the period	(655)	1,126
Share of associate accounted for using the equity method	(11,535)	(12,201)
Tax effects	2,687	1,714
Other comprehensive loss recognized for the period	<u>(9,503)</u>	<u>(9,361)</u>
Ending balance	<u>\$ (1,975,782)</u>	<u>\$ (1,517,225)</u>

6) Property revaluation surplus

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 11,097,089	\$ 11,240,314
Transferred to retained earnings	<u>(64,925)</u>	<u>(143,225)</u>
Ending balance	<u>\$ 11,032,164</u>	<u>\$ 11,097,089</u>

7) Other comprehensive income (loss) on reclassification using the overlay approach

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 102,511,617	\$ 57,968,675
Recognized for the period		
Unrealized gain	60,979,595	24,234,232
Reclassification adjustments		
Disposal of financial instruments	(77,646,633)	(35,849,089)
Tax effects	(350,605)	2,703,759
Other comprehensive loss recognized for the period	<u>(17,017,643)</u>	<u>(8,911,098)</u>
Ending balance	<u>\$ 85,493,974</u>	<u>\$ 49,057,577</u>

8) Other equity-other

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ (3,944,303)	\$ -
Actual execution of put options on subsidiaries' share	731,017	-
Other	<u>(11,103)</u>	<u>-</u>
Ending balance	<u>\$ (3,224,389)</u>	<u>\$ -</u>

f. Non-controlling interests

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 11,714,465	\$ 10,279,814
Attributed to non-controlling interest		
Net profit for the period	465,539	579,954
Exchange differences on the translation of financial statements of foreign operations	(186,848)	(198,459)
Unrealized gain on financial assets at FVTOCI	71,128	125,168
Other comprehensive income on reclassification using the overlay approach	81,454	165,036
Non-controlling interests arising from acquisition of subsidiaries (Note 38)	-	1,302,994
Actual acquisition of interests in subsidiaries	(176,506)	-
Others	<u>(689,674)</u>	<u>(816,788)</u>
Ending balance	<u>\$ 11,279,558</u>	<u>\$ 11,437,719</u>

## 25. NET PROFIT FOR THE PERIOD

### a. Net gain on service fee and commission fee

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Service fee revenue	\$ 8,416,717	\$ 6,004,016	\$ 16,368,796	\$ 12,971,792
Commission fee revenue	2,145,340	1,650,035	4,474,986	3,755,036
	<u>10,562,057</u>	<u>7,654,051</u>	<u>20,843,782</u>	<u>16,726,828</u>
Service fee expense	(2,723,037)	(1,787,098)	(5,143,729)	(3,818,188)
Commission fee expense	(5,094,694)	(5,376,434)	(10,223,855)	(10,109,627)
	<u>(7,817,731)</u>	<u>(7,163,532)</u>	<u>(15,367,584)</u>	<u>(13,927,815)</u>
	<u>\$ 2,744,326</u>	<u>\$ 490,519</u>	<u>\$ 5,476,198</u>	<u>\$ 2,799,013</u>

### b. Net income on insurance operations

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Retained premiums earned	\$ 126,864,041	\$ 153,920,627	\$ 259,039,997	\$ 303,374,150
Separate account insurance product income	14,193,378	35,156,643	53,425,911	10,672,239
	<u>141,057,419</u>	<u>189,077,270</u>	<u>312,465,908</u>	<u>314,046,389</u>
Claims and payments	(71,455,732)	(63,712,236)	(138,133,634)	(133,720,953)
Separate account insurance product expenses	(14,193,378)	(35,156,643)	(53,425,911)	(10,672,239)
Others	(264,177)	(317,404)	(531,442)	(630,762)
	<u>(85,913,287)</u>	<u>(99,186,283)</u>	<u>(192,090,987)</u>	<u>(145,023,954)</u>
	<u>\$ 55,144,132</u>	<u>\$ 89,890,987</u>	<u>\$ 120,374,921</u>	<u>\$ 169,022,435</u>

### c. Net changes in insurance liability reserves

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net change in loss reserve	\$ 47,468	\$ (187,757)	\$ 36,621	\$ (252,740)
Net change in policy reserve	(95,229,917)	(126,781,582)	(199,819,487)	(243,592,192)
Net change in premium deficiency reserve	826,539	1,388,967	1,781,503	2,155,162
Net change in special reserve	(1,202)	100,635	30,395	136,831
Net change in other reserves	3,000	6,000	6,000	12,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(267,244)</u>	<u>(180,891)</u>	<u>(504,461)</u>	<u>(368,263)</u>
	<u>\$ (94,621,356)</u>	<u>\$ (125,654,628)</u>	<u>\$ (198,469,429)</u>	<u>\$ (241,909,202)</u>

d. Employee benefit expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term benefits				
Salaries	\$ 14,056,949	\$ 16,066,309	\$ 28,471,755	\$ 28,622,093
Labor and health insurance expenses	1,081,745	1,044,858	2,440,156	2,328,326
Post-employment benefits	555,637	616,970	1,161,635	1,231,219
Remuneration of directors	41,453	36,469	121,346	92,191
Others	<u>308,976</u>	<u>476,669</u>	<u>656,139</u>	<u>853,990</u>
	<u>\$ 16,044,760</u>	<u>\$ 18,241,275</u>	<u>\$ 32,851,031</u>	<u>\$ 33,127,819</u>
An analysis of employee benefit expenses by function				
Profit from operations	\$ 2,976,954	\$ 3,913,815	\$ 6,125,474	\$ 6,665,629
Operating expenses	<u>13,067,806</u>	<u>14,327,460</u>	<u>26,725,557</u>	<u>26,462,190</u>
	<u>\$ 16,044,760</u>	<u>\$ 18,241,275</u>	<u>\$ 32,851,031</u>	<u>\$ 33,127,819</u>

As of June 30, 2021 and 2020, the total number of employees in the Group was 57,417 and 56,976, respectively.

For the six months ended June 30, 2021 and 2020, the average number of the Group's employees was 57,560 and 56,718, respectively, including 41 and 37 directors not concurrently serving as employees, respectively.

e. Compensation of employees and remuneration of directors

According to the Articles, 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, the Company has to first cover accumulated losses, if any.

In the six months ended June 30, 2021 and 2020, the Company accrued compensation of employees and remuneration of directors at the rates of 0.01% and no higher than 0.05%, respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021 Cash	2020 Cash	2021 Cash	2020 Cash
Compensation of employees	\$ 3,490	\$ 1,152	\$ 9,223	\$ 3,478
Remuneration of directors	675	675	1,350	1,350

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 2020 and 2019 which were resolved by the Company's board of directors on March 10, 2021 and March 11, 2020, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 7,713	\$ 6,270
Remuneration of directors	2,700	2,700

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, 2020 and 2019.

Information on 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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Right-of-use assets	\$ 354,496	\$ 374,298	\$ 709,366	\$ 724,495
Property and equipment	644,641	619,833	1,267,698	1,238,338
Intangible assets	<u>798,206</u>	<u>798,868</u>	<u>1,598,696</u>	<u>1,585,472</u>
	<u>\$ 1,797,343</u>	<u>\$ 1,792,999</u>	<u>\$ 3,575,760</u>	<u>\$ 3,548,305</u>
An analysis of depreciation by function				
Operating expenses	<u>\$ 999,137</u>	<u>\$ 994,131</u>	<u>\$ 1,977,064</u>	<u>\$ 1,962,833</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 798,206</u>	<u>\$ 798,868</u>	<u>\$ 1,598,696</u>	<u>\$ 1,585,472</u>

## 26. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 4,408,800	\$ 6,851,256	\$ 13,547,862	\$ 13,719,365
Adjustments for prior years	(315,348)	91,764	(290,613)	43,252
Additional tax of unappropriated earnings	1,509,915	2,624,086	1,509,915	2,624,086
Others	1,007,281	35,184	1,510,779	214,622
Deferred tax				
In respect of the current period	(326,842)	(7,276,985)	(3,697,207)	(11,479,722)
Adjustments for prior years	<u>91,605</u>	<u>423</u>	<u>91,605</u>	<u>423</u>
Income tax expense recognized in profit or loss	<u>\$ 6,375,411</u>	<u>\$ 2,325,728</u>	<u>\$ 12,672,341</u>	<u>\$ 5,122,026</u>

### b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
Derecognition of equity instruments at FVTOCI	\$ 14,136	\$ 4,687	\$ 30,111	\$ 13,370
Deferred tax				
Derecognition of equity instruments at FVTOCI	(14,136)	(4,687)	(30,111)	(13,370)
Capital surplus	<u>57</u>	<u>-</u>	<u>57</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
<u>Deferred tax</u>				
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ 36,185	\$ 117,424	\$ (55,153)	\$ (223,464)
Exchange differences on the translation of financial statements of foreign operations	170,253	87,309	221,692	147,839
Unrealized (gains) losses on financial assets at FVTOCI	(4,802,363)	(11,016,800)	11,207,530	(1,739,061)
(Gains) losses on hedging instruments	(9,918)	83,398	20,278	(26,197)
Remeasurement of defined benefit plans	77	-	208	(225)
Shares of associates accounted for using the equity method	(21,861)	(225)	(19,059)	23,506
Other comprehensive (income) loss reclassified using overlay approach	<u>(2,664,082)</u>	<u>(7,193,411)</u>	<u>(350,605)</u>	<u>2,703,759</u>
Income tax (expense) benefit recognized in other comprehensive income	<u>\$ (7,291,709)</u>	<u>\$ (17,922,305)</u>	<u>\$ 11,024,891</u>	<u>\$ 886,157</u>

d. Income tax assessments

The income tax returns of the Group assessed by the tax authorities were as follows:

	<u>Year of Assessment</u>	<u>Note</u>
The Company	2015	-
Cathay Life	2015	In the process of administrative remedy for 2015.
Cathay United Bank	2015	In the process of administrative remedy for 2014 and 2015.
Cathay Century	2015	-
Cathay Securities	2015	In the process of administrative remedy for 2014 and 2015.
Cathay Venture	2015	-
Cathay Securities Investment Trust	2015	-
Cathay Futures	2018	-
Cathay Private Equity	2019	-

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.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Basic earnings per share	\$ 2.30	\$ 0.41	\$ 6.66	\$ 2.18

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 June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net income for the period attributable to owners of the Company	\$ 33,684,448	\$ 8,832,074	\$ 91,050,474	\$ 32,121,758
Less: Dividends on preference shares	<u>(3,390,924)</u>	<u>(3,390,924)</u>	<u>(3,390,924)</u>	<u>(3,390,924)</u>
Earnings used in the computation of basic earnings per share	\$ 30,293,524	\$ 5,441,150	\$ 87,659,550	\$ 28,730,834

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>

## 28. 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

(Continued)

<b>Related Party Name</b>	<b>Related Party Category</b>
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary
Lin Yuan	Subsidiary
Conning Holdings Limited	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
Octagon Credit Investors, LLC	Subsidiary
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Global Evolution Holding ApS	Subsidiary (associate before June 2020)
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Cathay Power Inc.	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
Fund 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

(Continued)

Related Party Name	Related Party Category
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party
Sino Greenergy Group	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
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	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	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	\$ 70,339	\$ 359	\$ 519,903	\$ 5,256	\$ 5,135,457	\$ 2,225

b) Due to commercial banks

Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party						
Vietinbank	\$ 28,168	\$ -	\$ 20,040	\$ 10,117	\$ 5,337,418	\$ 2,595

c) Investments in financial debentures (financial assets at FVTOCI)

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party			
Vietinbank	\$ 362,969	\$ 384,663	\$ 383,452

Name	Interest Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Other related party Vietinbank	\$ 6,471	\$ 8,205	\$ 13,230	\$ 17,441

2) Balance of shares issued by related parties

Name	June 30, 2021	December 31, 2020	June 30, 2020
Associate PSS Co., Ltd.	\$ 18,912	\$ 19,318	\$ 17,530
Other related party Cathay Real Estate Development Co., Ltd.	1,359,202	1,437,071	1,375,190
Cathay Healthcare Management Co., Ltd.	139,013	145,035	204,765
	<u>1,498,215</u>	<u>1,582,106</u>	<u>1,579,955</u>
	\$ 1,517,127	\$ 1,601,424	\$ 1,597,485

Refer to Note 13 for the balance of investment in associates.

3) Receivable

Name	June 30, 2021	December 31, 2020	June 30, 2020
Associate Cathay Power Inc.	\$ 8,634	\$ -	\$ 118
Other related party Fund managed by Cathay Securities Investment Trust	231,178	212,465	180,233
Cathay Hospitality Management Co., Ltd.	16	4,664	33
Tian-Ji Power Co., Ltd.	-	3,687	-
	<u>231,194</u>	<u>220,816</u>	<u>180,266</u>
	\$ 239,828	\$ 220,816	\$ 180,384

4) Loans

Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate TaiYang Solar Power Co., Ltd.	\$ 62,592	\$ 643	\$ 65,244	\$ 1,409	\$ 67,897	\$ 754
Taiwan Real-estate Management Corp.	33,000	262	33,000	533	33,000	272
	<u>95,592</u>	<u>905</u>	<u>98,244</u>	<u>1,942</u>	<u>100,897</u>	<u>1,026</u>

(Continued)

Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Tian-Ji Power Co., Ltd.	\$ 79,239	\$ 836	\$ 83,012	\$ 1,878	\$ -	\$ -
Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	66	-	103	10,000	81
Others	<u>3,010,870</u>	<u>20,558</u>	<u>2,980,147</u>	<u>39,028</u>	<u>2,804,645</u>	<u>19,850</u>
	<u>3,100,109</u>	<u>21,460</u>	<u>3,063,159</u>	<u>41,009</u>	<u>2,814,645</u>	<u>19,931</u>
	<u>\$ 3,195,701</u>	<u>\$ 22,365</u>	<u>\$ 3,161,403</u>	<u>\$ 42,951</u>	<u>\$ 2,915,542</u>	<u>\$ 20,957</u>

(Concluded)

## 5) Deposits

Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary of the Company						
Cathay Securities Investment Consulting	\$ 605,087	\$ 81	\$ 502,217	\$ 388	\$ 387,099	\$ 283
Associate						
Symphox Information Co., Ltd.	111,909	73	407,037	427	292,983	318
Lin Yuan Property Management Co., Ltd.	178,450	637	270,481	1,387	218,455	763
CM Energy Co., Ltd.	<u>305,174</u>	<u>13</u>	<u>50,160</u>	<u>2</u>	<u>10,139</u>	<u>1</u>
	<u>595,533</u>	<u>723</u>	<u>727,678</u>	<u>1,816</u>	<u>521,577</u>	<u>1,082</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,311,971	8,417	2,198,909	17,881	2,280,214	9,325
Cathay United Bank Employees' Welfare Committee	799,801	15,260	760,170	31,356	801,536	15,339
De Jin Co., Ltd.	133,564	9	636,153	31	-	-
Cathay United Bank Foundation	526,102	2,084	530,444	4,560	519,586	2,413
Cathay Real Estate Development Employees' Welfare Committee	410,584	1,701	413,825	3,560	391,939	1,826
Cathay Real Estate Development Co., Ltd.	383,244	16	370,758	18	202,634	7
Bannan Realty Co., Ltd.	298,668	15	338,238	16	-	-
Cathay Charity Foundation	280,861	950	274,178	2,026	273,358	1,059
Cathay Medical Care Corp.	146,019	17	210,060	42	257,569	27
Cathay Cultural Foundation	226,447	795	209,366	1,711	204,697	888
Cathay Hospitality Management Co., Ltd.	66,645	3	189,776	11	10,815	1
Pai Hsing Investment Co., Ltd.	3,324	39	177,062	743	-	-
Jinhua Realty Co., Ltd.	466,584	15	167,867	6	-	-
Ally Logistic Property Co., Ltd.	226,560	6	147,229	9	71,264	5
Yua-Yung Marketing (Taiwan) Co., Ltd.	152,532	134	140,277	291	106,768	147
Others	<u>8,317,543</u>	<u>25,155</u>	<u>8,657,392</u>	<u>54,001</u>	<u>8,305,378</u>	<u>31,223</u>
	<u>14,750,449</u>	<u>54,616</u>	<u>15,421,704</u>	<u>116,262</u>	<u>13,425,758</u>	<u>62,260</u>
	<u>\$ 15,951,069</u>	<u>\$ 55,420</u>	<u>\$ 16,651,599</u>	<u>\$ 118,466</u>	<u>\$ 14,334,434</u>	<u>\$ 63,625</u>

6) Property transactions

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

Name	For the Six Months Ended June 30			
	2021		2020	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Cathay Life Head Office Building, etc.	\$ 4,497	Cathay Life Head Office Building, etc.	\$ 4,180
Other related party				
Ally Logistic Property Co., Ltd.	Ruifang Logistics Park, etc.	490,784	Yangmei Logistics Park, etc.	314,653
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	673,341	THSR Taoyuan Commercial Park etc.	156,462
		<u>1,164,125</u>		<u>471,115</u>
		<u>\$ 1,168,622</u>		<u>\$ 475,295</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand, \$2,569,290 thousand and \$2,419,048 thousand, respectively.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,306,390 thousand, \$7,393,657 thousand and \$144,528 thousand, respectively.

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

Name	Rental Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Consulting	\$ 2,448	\$ 2,414	\$ 4,895	\$ 4,828
Associates				
Symphox Information Co., Ltd.	8,200	11,260	16,420	24,121
Lin Yuan Property Management Co., Ltd.	<u>5,991</u>	<u>4,929</u>	<u>10,858</u>	<u>8,106</u>
	<u>14,191</u>	<u>16,189</u>	<u>27,278</u>	<u>32,227</u>
Other related party				
Ally Logistic Property Co., Ltd.	194,902	189,669	391,707	374,968
Cathay Hospitality Management Co., Ltd.	49,400	41,775	87,202	90,695
Cathay Medical Care Corp.	49,337	50,346	95,983	95,628

(Continued)

Name	Rental Income			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Cathay Hospitality Consulting Co., Ltd.	\$ 42,650	\$ 20,177	\$ 85,169	\$ 45,180
Cathay Healthcare Management Co., Ltd.	17,590	17,468	35,174	34,935
Yua-Yung Marketing (Taiwan) Co., Ltd.	7,707	8,750	17,419	8,750
Hong-Sui Co., Ltd.	7,147	12,977	14,614	12,977
Cathay Real Estate Development Co., Ltd.	4,497	5,285	9,125	9,799
Hsin Chung Co., Ltd.	3,225	2,333	6,451	5,559
Cymder Co., Ltd.	2,075	-	3,459	-
San Ching Engineering Co., Ltd.	1,608	1,488	3,217	2,919
	<u>380,138</u>	<u>350,268</u>	<u>749,520</u>	<u>681,410</u>
	<u>\$ 396,777</u>	<u>\$ 368,871</u>	<u>\$ 781,693</u>	<u>\$ 718,465</u>

(Concluded)

Name	Guarantee Deposits Received		
	June 30, 2021	December 31, 2020	June 30, 2020
Associates			
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000	\$ 13,070
Other related party			
Cathay Hospitality Management Co., Ltd.	187,830	186,584	186,031
Cathay Hospitality Consulting Co., Ltd.	181,185	180,473	179,392
Ally Logistic Property Co., Ltd.	143,270	142,869	123,125
Cathay Healthcare Management Co., Ltd.	20,384	20,384	20,384
Cathay Medical Care Corp.	11,435	11,435	11,435
Retail Forest Co., Ltd.	5,745	5,745	1,699
Hong-Sui Co., Ltd.	5,145	5,145	4,645
Cathay Real Estate Development Co., Ltd.	4,090	4,090	4,024
Cymlin Co., Ltd.	4,081	4,081	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	3,892	3,487	3,471
Hsin Chung Co., Ltd.	3,072	3,072	3,072
	<u>570,129</u>	<u>567,365</u>	<u>537,278</u>
	<u>\$ 578,129</u>	<u>\$ 575,365</u>	<u>\$ 550,348</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 of Cathay Life and its subsidiaries

Name	Acquisition of Right-of-use Assets			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Other related party Cathay Real Estate Development Co., Ltd.	\$ -	\$ 20,565	\$ -	\$ 20,565
Yi Ru Capital Co., Ltd.	<u>8,402</u>	<u>-</u>	<u>8,402</u>	<u>-</u>
	<u>\$ 8,402</u>	<u>\$ 20,565</u>	<u>\$ 8,402</u>	<u>\$ 20,565</u>

Name	Lease Liabilities		
	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Cathay Real Estate Development Co., Ltd.	\$ 12,836	\$ 16,478	\$ 19,240
Yi Ru Capital Co., Ltd.	<u>7,346</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,182</u>	<u>\$ 16,478</u>	<u>\$ 19,240</u>

d) Lease arrangements of Cathay United Bank and its subsidiaries

Name	Lease Liabilities		
	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Cathay Real Estate Development Co., Ltd.	<u>\$ 8,829</u>	<u>\$ 15,949</u>	<u>\$ 11,199</u>

Name	Guarantee Deposits Paid		
	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Cathay Real Estate Development Co., Ltd.	<u>\$ 4,446</u>	<u>\$ 4,446</u>	<u>\$ 4,625</u>

7) Guarantee deposits received

Name	June 30, 2021	December 31, 2020	June 30, 2020
Associate			
Lin Yuan Property Management Co., Ltd.	\$ 5,000	\$ 5,000	\$ 5,000
Other related party			
San Ching Engineering Co., Ltd.	979,969	979,284	461,635
Ally Logistic Property Co., Ltd.	<u>293,285</u>	<u>293,285</u>	<u>393,275</u>
	<u>1,273,254</u>	<u>1,272,569</u>	<u>854,910</u>
	<u>\$ 1,278,254</u>	<u>\$ 1,277,569</u>	<u>\$ 859,910</u>

8) Payables

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathy Securities Investment Consulting	\$ 30,120	\$ 30,788	\$ 30,556
Associate			
Symphox Information Co., Ltd.	82,390	92,236	117,523
Lin Yuan Property Management Co., Ltd.	<u>10,473</u>	<u>17</u>	<u>2,728</u>
	<u>92,863</u>	<u>92,253</u>	<u>120,251</u>
Other related party			
Seaward Card Co., Ltd.	22,973	35,533	31,273
Funds managed by Cathay Securities Investment Trust	<u>3,741</u>	<u>3,922</u>	<u>3,009</u>
	<u>26,714</u>	<u>39,455</u>	<u>34,282</u>
	<u>\$ 149,697</u>	<u>\$ 162,496</u>	<u>\$ 185,089</u>

9) Balance of bonds managed by related parties

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party			
Bonds managed by Octagon Credit Investors, LLC	\$ 4,927,956	\$ 5,006,641	\$ 5,158,642

10) Balance of funds managed by related parties

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related parties			
Funds managed by Cathay Securities Investment Trust	\$ 70,332,189	\$ 70,300,473	\$ 65,924,661
Funds managed by Global Evolution Holding ApS	2,827,094	2,864,685	2,722,672
Cathay Private Equity's Private Equity Fund	1,031,102	1,055,921	688,224
Funds managed by Octagon Credit Investors, LLC	<u>538,030</u>	<u>870,939</u>	<u>717,051</u>
	<u>\$ 74,728,415</u>	<u>\$ 75,092,018</u>	<u>\$ 70,052,608</u>

11) Balances of related parties' discretionary management investment

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related parties			
Cathay Charity Foundation	\$ 121,588	\$ 110,045	\$ 90,869
Cathay Real Estate Development Cultural Foundation	<u>61,691</u>	<u>58,230</u>	<u>54,172</u>
	<u>\$ 183,279</u>	<u>\$ 168,275</u>	<u>\$ 145,041</u>

12) Service fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Consulting	\$ 10,170	\$ 4,401	\$ 17,150	\$ 8,018
Other related party				
Cathay Real Estate Development Co., Ltd.	<u>1,323</u>	<u>1,525</u>	<u>5,613</u>	<u>3,105</u>
	<u>\$ 11,493</u>	<u>\$ 5,926</u>	<u>\$ 22,763</u>	<u>\$ 11,123</u>

13) Premium income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associate				
Cathay Power Inc.	\$ 8,648	\$ 120	\$ 8,835	\$ 120
Other related party				
Cathay Medical Care Corp.	8,962	12,202	17,939	24,217
San Ching Engineering Co., Ltd.	2,392	3,391	3,433	4,569
Others	<u>69,418</u>	<u>106,822</u>	<u>131,520</u>	<u>210,771</u>
	<u>80,772</u>	<u>122,415</u>	<u>152,892</u>	<u>239,557</u>
	\$ 89,420	\$ 122,535	\$ 161,727	\$ 239,677

14) Net other non-interest income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net other non-interest income				
Other related party				
Funds managed by Cathay Securities Investment Trust	\$ 684,576	\$ 549,223	\$ 1,327,083	\$ 1,157,559
Private Equity Funds managed by Cathay Private Equity	<u>16,093</u>	<u>9,820</u>	<u>32,009</u>	<u>17,181</u>
	<u>\$ 700,669</u>	<u>\$ 559,043</u>	<u>\$ 1,359,092</u>	<u>\$ 1,174,740</u>
Net other non-interest expense				
Associate				
Global Evolution Holding ApS	\$ -	\$ 8,775	\$ -	\$ 14,163

15) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Consulting	\$ 30,202	\$ 30,841	\$ 60,855	\$ 61,335
Associate				
Lin Yuan Property Management Co., Ltd.	209,869	204,235	407,102	405,537
Symphox Information Co., Ltd.	182,750	206,899	385,208	401,508
Global Evolution Holding ApS	-	5,549	-	5,549
	<u>392,619</u>	<u>416,683</u>	<u>792,310</u>	<u>812,594</u>
Other related party				
Seaward Card Co., Ltd.	65,134	73,095	137,541	148,203
Cathay Medical Care Corp.	5,145	1,297	6,772	2,099
ThinkPower Information Co., Ltd.	2,468	5,095	5,429	6,848
FundRich Securities Co., Ltd.	1,974	536	3,484	1,010
Cathay Healthcare Management Co., Ltd.	317	10,175	4,875	15,482
Bowl Cut Entertainment Co., Ltd.	-	-	18,870	18,870
	<u>75,038</u>	<u>90,198</u>	<u>176,971</u>	<u>192,512</u>
	<u>\$ 497,859</u>	<u>\$ 537,722</u>	<u>\$ 1,030,136</u>	<u>\$ 1,066,441</u>

16) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Six Months Ended June 30	
		2021	2020
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associates			
CM Energy Co., Ltd.	Ordinary shares	135,000	-
TaiYang Solar Power Co., Ltd.	Ordinary shares	99,500	40,150
PSS Co., Ltd.	Ordinary shares	-	51,386
Lin Yuan Property Management Co., Ltd.	Ordinary shares	-	50,649
		<u>234,500</u>	<u>142,185</u>
		<u>\$ 234,500</u>	<u>\$ 372,185</u>

17) Guarantees on duties and contracts

June 30, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 57,673</u>	<u>\$ 57,673</u>	<u>\$ 46</u>	0.65-0.80%	Demand deposits

December 31, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 54,673</u>	<u>\$ 28</u>	0.65-0.80%	Demand deposits

June 30, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 55,190</u>	<u>\$ 15</u>	0.65-0.80%	Demand deposits

18) Compensation of key management personnel

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 212,805	\$ 202,970	\$ 633,472	\$ 584,444
Post-employment benefits	5,952	5,002	12,161	10,727
Other long-term employee benefits	<u>-</u>	<u>55</u>	<u>-</u>	<u>55</u>
	<u>\$ 218,757</u>	<u>\$ 208,027</u>	<u>\$ 645,633</u>	<u>\$ 595,226</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	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	\$ 324,971	\$ 15	\$ 209,849	\$ 144	\$ 365,779	\$ 39

2) Receivables

Name	Nature of Transaction	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary Cathay United Bank	Integrated income tax, etc.	\$ 16,089,080	\$ 771,804	\$ 10,362,650
Cathay Life	Integrated income tax, etc.	3,168,920	6,206,423	1,914,742
Cathay Century	Integrated income tax, etc.	1,607,247	356,009	2,025,466
Cathay Securities	Integrated income tax, etc.	1,319,613	218,953	96,173
Cathay Securities Investment Trust	Integrated income tax, etc.	<u>934,001</u>	<u>186,069</u>	<u>713,235</u>
		<u>\$ 23,118,861</u>	<u>\$ 7,739,258</u>	<u>\$ 15,112,266</u>

3) Guarantee deposits paid

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary Cathay Life	\$ 33,301	\$ 29,781	\$ 29,392

4) Financial assets at FVTPL

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary Cathay Life	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000

5) Lease agreements

a) Lease liabilities

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary Cathay Life	\$ <u>174,241</u>	\$ <u>239,100</u>	\$ <u>21,058</u>

b) Lease expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	\$ <u>2,530</u>	\$ <u>19,454</u>	\$ <u>3,950</u>	\$ <u>32,302</u>

6) Interest income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	\$ <u>314,137</u>	\$ <u>313,278</u>	\$ <u>624,822</u>	\$ <u>626,557</u>

7) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay United Bank	\$ 6,793	\$ 12,231	\$ 6,793	\$ 12,231
Cathay Life	3,818	3,742	5,321	5,240
Cathay Securities	-	5,000	-	5,000
	<u>10,611</u>	<u>20,973</u>	<u>12,114</u>	<u>22,471</u>
Associates				
Symphox Information Co., Ltd.	<u>524</u>	<u>1,391</u>	<u>2,015</u>	<u>4,327</u>
Other related party				
Seaward Card Co., Ltd.	2,081	1,208	4,314	3,243
Bowl Cut Entertainment Co., Ltd.	-	-	18,870	18,870
	<u>2,081</u>	<u>1,208</u>	<u>23,184</u>	<u>22,113</u>
	<u>\$ 13,216</u>	<u>\$ 23,572</u>	<u>\$ 37,313</u>	<u>\$ 48,911</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. Significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Six Months Ended June 30			
	2021		2020	
	Items	Amount	Items	Amount
Other related party				
Ally Logistic Property Co., Ltd.	Ruifang Logistics Park, etc.	\$ 490,784	Yangmei Logistics Park, etc.	\$ 314,653
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>673,341</u>	THSR Taoyuan Commercial Park, etc.	<u>156,462</u>
		<u>\$ 1,164,125</u>		<u>\$ 471,115</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$2,607,361 thousand, \$2,569,290 thousand and \$2,419,048 thousand, respectively.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$7,306,390 thousand, \$7,393,657 thousand and \$144,528 thousand, respectively.

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

Name	Rental Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay United Bank	\$ 193,632	\$ 195,578	\$ 347,570	\$ 345,336
Other related party				
Ally Logistic Property Co., Ltd.	<u>194,902</u>	<u>189,669</u>	<u>391,707</u>	<u>374,968</u>
	<u>\$ 388,534</u>	<u>\$ 385,247</u>	<u>\$ 739,277</u>	<u>\$ 720,304</u>

Name	Guarantee Deposits Received		
	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay United Bank	\$ 187,202	\$ 186,446	\$ 188,914
Other related party			
Cathay Hospitality Management Co., Ltd.	187,830	186,584	186,031
Cathay Hospitality Consulting Co., Ltd.	181,185	180,473	179,392
Ally Logistic Property Co., Ltd.	<u>143,270</u>	<u>142,869</u>	<u>123,125</u>
	<u>512,285</u>	<u>509,926</u>	<u>488,548</u>
	\$ <u>699,487</u>	\$ <u>696,372</u>	\$ <u>677,462</u>

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

b) Shares transactions

Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Six Months Ended June 30	
		2021	2020
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	\$ -	\$ 230,000
Associate			
CM Energy Co., Ltd.	Ordinary shares	<u>135,000</u>	<u>-</u>
		<u>\$ 135,000</u>	<u>\$ 230,000</u>

c) Balance of shares issued by related parties

Name	Nature of Transaction	June 30, 2021	December 31, 2020	June 30, 2020
Other related party				
Cathay Real Estate Development Co., Ltd.	Ordinary shares	\$ <u>1,359,202</u>	\$ <u>1,436,792</u>	\$ <u>1,374,942</u>

d) Cash in banks

<b>Name</b>	<b>Nature of Transaction</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary				
Cathay United Bank	Time deposits	\$ 1,185,504	\$ 1,068,004	\$ 1,027,236
	Demand deposits	42,436,068	23,114,154	30,480,992
	Checking deposits	278,313	349,239	229,121
	Security deposits	6	6	6
Indovina Bank	Time deposits	3,252,085	815,802	717,597
	Demand deposits	<u>48,769</u>	<u>19,863</u>	<u>20,145</u>
		<u>\$ 47,200,745</u>	<u>\$ 25,367,068</u>	<u>\$ 32,475,097</u>

e) Loans

<b>Name</b>	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Maximum Balance</b>	<b>Rate</b>	<b>Ending Balance</b>
Other related party	<u>\$ 978,328</u>	0.75%-3.17%	<u>\$ 833,057</u>

<b>Name</b>	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Maximum Balance</b>	<b>Rate</b>	<b>Ending Balance</b>
Other related party	<u>\$ 967,480</u>	0.75%-3.17%	<u>\$ 925,804</u>

f) Balance of bonds managed by related parties

<b>Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Other related party			
Bonds managed by Octagon Credit Investors, LLC	<u>\$ 4,927,956</u>	<u>\$ 5,006,641</u>	<u>\$ 5,158,642</u>

g) Balance of funds managed by related parties

Name	Item	June 30, 2021	December 31, 2020	June 30, 2020
Other related party				
Funds managed by				
Octagon Credit Investors, LLC	Market value	\$ 538,030	\$ 870,939	\$ 717,051
	Cost	\$ 508,363	\$ 894,337	\$ 872,690
Funds managed by				
Global Evolution Holding ApS	Market value	\$ 2,827,094	\$ 2,864,685	\$ 2,722,672
	Cost	\$ 2,511,218	\$ 2,606,653	\$ 2,604,786
Funds managed by				
Cathay Securities Investment Trust	Market value	\$ 68,655,979	\$ 68,737,375	\$ 64,443,120
	Cost	\$ 68,138,572	\$ 65,853,768	\$ 62,226,085
Private Equity Funds managed by Cathay Private Equity				
	Market value	\$ 1,009,373	\$ 1,034,236	\$ 676,657
	Cost	\$ 989,445	\$ 989,445	\$ 666,719

h) Balance of discretionary management Investments

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay Securities Investment Trust	\$ 334,966,334	\$ 312,835,430	\$ 254,663,978

i) Guarantee deposits paid (for future transactions)

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay Futures Co., Ltd.	\$ 2,269,306	\$ 1,897,019	\$ 2,528,705

j) Guarantee deposits received

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party			
San Ching Engineering Co., Ltd.	\$ 979,969	\$ 979,284	\$ 461,635
Ally Logistic Property Co., Ltd.	293,285	293,285	393,275
	\$ 1,273,254	\$ 1,272,569	\$ 854,910

k) Other payables

Name	June 30, 2021	December 31, 2020	June 30, 2020
The Company			
Cathay Financial Holdings (Note)	\$ 3,168,920	\$ 6,206,423	\$ 1,914,742
Subsidiary			
Cathay United Bank	<u>1,445,799</u>	<u>350,640</u>	<u>649,267</u>
	<u>\$ 4,614,719</u>	<u>\$ 6,557,063</u>	<u>\$ 2,564,009</u>

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

l) Bonds payable

Name	June 30, 2021	December 31, 2020	June 30, 2020
The Company			
Cathay Financial Holdings	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

m) Premium income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Other related party				
Others	<u>\$ 69,418</u>	<u>\$ 106,822</u>	<u>\$ 131,520</u>	<u>\$ 210,771</u>

n) Insurance expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Century	<u>\$ 5,264</u>	<u>\$ 4,607</u>	<u>\$ 98,417</u>	<u>\$ 105,143</u>

o) Other operating costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay United Bank	\$ 245,940	\$ 298,456	\$ 557,296	\$ 575,707
Cathay Securities				
Investment Trust	<u>116,628</u>	<u>69,592</u>	<u>232,565</u>	<u>135,224</u>
	<u>\$ 362,568</u>	<u>\$ 368,048</u>	<u>\$ 789,861</u>	<u>\$ 710,931</u>

p) Finance costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
The Company Cathay Financial Holdings	\$ 314,137	\$ 313,278	\$ 624,822	\$ 626,557

The finance costs consist of interest expenses accrued from bonds payable and preferred stock liability.

q) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay United Bank Associate	\$ 1,511,628	\$ 1,438,364	\$ 3,044,062	\$ 2,949,641
Lin Yuan Property Management Co., Ltd.	198,227	201,963	386,376	400,255
Symphox Information Co., Ltd.	39,152	56,553	82,965	110,208
	<u>237,379</u>	<u>258,516</u>	<u>469,341</u>	<u>510,463</u>
	\$ 1,749,007	\$ 1,696,880	\$ 3,513,403	\$ 3,460,104

r) Non-operating income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay Century	\$ 165,677	\$ 163,596	\$ 322,630	\$ 327,617
Cathay United Bank	<u>51,730</u>	<u>56,184</u>	<u>101,283</u>	<u>84,722</u>
	\$ 217,407	\$ 219,780	\$ 423,913	\$ 412,339

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

s) Others

As of June 30, 2021, December 31, 2020 and June 30, 2020, 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	June 30, 2021	December 31, 2020	June 30, 2020
SWAP	US\$ 2,250,000	US\$ 3,498,000	US\$ 2,965,000
CCS	NT\$ 100,000	NT\$ -	NT\$ -

2) Cathay United Bank and its subsidiaries

a) Loans

June 30, 2021

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 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	25	\$ 170,473	\$ 13,280	V	\$ -	None	None	\$ 141	\$ 329
Self-used housing mortgage loans	255	2,327,055	2,137,680	V	-	Real estate, securities and certificates of deposits	None	2,182	28,541

December 31, 2020

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 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ (14)	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of time deposits and demand deposits	None	4,930	27,052

June 30, 2020

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 01.01-06.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	30	\$ 143,268	\$ 19,231	V	\$ -	None	None	\$ 119	\$ 320
Self-used housing mortgage loans	262	1,981,127	1,828,244	V	-	Real estate, certificates of deposits, demand deposits and overseas bonds	None	(87)	22,648

## Deposits

Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company						
Cathay Financial Holdings	\$ 324,971	\$ 15	\$ 209,849	\$ 144	\$ 365,779	\$ 39
Subsidiary						
Cathay Life	41,724,862	2,884	23,235,022	14,426	30,588,494	12,266
Cathay Century	2,369,627	233	2,010,221	4,195	2,274,712	2,988
Cathay Securities	4,105,295	916	3,913,465	2,948	2,266,536	1,907
Cathay Futures	734,237	567	1,138,851	4,857	1,313,755	3,252
Cathay Venture	214,487	14	103,380	4	41,709	2
Cathay Securities Investment Trust	139,563	34	167,389	85	107,829	51
Cathay Securities Investment Consulting	605,087	81	502,217	388	387,099	283
Cathay Life (Vietnam)	3,300,938	58,065	835,754	26,147	747,834	6,537
Cathay Insurance (Vietnam)	314,689	7,591	243,219	5,353	196,501	2,536
Lin Yuan	1,379,568	18,885	1,221,708	33,087	1,071,938	15,878
Cathay Industrial R&D Center	722,450	110	-	-	-	-
	<u>55,610,803</u>	<u>89,380</u>	<u>33,371,226</u>	<u>91,490</u>	<u>38,996,407</u>	<u>45,700</u>
Associate						
CM Energy Co., Ltd.	305,174	13	50,160	2	10,139	1
Lin Yuan Property Management Co., Ltd.	178,450	637	270,481	1,387	218,455	763
Symphox Information Co., Ltd.	111,909	73	407,037	427	292,983	318
	<u>595,533</u>	<u>723</u>	<u>727,678</u>	<u>1,816</u>	<u>521,577</u>	<u>1,082</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,311,971	8,417	2,198,909	17,881	2,280,214	9,325
Cathay Real Estate Development Co., Ltd.	383,244	16	370,758	18	202,634	7
Cathay Medical Care Corp.	146,019	17	210,060	42	257,569	27
Cathay Hospitality Management Co., Ltd.	66,645	3	189,776	11	10,815	1
Cathay United Bank Foundation	526,102	2,084	530,444	4,560	519,586	2,413
Cathay Charity Foundation	280,861	950	274,178	2,026	273,358	1,059
Cathay Cultural Foundation	226,447	795	209,366	1,711	204,697	888
Cathay United Bank Employees' Welfare Committee	799,801	15,260	760,170	31,356	801,536	15,339
Cathay Real Estate Development Employees' Welfare Committee	410,584	1,701	413,825	3,560	391,939	1,826
Jinhua Realty Co., Ltd.	466,584	15	167,867	6	-	-
Pai Hsing Investment Co., Ltd.	3,324	39	177,062	743	-	-
Bannan Realty Co., Ltd.	298,668	15	338,238	16	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	152,532	134	140,277	291	106,768	147
De Jin Co., Ltd.	133,564	9	636,153	31	-	-
Ally Logistic Property Co., Ltd.	226,560	6	147,229	9	71,264	5
Others	8,317,543	25,155	8,657,392	54,001	8,305,378	31,223
	<u>14,750,449</u>	<u>54,616</u>	<u>15,421,704</u>	<u>116,262</u>	<u>13,425,758</u>	<u>62,260</u>
	<u>\$ 71,281,756</u>	<u>\$ 144,734</u>	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>	<u>\$ 53,309,521</u>	<u>\$ 109,081</u>

Item/Name	June 30, 2021		December 31, 2020		June 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from banks</u>						
Other related party						
Vietinbank	\$ 70,339	\$ 359	\$ 519,903	\$ 5,256	\$ 5,135,457	\$ 2,225
<u>Due to banks</u>						
Other related party						
Vietinbank	28,168	-	20,040	(10,117)	5,337,418	(2,595)

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

b) Investments in financial debentures (financial assets at FVTPL)

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Vietinbank	\$ 362,969	\$ 384,663	\$ 383,452

Name	Interest Income			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Other related party Vietinbank	\$ 6,471	\$ 8,205	\$ 13,230	\$ 17,441

c) Derivatives

June 30, 2021

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.07.30-2021.06.30	\$ 59,920,500	\$ (841,370)	Valuation adjustment for financial assets at FVTPL	\$ 33,829
					Valuation adjustment for FVTPL financial liabilities	(1,121,359)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	2,787,000	683	Valuation adjustment for financial assets at FVTPL	1,183
					Valuation adjustment for FVTPL financial liabilities	(500)
Cathay Century	SWAP - exchange between customers (USD)	2020.07.24-2022.05.12	2,653,224	(28,740)	Valuation adjustment for financial assets at FVTPL	475
					Valuation adjustment for FVTPL financial liabilities	(40,621)

December 31, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.02.21-2021.12.09	\$ 99,720,984	\$ (707,642)	Valuation adjustment for financial assets at FVTPL	\$ 97,688
					Valuation adjustment for FVTPL financial liabilities	(2,315,173)
Cathay Century	SWAP - exchange between customers (USD)	2020.01.09-2021.11.17	2,713,962	55	Valuation adjustment for financial assets at FVTPL	1,025
					Valuation adjustment for FVTPL financial liabilities	(57,209)

June 30, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2019.11.04-2021.03.16	\$ 87,941,900	\$ 370,829	Valuation adjustment for financial assets at FVTPL	\$ 4,943
					Valuation adjustment for FVTPL financial liabilities	(729,705)
Cathay Century	SWAP - exchange between customers (USD)	2019.10.07-2021.05.12	2,823,632	7,323	Valuation adjustment for financial assets at FVTPL	112
					Valuation adjustment for FVTPL financial liabilities	(26,197)

d) Lease agreements

		<b>Acquisition of Right-of-use Assets For the Six Months Ended June 30</b>		
<b>Name</b>		<b>2021</b>	<b>2020</b>	
Subsidiary				
Cathay Life		\$ 1,973	\$ 544,263	
		<b>Lease Liabilities</b>		
<b>Name</b>		<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary				
Cathay Life		\$ 1,485,304	\$ 1,825,007	\$ 2,175,785
		<b>Refundable Deposits Paid</b>		
<b>Name</b>		<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary				
Cathay Life		\$ 187,202	\$ 186,446	\$ 189,914

e) Others

<b>Item/Name</b>	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Service fee revenue</u>				
Subsidiary				
Cathay Life	\$ 1,751,223	\$ 1,728,238	\$ 3,594,564	\$ 3,501,076
Cathay Securities	85,501	39,978	152,549	67,182
<u>General expenses</u>				
Associate				
Symphox Information Co., Ltd.	125,433	128,894	266,125	236,273
Other related party				
Seaward Card Co., Ltd.	51,888	55,138	104,146	114,888

Item/Name	June 30, 2021	December 31, 2020	June 30, 2020
<u>Receivable for insurance commission</u>			
Subsidiary			
Cathay Life	\$ <u>1,445,799</u>	\$ <u>350,640</u>	\$ <u>649,267</u>
<u>Guarantee deposits paid</u>			
Subsidiary			
Cathay Futures	\$ <u>453,382</u>	\$ <u>267,303</u>	\$ <u>201,911</u>
<u>Payables from integrated tax</u>			
The Company			
Cathay Financial Holdings	\$ <u>551,079</u>	\$ <u>765,804</u>	\$ <u>362,650</u>
<u>Dividends payable</u>			
The Company			
Cathay Financial Holdings	\$ <u>15,532,000</u>	\$ <u>-</u>	\$ <u>10,000,000</u>

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	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
		2021	2020	2021	2020
Premium income	Subsidiary				
	Cathay Life	\$ <u>5,264</u>	\$ <u>4,607</u>	\$ <u>98,417</u>	\$ <u>105,143</u>
Operating costs	Subsidiary				
Marketing costs	Cathay Life	\$ <u>159,601</u>	\$ <u>156,588</u>	\$ <u>315,204</u>	\$ <u>319,171</u>

b) Payables to related parties

Item	Name	June 30, 2021	December 31, 2020	June 30, 2020
Other payables	The Company			
	Cathay Financial Holdings	\$ <u>1,607,247</u>	\$ <u>356,009</u>	\$ <u>2,025,466</u>

Note: Including income tax payable under the integrated income tax system, dividends payable and remuneration of directors and supervisors.

c) Cash in bank

<b>Item</b>	<b>Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Checking deposits and demand deposits	Subsidiary			
	Cathay United Bank	\$ 2,349,620	\$ 1,845,214	\$ 1,784,112
Time deposits	Indovina Bank	45,798	6,151	19,147
	Subsidiary			
	Cathay United Bank	20,007	165,007	490,600
	Indovina Bank	<u>268,890</u>	<u>237,068</u>	<u>177,353</u>
		<u>\$ 2,684,315</u>	<u>\$ 2,253,440</u>	<u>\$ 2,471,212</u>

d) Financial assets at FVTPL (beneficiary certificate)

<b>Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Other related party			
Funds managed by Cathay Securities Investment Trust	<u>\$ 1,326,183</u>	<u>\$ 1,119,265</u>	<u>\$ 973,986</u>

e) Balance of discretionary management Investments

<b>Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary			
Cathay Securities Investment Trust	<u>\$ 1,506,856</u>	<u>\$ 1,357,146</u>	<u>\$ 1,128,645</u>

f) Lease agreements

<b>Name</b>	<b>Lease Liabilities</b>		
	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary			
Cathay Life	<u>\$ 18,224</u>	<u>\$ 71,586</u>	<u>\$ 124,184</u>

g) SWAP

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

<b>Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Subsidiary			
Cathay United Bank	<u>US\$ 95,200</u>	<u>US\$ 95,200</u>	<u>US\$ 95,200</u>
	<u>EUR 750</u>	<u>EUR 750</u>	<u>EUR 750</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay United Bank	\$ <u>4,264,133</u>	\$ <u>4,108,990</u>	\$ <u>2,608,053</u>

Cash in bank includes cash and cash equivalents, and receivable for underwriting of securities, pending settlement money and restricted assets recorded under other current assets. Refer to Note 29 for 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	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay United Bank	\$ <u>575,562</u>	\$ <u>943,420</u>	\$ <u>972,338</u>

c) Futures trader's equity

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay Life	\$ 2,269,306	\$ 1,897,019	\$ 2,528,705
Cathay United Bank	453,382	267,303	201,911
Cathay Securities Investment Trust (Note)	<u>1,251,686</u>	<u>1,491,081</u>	<u>2,102,626</u>
	<u>\$ 3,974,374</u>	<u>\$ 3,655,403</u>	<u>\$ 4,833,242</u>

Note: The balances include those of investment trust funds managed by Cathay Securities Investment Trust.

d) Other payables

Name	June 30, 2021	December 31, 2020	June 30, 2020
The Company			
Cathay Financial Holdings (Note)	\$ <u>1,319,613</u>	\$ <u>218,953</u>	\$ <u>96,173</u>

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

e) Brokerage service fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	\$ <u>68,726</u>	\$ <u>57,404</u>	\$ <u>133,881</u>	\$ <u>83,860</u>

f) Other operating expense

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary Cathay United Bank	\$ <u>85,501</u>	\$ <u>39,978</u>	\$ <u>152,549</u>	\$ <u>67,812</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary Cathay United Bank	\$ <u>107,581</u>	\$ <u>137,531</u>	\$ <u>98,918</u>

b) Accounts receivable

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>231,163</u>	\$ <u>209,165</u>	\$ <u>178,769</u>

c) Accounts payable

Name	June 30, 2021	December 31, 2020	June 30, 2020
The Company Cathay Financial Holdings (Note)	\$ <u>934,001</u>	\$ <u>186,069</u>	\$ <u>713,235</u>

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

d) Balance of discretionary management Investments

Name	June 30, 2021	December 31, 2020	June 30, 2020
Subsidiary			
Cathay Life	\$ 334,966,334	\$ 312,835,430	\$ 254,663,978
Cathay Century	<u>1,506,856</u>	<u>1,357,146</u>	<u>1,128,645</u>
	<u>336,473,190</u>	<u>314,192,576</u>	<u>255,792,623</u>
Other related party			
Cathay Charity Foundation	<u>121,588</u>	<u>110,045</u>	<u>90,869</u>
	<u>\$ 336,594,778</u>	<u>\$ 314,302,621</u>	<u>\$ 255,883,492</u>

e) Management fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Life	\$ 116,628	\$ 69,592	\$ 232,565	\$ 135,224
Other related party				
Funds managed by Cathay Securities Investment Trust	<u>684,576</u>	<u>549,223</u>	<u>1,327,083</u>	<u>1,157,559</u>
	<u>\$ 801,204</u>	<u>\$ 618,815</u>	<u>\$ 1,559,648</u>	<u>\$ 1,292,783</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	Nature of Transaction	June 30, 2021		For the Six Months Ended June 30, 2021 Total Interest
		Amount	Interest Rate Range	
Subsidiary				
Cathay United Bank	Demand deposits	\$ <u>22,673</u>	0.001%-0.30%	\$ <u>11</u>
	Security deposits	\$ <u>192,076</u>	0.005%	\$ <u>3</u>
Name	Nature of Transaction	December 31, 2020		For the Year Ended December 31, 2020 Total Interest
Subsidiary				
Cathay United Bank	Demand deposits	\$ <u>8,113</u>	0.001%-0.35%	\$ <u>2</u>
	Security deposits	\$ <u>96,645</u>	0.005%	\$ <u>3</u>

Name	Nature of Transaction	June 30, 2020		For the Six Months Ended June 30, 2020 Total Interest
		Amount	Interest Rate Range	
Subsidiary Cathay United Bank	Demand deposits	\$ 47,325	0.001%-0.35%	\$ 2
	Security deposits	\$ 41,119	0.005%	\$ 2

b) Financial assets at FVTPL

Name	June 30, 2021	December 31, 2020	June 30, 2020
Other related party Funds managed by Cathay Securities Investment Trust Cathay Healthcare Management Co., Ltd.	\$ 301,394	\$ 414,858	\$ 419,488
	<u>139,013</u>	<u>145,035</u>	<u>204,765</u>
	<u>\$ 440,407</u>	<u>\$ 559,893</u>	<u>\$ 624,253</u>

## 29. PLEDGED ASSETS

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

Item	Description	June 30, 2021	December 31, 2020	June 30, 2020
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, government bonds, collateral for court guarantees, provisions for business and collateral	\$ 15,444,813	\$ 15,410,561	\$ 14,990,703
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000	6,000,000
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	-	3,273,608	1,584,045
Financial assets at FVTOCI	Provisions for business and collateral	12,005,392	12,006,501	26,006,532
Financial assets at amortized cost	Provisions for business and collateral	45,668,929	45,525,409	31,525,539
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>	<u>291,175</u>
		<u>\$ 79,410,309</u>	<u>\$ 82,507,254</u>	<u>\$ 80,397,994</u>

Note: Due from the Central Bank of Cathay United Banks and its subsidiaries had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

### 30. COMMITMENTS AND CONTINGENT LIABILITIES

#### a. Cathay United Bank

Lee & Li, attorneys-at-law, 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. The proceedings are currently pending in the 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 June 30, 2021, December 31, 2020 and June 30, 2020 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Trust and security held for safekeeping	\$ 854,329,932	\$ 781,995,797	\$ 749,305,429
Travelers checks for sale	-	-	214,579
Collection and payment on behalf of customers	30,595,834	33,483,521	32,338,791
Book-entry for government bonds and depository for short-term marketable securities under management	423,518,618	450,195,466	421,110,227
Entrusted financial management business	12,683,092	11,968,703	8,394,251
Guarantees on duties and contracts	17,648,943	17,071,951	13,273,076
Unused commercial letters of credit	8,271,998	6,914,811	5,694,991
Irrevocable loan commitments	177,013,501	191,900,154	131,437,459
Unused credit card lines commitments	677,556,209	662,041,965	645,833,761
Financial guarantee contracts	1,587,409	1,577,528	1,592,630

#### c. As of June 30, 2021, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$1,078,600 thousand, US\$4,153,002 thousand, EUR528,727 thousand and GBP1,550 thousand.

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

Cathay Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021	December 31, 2020	June 30, 2020	LIABILITIES AND EQUITY	June 30, 2021	December 31, 2020	June 30, 2020
CASH AND CASH EQUIVALENTS	\$ 330,551	\$ 915,274	\$ 371,370	COMMERCIAL PAPER PAYABLE, NET	\$ 40,780,000	\$ 38,250,000	\$ 40,590,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	37,145,500	36,445,500	37,002,000	PAYABLES	36,783,693	696,079	30,008,309
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	125,676	116,200	120,456	CURRENT TAX LIABILITIES	14,915,084	19,849,285	14,736,549
RECEIVABLES, NET	23,124,373	7,739,321	15,112,266	BONDS PAYABLE	50,000,000	50,000,000	28,900,000
CURRENT TAX ASSETS	4,318,128	4,650,365	4,672,884	PROVISIONS	741,221	766,414	836,669
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	964,588,250	953,059,879	833,597,005	LEASE LIABILITIES	189,462	249,631	28,372
PROPERTY AND EQUIPMENT, NET	54,911	58,912	57,479	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
RIGHT-OF-USE ASSETS	188,100	249,272	27,982	OTHER LIABILITIES	<u>163,846</u>	<u>163,886</u>	<u>163,921</u>
DEFERRED TAX ASSETS	29,670	25,397	317,772	Total liabilities	<u>143,840,020</u>	<u>110,242,009</u>	<u>115,530,534</u>
OTHER ASSETS	<u>71,855</u>	<u>43,105</u>	<u>52,215</u>	EQUITY			
				Share capital			
				Ordinary shares	131,692,102	131,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	177,251,872	177,256,053	177,254,459
				Retained earnings			
				Legal reserve	59,471,895	51,967,688	51,967,688
				Special reserve	150,716,023	149,894,910	149,894,910
				Unappropriated earnings	217,691,715	169,606,342	126,826,108
				Other equity	<u>133,980,387</u>	<u>197,311,121</u>	<u>122,832,628</u>
				Total equity	<u>886,136,994</u>	<u>893,061,216</u>	<u>775,800,895</u>
TOTAL	<u>\$ 1,029,977,014</u>	<u>\$ 1,003,303,225</u>	<u>\$ 891,331,429</u>	TOTAL	<u>\$ 1,029,977,014</u>	<u>\$ 1,003,303,225</u>	<u>\$ 891,331,429</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 June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
REVENUE				
Share of gain of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 34,872,877	\$ 11,293,678	\$ 91,921,375	\$ 33,332,170
Other operating income	<u>538,496</u>	<u>690,217</u>	<u>1,335,920</u>	<u>2,377,292</u>
Total revenue	<u>35,411,373</u>	<u>11,983,895</u>	<u>93,257,295</u>	<u>35,709,462</u>
EXPENSES AND LOSSES				
Operating expenses	(393,700)	(357,758)	(785,790)	(693,582)
Other expenses and losses	<u>(125,988)</u>	<u>(116,338)</u>	<u>(252,837)</u>	<u>(244,607)</u>
Total expenses and losses	<u>(519,688)</u>	<u>(474,096)</u>	<u>(1,038,627)</u>	<u>(938,189)</u>
INCOME BEFORE TAX	34,891,685	11,509,799	92,218,668	34,771,273
INCOME TAX (EXPENSE) BENEFIT	<u>(1,207,237)</u>	<u>(2,677,725)</u>	<u>(1,168,194)</u>	<u>(2,649,515)</u>
NET INCOME	<u>33,684,448</u>	<u>8,832,074</u>	<u>91,050,474</u>	<u>32,121,758</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
(Loss) gain on equity instruments at fair value through other comprehensive income	(3,749)	6,524	9,476	13,752
Share of other comprehensive (loss) 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	(750,265)	7,968,279	9,047,798	(1,004,903)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>35,593,785</u>	<u>129,278,176</u>	<u>(70,879,243)</u>	<u>2,654,784</u>
Other comprehensive income (loss) for the period, net of income tax	<u>34,839,771</u>	<u>137,252,979</u>	<u>(61,821,969)</u>	<u>1,663,633</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 68,524,219</u>	<u>\$ 146,085,053</u>	<u>\$ 29,228,505</u>	<u>\$ 33,785,391</u>
EARNINGS PER SHARE				
Basic	<u>\$2.30</u>	<u>\$0.41</u>	<u>\$6.66</u>	<u>\$2.18</u>

Cathay Financial Holding Co., Ltd.  
Statements of Changes in Equity  
(In Thousands of New Taiwan Dollars)

	Other Equity														Total Equity
	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	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	Other	
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365
Appropriation of 2019 earnings	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	71,928,090	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(2,517)	-	-	-	-	-	-	-	-	-	-	-	(2,517)
Net income for the six months ended June 30, 2020	-	-	-	-	-	32,121,758	-	-	-	-	-	-	-	-	32,121,758
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	(3,424,679)	12,989,274	125,640	893,857	(9,361)	-	(8,911,098)	-	1,663,633
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	32,121,758	(3,424,679)	12,989,274	125,640	893,857	(9,361)	-	(8,911,098)	-	33,785,391
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(129,340)	-	129,340	-	-	-	-	-	-	-
Other	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-
BALANCE AT JUNE 30, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,254,459	\$ 51,967,688	\$ 149,894,910	\$ 126,826,108	\$ (16,744,299)	\$ 81,438,567	\$ 457,570	\$ (956,651)	\$ (1,517,225)	\$ 11,097,089	\$ 49,057,577	\$ -	\$ 775,800,895
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216
Appropriation of 2020 earnings	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(1,025,611)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(4,181)	-	-	-	-	-	-	-	-	-	-	-	(4,181)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403
Net income for the six months ended June 30, 2021	-	-	-	-	-	91,050,474	-	-	-	-	-	-	-	-	91,050,474
Other comprehensive (loss) income for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	(1,947,523)	(42,996,598)	(71,317)	220,615	(9,503)	-	(17,017,643)	-	(61,821,969)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	91,050,474	(1,947,523)	(42,996,598)	(71,317)	220,615	(9,503)	-	(17,017,643)	-	29,228,505
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,163,754	-	(2,163,754)	-	-	-	-	-	-	-
Other	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-
BALANCE AT JUNE 30, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,251,872	\$ 59,471,895	\$ 150,716,023	\$ 217,691,715	\$ (17,411,532)	\$ 61,047,488	\$ 276,554	\$ (1,258,090)	\$ (1,975,782)	\$ 11,032,164	\$ 85,493,974	\$ (3,224,389)	\$ 886,136,994

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

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 92,218,668	\$ 34,771,273
Adjustments for:		
Depreciation expenses	70,489	33,386
Gain on of financial assets at fair value through profit or loss	(700,000)	(1,732,500)
Interest income	(635,605)	(626,647)
Interest expenses	241,726	229,342
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(91,921,375)	(33,332,170)
Changes in operating assets and liabilities		
Other assets	(517)	6,124
Payables	(169,058)	(145,050)
Provisions	(2,478)	3,672
Other liabilities	(40)	30
Cash used in operations	(898,190)	(792,540)
Interest received	10,845	169
Interest paid	(319,716)	(312,161)
Income tax (paid) refunded	(1,834,657)	107,292
Net cash used in operating activities	(3,041,718)	(997,240)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(2,407)	(8,529)
Decrease in other assets	127	678
Increase in guarantee deposits paid	(7,520)	-
Net cash used in investing activities	(9,800)	(7,851)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in commercial paper payable	2,530,000	(7,890,000)
Issuance of corporate bonds	-	8,900,000
Repayments of the principal portion of lease liabilities	(63,205)	(28,232)
Net cash generated from financing activities	2,466,795	981,768
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(584,723)	(23,323)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD</b>	915,274	394,693
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	\$ 330,551	\$ 371,370

## 32. 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	June 30	
	2021	2020
Cash and cash equivalents	\$ 521,584,262	\$ 422,909,446
Receivables	60,351,740	66,140,964
Financial assets at fair value through profit or loss	1,430,322,171	1,323,354,020
Financial assets at fair value through other comprehensive income	1,277,065,446	970,978,418
Financial assets for hedging	129,913	669,856
Investments accounted for using the equity method	103,957,572	91,389,424
Financial assets at amortized cost	2,618,438,493	2,677,082,686
Right-of-use assets	430,532	505,872
Investment property	473,721,208	456,847,746
Loans	488,034,669	500,884,251
Reinsurance assets	2,086,413	1,575,519
Property and equipment	28,029,577	29,129,018
Intangible assets	28,515,786	30,457,673
Deferred tax assets	62,538,545	45,257,208
Other assets	28,035,479	27,521,361
Separate account insurance product assets	694,760,724	571,114,521
Total	<u>\$ 7,818,002,530</u>	<u>\$ 7,215,817,983</u>
<b>Liabilities</b>		
Payables	\$ 30,908,844	\$ 22,318,347
Current tax liabilities	160,141	160,145
Financial liabilities at fair value through profit or loss	8,504,651	2,692,495
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,178,147,606	5,844,043,225
Reserve for insurance contracts with the nature of financial products	1,140,218	1,055,555
Reserve for foreign exchange valuation	9,216,260	6,600,772
Provisions	56,245	56,245
Lease liabilities	9,192,157	9,244,241
Deferred tax liabilities	60,021,511	52,048,184
Other liabilities	16,322,745	15,752,253
Separate account insurance product liabilities	694,760,724	571,114,521
Total liabilities	<u>7,088,431,102</u>	<u>6,605,085,983</u>
<b>Equity</b>		
Share capital	58,515,274	58,515,274
Capital surplus	60,602,352	60,604,939
Retained earnings	492,674,788	383,661,446
Other equity	117,779,014	107,950,341
Total equity	<u>729,571,428</u>	<u>610,732,000</u>
Total	<u>\$ 7,818,002,530</u>	<u>\$ 7,215,817,983</u>

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

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 494,596,667	\$ 424,276,223
Operating costs	(398,311,660)	(395,649,132)
Operating expenses	(10,854,320)	(10,369,375)
Operating income	85,430,687	18,257,716
Non-operating income and expenses	803,110	845,643
Profit before income tax	86,233,797	19,103,359
Income tax (expense) benefit	(9,027,088)	362,405
Net income	77,206,709	19,465,764
Other comprehensive (loss) income	(61,523,867)	2,649,970
 Total comprehensive income	 \$ 15,682,842	 \$ 22,115,734
 Basic earnings per share	 \$13.19	 \$3.33

**Cathay Lujiazui Life Insurance Co., Ltd.**

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

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 2,741,440	\$ 2,187,186
Receivables	1,253,391	971,520
Financial assets at fair value through profit or loss	54,274,468	42,412,807
Financial assets at amortized cost	1,073,004	880,488
Loans	1,681,694	1,039,826
Reinsurance assets	114,589	73,806
Property and equipment	110,544	99,511
Right-of-use assets	291,530	280,947
Intangible assets	30,267	30,559
Other assets	2,654,128	2,588,721
Separate account insurance product assets	134,811	120,722
<b>Total</b>	<b>\$ 64,359,866</b>	<b>\$ 50,686,093</b>
<b>Liabilities</b>		
Payables	\$ 1,672,724	\$ 1,541,524
Current tax liabilities	8,754	85,545
Insurance liabilities	36,291,762	25,787,870
Reserve for insurance contracts with the nature of financial instruments	13,277,146	11,401,805
Lease liabilities	276,739	290,038
Deferred tax liabilities	-	174,111
Other liabilities	166,094	49,255
Separate account insurance product liabilities	134,811	120,722
<b>Total liabilities</b>	<b>51,828,030</b>	<b>39,450,870</b>
<b>Equity</b>		
Capital	13,497,155	13,497,155
Retained earnings	(931,541)	(2,364,617)
Other equity	(33,778)	102,685
<b>Total equity</b>	<b>12,531,836</b>	<b>11,235,223</b>
<b>Total</b>	<b>\$ 64,359,866</b>	<b>\$ 50,686,093</b>

**Cathay Lujiazui Life Insurance Co., Ltd.**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 9,348,130	\$ 7,711,341
Operating costs	(7,931,542)	(6,397,371)
Operating expenses	(950,395)	(812,479)
Operating income	466,193	501,491
Non-operating income and expenses	2,934	1,764
Profit before income tax	469,127	503,255
Income tax benefit	155	22,536
Net income	469,282	525,791
Other comprehensive income (loss)	30,265	(4,811)
 Total comprehensive income	 \$ 499,547	 \$ 520,980
 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)**

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 10,868,016	\$ 1,374,768
Receivables	681,177	512,955
Financial assets at fair value through profit or loss	16,029,239	14,642,363
Financial assets at amortized cost	2,745,821	550,179
Loans	103,384	78,729
Property and equipment	16,571	22,833
Right-of-use assets	140,070	107,592
Intangible assets	3,232	3,964
Other assets	97,561	84,885
<b>Total</b>	<b>\$ 30,685,071</b>	<b>\$ 17,378,268</b>
<b>Liabilities</b>		
Payables	\$ 255,382	\$ 196,590
Insurance liabilities	7,259,977	5,412,098
Lease liabilities	134,633	105,611
Other liabilities	-	15
<b>Total liabilities</b>	<b>7,649,992</b>	<b>5,714,314</b>
<b>Equity</b>		
Capital	20,370,930	9,090,730
Retained earnings	(165,153)	(220,225)
Other equity	2,829,302	2,793,449
<b>Total equity</b>	<b>23,035,079</b>	<b>11,663,954</b>
<b>Total</b>	<b>\$ 30,685,071</b>	<b>\$ 17,378,268</b>

**Cathay Life Insurance Company (Vietnam)**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 2,245,414	\$ 1,435,080
Operating costs	(961,377)	(1,469,785)
Operating expenses	(515,666)	(384,803)
Operating income (loss)	768,371	(419,508)
Non-operating income and expenses	3,955	1,741
Profit (loss) before income tax	772,326	(417,767)
Income tax expense	-	(825)
Net income (loss)	772,326	(418,592)
Other comprehensive income	1,016	1,256,653
 Total comprehensive income	 \$ 773,342	 \$ 838,061
 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)**

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets	\$ 342,098	\$ 334,264
Financial assets at amortized cost	1,315,587	1,027,236
Investment property	6,965,358	6,770,611
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 8,623,045</u>	<u>\$ 8,132,113</u>
<b>Liabilities</b>		
Current liabilities	\$ 22,935	\$ 4,362
Deferred tax liabilities	530,709	461,366
Other non-current liabilities	<u>92,472</u>	<u>94,854</u>
Total liabilities	<u>646,116</u>	<u>560,582</u>
<b>Equity</b>		
Capital	7,223,435	7,223,435
Retained earnings	1,421,184	1,232,967
Other equity	<u>(667,690)</u>	<u>(884,871)</u>
Total equity	<u>7,976,929</u>	<u>7,571,531</u>
Total	<u>\$ 8,623,045</u>	<u>\$ 8,132,113</u>

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

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

	<u>For the Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Operating revenue	\$ 148,394	\$ 120,643
Operating expenses	<u>(21,350)</u>	<u>(29,476)</u>
Operating income	127,044	91,167
Non-operating income and expenses	<u>-</u>	<u>-</u>
Profit before income tax	127,044	91,167
Income tax expense	<u>(31,863)</u>	<u>(22,792)</u>
Net income	95,181	68,375
Other comprehensive loss	<u>(84,636)</u>	<u>(231,932)</u>
Total comprehensive income (loss)	<u>\$ 10,545</u>	<u>\$ (163,557)</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)**

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 3,490,163	\$ 1,894,639
Debt instruments at amortized cost	-	1,184,020
Investment property	<u>10,258,137</u>	<u>9,871,157</u>
Total	<u>\$ 13,748,300</u>	<u>\$ 12,949,816</u>
 <b>Liabilities</b>		
Current liabilities	<u>\$ 52,879</u>	<u>\$ 61,233</u>
Total liabilities	<u>52,879</u>	<u>61,233</u>
 <b>Equity</b>		
Capital	16,654,013	16,654,013
Retained earnings	1,351,486	1,280,966
Other equity	<u>(4,310,078)</u>	<u>(5,046,396)</u>
Total equity	<u>13,695,421</u>	<u>12,888,583</u>
Total	<u>\$ 13,748,300</u>	<u>\$ 12,949,816</u>

**Cathay Woolgate Exchange Holding 1 Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 485,757	\$ 56,703
Operating expenses	<u>(25,262)</u>	<u>(739)</u>
Profit before income tax	460,495	55,964
Income tax expense	<u>-</u>	<u>(11,209)</u>
Net income	460,495	44,755
Other comprehensive loss	<u>(136,768)</u>	<u>(1,103,496)</u>
Total comprehensive income (loss)	<u>\$ 323,727</u>	<u>\$ (1,058,741)</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)**

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 33,325	\$ 19,030
Debt instruments at amortized cost	-	10,929
Investment property	<u>103,618</u>	<u>99,709</u>
Total	<u>\$ 136,943</u>	<u>\$ 129,668</u>
 <b>Liabilities</b>		
Current liabilities	<u>\$ 813</u>	<u>\$ 703</u>
Total liabilities	<u>813</u>	<u>703</u>
 <b>Equity</b>		
Capital	168,222	168,222
Retained earnings	11,455	11,655
Other equity	<u>(43,547)</u>	<u>(50,912)</u>
Total equity	<u>136,130</u>	<u>128,965</u>
Total	<u>\$ 136,943</u>	<u>\$ 129,668</u>

**Cathay Woolgate Exchange Holding 2 Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 4,904	\$ 558
Operating expenses	<u>(615)</u>	<u>(740)</u>
Profit (loss) before income tax	4,289	(182)
Income tax benefit	<u>-</u>	<u>67</u>
Net income (loss)	4,289	(115)
Other comprehensive loss	<u>(1,358)</u>	<u>(11,067)</u>
Total comprehensive income (loss)	<u>\$ 2,931</u>	<u>\$ (11,182)</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)**

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,680,430	\$ 1,180,589
Investment property	<u>19,691,751</u>	<u>19,104,564</u>
<b>Total</b>	<u>\$ 21,372,181</u>	<u>\$ 20,285,153</u>
<b>Liabilities</b>		
Current liabilities	\$ 206,754	\$ 152,476
Non-current liabilities	<u>12,634,690</u>	<u>11,940,385</u>
<b>Total liabilities</b>	<u>12,841,444</u>	<u>12,092,861</u>
<b>Equity</b>		
Capital	10,189,090	10,189,090
Retained earnings	339,528	483,471
Other equity	<u>(1,997,881)</u>	<u>(2,480,269)</u>
<b>Total equity</b>	<u>8,530,737</u>	<u>8,192,292</u>
<b>Total</b>	<u>\$ 21,372,181</u>	<u>\$ 20,285,153</u>

**Cathay Walbrook Holding 1 Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ -	\$ 80,735
Operating costs	(198,849)	(217,294)
Operating expenses	<u>(11,232)</u>	<u>(754)</u>
Loss before income tax	(210,081)	(137,313)
Income tax expense	<u>(44,995)</u>	<u>(450)</u>
Net loss	(255,076)	(137,763)
Other comprehensive loss	<u>(82,230)</u>	<u>(708,942)</u>
<b>Total comprehensive loss</b>	<u>\$ (337,306)</u>	<u>\$ (846,705)</u>
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)

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 83,175	\$ 58,345
Investment property	<u>1,036,408</u>	<u>1,005,503</u>
Total	<u>\$ 1,119,583</u>	<u>\$ 1,063,848</u>
<b>Liabilities</b>		
Current liabilities	\$ 10,640	\$ 7,895
Non-current liabilities	<u>664,984</u>	<u>628,441</u>
Total liabilities	<u>675,624</u>	<u>636,336</u>
<b>Equity</b>		
Capital	536,268	536,268
Retained earnings	12,540	21,266
Other equity	<u>(104,849)</u>	<u>(130,022)</u>
Total equity	<u>443,959</u>	<u>427,512</u>
Total	<u>\$ 1,119,583</u>	<u>\$ 1,063,848</u>

**Cathay Walbrook Holding 2 Limited**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ -	\$ 4,234
Operating costs	(10,468)	(11,436)
Operating expenses	<u>(1,076)</u>	<u>(753)</u>
Loss before income tax	(11,544)	(7,955)
Income tax (expense) benefit	<u>(2,271)</u>	<u>42</u>
Net loss	(13,815)	(7,913)
Other comprehensive loss	<u>(4,276)</u>	<u>(37,029)</u>
Total comprehensive loss	<u>\$ (18,091)</u>	<u>\$ (44,942)</u>
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)

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 5,242,951	\$ 5,513,484
Financial assets at fair value through profit or loss	1,155,980	786,676
Financial assets at fair value through other comprehensive income	4,380	5,645
Property and equipment	980,229	775,411
Right-of-use assets	800,328	822,538
Intangible assets	14,178,246	15,538,624
Deferred tax assets	241,918	109,260
Other non-current assets	370,845	297,415
Total	\$ 22,974,877	\$ 23,849,053
<b>Liabilities</b>		
Current liabilities	\$ 2,892,529	\$ 3,198,147
Financial liabilities for hedging	36,014	65,647
Lease liabilities	907,022	894,435
Deferred tax liabilities	921,322	584,616
Other non-current liabilities	3,437,191	954,618
Total liabilities	8,194,078	5,697,463
<b>Equity</b>		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	3,594,815	2,531,643
Other equity	(5,630,269)	(1,661,852)
Non-controlling interests	1,092,714	1,558,260
Total equity	14,780,799	18,151,590
Total	\$ 22,974,877	\$ 23,849,053

**Conning Holdings Limited**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 5,125,574	\$ 5,644,572
Operating costs	(430,003)	(439,818)
Operating expenses	<u>(3,303,620)</u>	<u>(2,977,112)</u>
Profit before income tax	1,391,951	2,227,642
Income tax expense	<u>(185,820)</u>	<u>(83,045)</u>
Net income	1,206,131	2,144,597
Other comprehensive loss	<u>(301,738)</u>	<u>(273,489)</u>
Total comprehensive income	<u>\$ 904,393</u>	<u>\$ 1,871,108</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)**

<b>Assets</b>	<b>June 30, 2021</b>
Current assets	\$ 573,797
Investment property	1,675,410
Other assets	<u>161,845</u>
Total	<u>\$ 2,411,052</u>
<b>Liabilities</b>	
Current liabilities	\$ 115
Leased liabilities	1,442,304
Other non-current liabilities	<u>12</u>
Total liabilities	<u>1,442,431</u>
<b>Equity</b>	
Share capital	1,000,000
Retained earnings	<u>(31,379)</u>
Total equity	<u>968,621</u>
Total	<u>\$ 2,411,052</u>

**Cathay Industrial Research and Design Center Co., Ltd.**

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

	<b>From January 8 to June 30, 2021</b>
Operating revenue	\$ 105
Operating costs	(28,512)
Operating expenses	<u>(2,972)</u>
Loss before income tax	(31,379)
Income tax expense	<u>-</u>
Net loss	(31,379)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>\$ (31,379)</u>
Basic loss per share	<u>\$(0.31)</u>

Note: Cathay Industrial R&D Center has been included in the consolidated financial statements as a subsidiary since January 8, 2021.

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

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

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 11,618,986	\$ 9,451,933
Receivables	2,778,575	2,733,684
Financial assets at fair value through profit or loss	12,326,180	10,556,571
Financial assets at fair value through other comprehensive income	1,191,363	1,326,822
Financial assets at amortized cost	6,721,356	7,436,187
Investments accounted for using the equity method	2,846,326	2,659,055
Loans	186,600	216,875
Reinsurance assets	9,677,681	7,243,714
Property and equipment	182,133	183,880
Right-of-use assets	49,959	154,153
Intangible assets	78,078	64,809
Deferred tax assets	212,162	149,392
Other assets	<u>631,812</u>	<u>636,385</u>
<b>Total</b>	<b><u>\$ 48,501,211</u></b>	<b><u>\$ 42,813,460</u></b>
<b>Liabilities</b>		
Payables	\$ 4,982,153	\$ 4,559,193
Financial liabilities at fair value through profit or loss	1,852	500
Lease liabilities	49,583	154,279
Insurance liabilities	28,733,498	24,992,624
Provisions	453,959	433,255
Deferred tax liabilities	272,613	272,477
Other liabilities	<u>994,608</u>	<u>804,695</u>
<b>Total liabilities</b>	<b><u>35,488,266</u></b>	<b><u>31,217,023</u></b>
<b>Equity</b>		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	9,387,443	8,634,948
Other equity	<u>50,124</u>	<u>(613,889)</u>
<b>Total equity</b>	<b><u>13,012,945</u></b>	<b><u>11,596,437</u></b>
<b>Total</b>	<b><u>\$ 48,501,211</u></b>	<b><u>\$ 42,813,460</u></b>

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

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 10,601,426	\$ 9,942,256
Operating costs	(7,286,486)	(6,638,777)
Operating expenses	<u>(2,040,788)</u>	<u>(1,930,595)</u>
Operating profit	1,274,152	1,372,884
Non-operating income and expenses	<u>(758)</u>	<u>(313)</u>
Profit before income tax	1,273,394	1,372,571
Income tax expense	<u>(181,716)</u>	<u>(242,866)</u>
Net income	1,091,678	1,129,705
Other comprehensive income (loss)	<u>174,863</u>	<u>(421,669)</u>
Total comprehensive income	<u>\$ 1,266,541</u>	<u>\$ 708,036</u>
Basic earnings per share	<u>\$3.57</u>	<u>\$3.70</u>

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

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

<b>Assets</b>	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 314,746	\$ 208,728
Receivables	75,725	79,509
Financial assets at amortized cost	514,745	567,822
Reinsurance assets	159,721	132,115
Property and equipment	7,520	10,530
Right-of-use assets	16,242	2,983
Intangible assets	21,999	9,502
Other assets	<u>59,708</u>	<u>54,796</u>
Total	<u>\$ 1,170,406</u>	<u>\$ 1,065,985</u>
<b>Liabilities</b>		
Payables	\$ 231,434	\$ 154,784
Insurance liabilities	292,840	284,371
Deferred tax liabilities	110	126
Lease liabilities	15,864	2,776
Other liabilities	<u>15,672</u>	<u>13,814</u>
Total liabilities	<u>555,920</u>	<u>455,871</u>
<b>Equity</b>		
Capital	845,585	845,585
Retained earnings	(41,277)	(78,752)
Other equity	<u>(189,822)</u>	<u>(156,719)</u>
Total equity	<u>614,486</u>	<u>610,114</u>
Total	<u>\$ 1,170,406</u>	<u>\$ 1,065,985</u>

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

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 174,247	\$ 152,180
Operating costs	(39,594)	(39,481)
Operating expenses	<u>(111,702)</u>	<u>(108,526)</u>
Operating income	22,951	4,173
Non-operating income and expenses	<u>(793)</u>	<u>908</u>
Profit before income tax	22,158	5,081
Income tax expense	<u>(6,185)</u>	<u>(541)</u>
Net income	15,973	4,540
Other comprehensive loss	<u>(11,988)</u>	<u>(9,855)</u>
 Total comprehensive income (loss)	 <u>\$ 3,985</u>	 <u>\$ (5,315)</u>
 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)**

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 65,656,434	\$ 54,869,518
Due from the Central Bank and call loans to banks	175,288,374	134,089,562
Financial assets at fair value through profit or loss	288,598,777	288,839,022
Financial assets at fair value through other comprehensive income	272,975,668	303,843,511
Debt instruments at amortized cost	544,436,519	415,718,641
Notes and bonds purchased under resale agreements	36,309,040	42,244,501
Receivables	83,351,805	85,825,082
Loans	1,712,958,829	1,543,012,712
Investments accounted for using the equity method	25,209,938	25,246,418
Other financial assets	5,604,669	147
Property and equipment	23,988,405	24,429,251
Right-of-use assets	3,362,587	3,971,981
Investment property	548,441	839,769
Intangible assets	7,641,305	7,694,038
Deferred tax assets	4,654,432	4,298,150
Other assets	<u>25,651,825</u>	<u>26,403,895</u>
<b>Total</b>	<u><b>\$ 3,276,237,048</b></u>	<u><b>\$ 2,961,326,198</b></u>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 82,115,183	\$ 59,017,285
Due to the Central Bank and banks	1,076,000	410,000
Financial liabilities at fair value through profit or loss	85,958,207	117,770,808
Notes and bonds under repurchase agreements	15,889,600	18,083,847
Payables	65,741,835	35,660,242
Current tax liabilities	63,036	184,042
Deposits and remittances	2,690,566,564	2,375,363,387
Financial debentures payable	46,800,000	53,800,000
Other financial liabilities	29,086,419	46,715,724
Provisions	3,680,227	3,627,702
Lease liabilities	3,394,548	4,007,323
Deferred tax liabilities	2,941,190	3,287,150
Other liabilities	<u>10,706,556</u>	<u>13,009,575</u>
<b>Total liabilities</b>	<u><b>3,038,019,365</b></u>	<u><b>2,730,937,085</b></u>
<b>Equity</b>		
Share capital	106,985,830	101,658,353
Reserve for capitalization	-	5,327,477
Capital surplus	38,687,276	38,687,276
Retained earnings	87,683,323	80,292,090
Other equity	<u>4,861,254</u>	<u>4,423,917</u>
<b>Total equity</b>	<u><b>238,217,683</b></u>	<u><b>230,389,113</b></u>
<b>Total</b>	<u><b>\$ 3,276,237,048</b></u>	<u><b>\$ 2,961,326,198</b></u>

**Cathay United Bank Co., Ltd.**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 21,059,321	\$ 23,103,186
Interest expense	<u>(3,750,078)</u>	<u>(6,965,305)</u>
Net interest income	17,309,243	16,137,881
Net income and gains other than interest income	<u>12,891,433</u>	<u>15,142,398</u>
Profit from operations	30,200,676	31,280,279
Provision for bad debt, commitments and guarantee reserve	(1,666,021)	(836,752)
Operating expenses	<u>(14,640,227)</u>	<u>(14,835,768)</u>
Profit before income tax	13,894,428	15,607,759
Income tax expense	<u>(1,711,000)</u>	<u>(2,025,000)</u>
Net income	12,183,428	13,582,759
Other comprehensive loss	<u>(730,617)</u>	<u>(679,250)</u>
 Total comprehensive income	 <u>\$ 11,452,811</u>	 <u>\$ 12,903,509</u>
 Basic earnings per share	 <u>\$1.14</u>	 <u>\$1.27</u>

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

<b>Assets</b>	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 2,527,593	\$ 10,125,638
Due from the Central Bank and call loans to banks	4,911,659	3,306,451
Financial assets at fair value through profit or loss	2,061,040	3,547,360
Financial assets at fair value through other comprehensive income	10,056,422	9,614,727
Debt instruments at amortized cost	-	628,911
Notes and bonds purchased under resale agreements	5,287,453	3,208,353
Receivables	379,065	569,976
Loans	40,708,652	40,261,214
Property and equipment	671,406	805,110
Intangible assets	37,277	28,513
Right-of-use assets	144,911	155,344
Other assets	56,009	164,120
Total	\$ 66,841,487	\$ 72,415,717
<b>Liabilities</b>		
Due to the Central Bank and banks	\$ 2,850,044	\$ 12,968,681
Payables	1,728,550	1,930,098
Current tax liabilities	20,825	185,016
Deposits and remittances	53,979,979	48,450,720
Provisions	14,538	2,972
Lease liabilities	133,184	139,338
Deferred tax liabilities	159,397	122,785
Other liabilities	29,515	14,178
Total liabilities	58,916,032	63,813,788
<b>Equity</b>		
Capital	6,094,911	6,094,911
Retained earnings	1,447,153	1,800,398
Other equity	383,391	706,620
Total equity	7,925,455	8,601,929
Total	\$ 66,841,487	\$ 72,415,717

**Indovina Bank Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 1,880,364	\$ 2,490,776
Interest expense	<u>(1,152,105)</u>	<u>(1,444,376)</u>
Net interest income	728,259	1,046,400
Net income and gains other than interest income	<u>227,606</u>	<u>348,459</u>
Profit from operations	955,865	1,394,859
Provision for bad debt, commitments and guarantee reserve	(352,360)	(354,059)
Operating expenses	<u>(366,928)</u>	<u>(398,768)</u>
Profit before income tax	236,577	642,032
Income tax expense	<u>(81,999)</u>	<u>(109,691)</u>
Net income	154,578	532,341
Other comprehensive (loss) income	<u>(4,405)</u>	<u>195,039</u>
 Total comprehensive income	 <u>\$ 150,173</u>	 <u>\$ 727,380</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)**

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 999,041	\$ 1,437,685
Due from the Central Bank and call loans to banks	2,449,726	2,317,285
Financial assets at fair value through other comprehensive income	713	759
Receivables	78,470	59,987
Loans	7,603,989	7,461,669
Property and equipment	169,523	179,109
Current tax assets	6,657	7,374
Right-of-use assets	79,691	102,528
Intangible assets	31,254	48,069
Deferred tax assets	-	13,906
Other assets	51,190	58,369
<b>Total</b>	<b>\$ 11,470,254</b>	<b>\$ 11,686,740</b>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 1,426,576	\$ 442,403
Payables	267,285	291,256
Current tax liabilities	28,484	13,176
Deposits and remittances	6,718,999	7,807,413
Provisions	1,385	1,850
Lease liabilities	84,981	107,903
Deferred tax liabilities	5,125	7,307
Other liabilities	6,489	9,678
<b>Total liabilities</b>	<b>8,539,324</b>	<b>8,680,986</b>
<b>Equity</b>		
Share capital	3,020,769	3,020,769
Retained earnings	167,438	40,679
Other equity	(257,277)	(55,694)
<b>Total equity</b>	<b>2,930,930</b>	<b>3,005,754</b>
<b>Total</b>	<b>\$ 11,470,254</b>	<b>\$ 11,686,740</b>

**Cathay United Bank (Cambodia) Corporation Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 313,155	\$ 347,616
Interest expense	<u>(75,116)</u>	<u>(83,241)</u>
Net interest income	238,039	264,375
Net income and gains other than interest income	<u>16,168</u>	<u>27,068</u>
Profit from operations	254,207	291,443
Provision for bad debt, commitments and guarantee reserve	4,023	(88,355)
Operating expenses	<u>(179,774)</u>	<u>(170,713)</u>
Profit before income tax	78,456	32,375
Income tax (expense) benefit	<u>(13,443)</u>	<u>10,685</u>
Net income	65,013	43,060
Other comprehensive loss	<u>(66,998)</u>	<u>(29,258)</u>
 Total comprehensive (loss) income	 <u>\$ (1,985)</u>	 <u>\$ 13,802</u>
 Basic earnings per share	 <u>\$0.65</u>	 <u>\$0.43</u>

**Cathay United Bank (China) Co., Ltd.**

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

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 918,411	\$ 439,908
Due from the Central Bank and call loans to banks	23,128,409	5,250,375
Financial assets at fair value through profit or loss	974,600	387,887
Financial assets at fair value through other comprehensive income	23,385,396	20,765,598
Debt instruments at amortized cost	535,869	440,242
Receivables	9,938,488	7,897,595
Loans	25,499,177	24,816,320
Property and equipment	217,014	159,246
Right-of-use assets	300,126	215,363
Intangible assets	117,640	120,235
Deferred tax assets	49,157	-
Other assets	<u>47,850</u>	<u>41,546</u>
<b>Total</b>	<u>\$ 85,112,137</u>	<u>\$ 60,534,315</u>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 18,413,572	\$ 17,708,617
Financial liabilities at fair value through profit or loss	876,983	367,160
Notes and bonds sold under repurchase agreements	3,449,018	438,444
Payables	10,646,943	9,873,246
Current tax liabilities	32,718	68,836
Deposits and remittances	30,109,273	11,772,613
Other financial liabilities	5,073,289	4,299,897
Provisions	41,590	6,345
Lease liabilities	324,436	235,229
Deferred tax liabilities	-	5,258
Other liabilities	<u>129,260</u>	<u>49,657</u>
<b>Total liabilities</b>	<u>69,097,082</u>	<u>44,825,302</u>
<b>Equity</b>		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	599,399	578,659
Other equity	<u>(1,484,576)</u>	<u>(1,769,878)</u>
<b>Total equity</b>	<u>16,015,055</u>	<u>15,709,013</u>
<b>Total</b>	<u>\$ 85,112,137</u>	<u>\$ 60,534,315</u>

**Cathay United Bank (China) Co., Ltd.**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Interest income	\$ 948,573	\$ 900,165
Interest expense	<u>(569,110)</u>	<u>(404,136)</u>
Net interest income	379,463	496,029
Net income and gains other than interest income	<u>219,543</u>	<u>227,379</u>
Profit from operations	599,006	723,408
Provision for bad debt, commitments and guarantee reserve	(106,743)	7,211
Operating expenses	<u>(411,717)</u>	<u>(395,647)</u>
Profit before income tax	80,546	334,972
Income tax expense	<u>(16,656)</u>	<u>(115,616)</u>
Net income	63,890	219,356
Other comprehensive loss	<u>(289,168)</u>	<u>(353,876)</u>
Total comprehensive loss	<u>\$ (225,278)</u>	<u>\$ (134,520)</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)

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 51,923,625	\$ 25,957,769
Financial assets at fair value through other comprehensive income - non-current	299	207
Investments accounted for using the equity method	2,394,438	2,103,545
Property and equipment	237,546	157,966
Right-of-use assets	55,348	84,393
Intangible assets	68,151	68,219
Deferred tax assets	66,232	44,329
Other non-current assets	663,243	728,691
 Total	 \$ 55,408,882	 \$ 29,145,119
 <b>Liabilities</b>		
Current liabilities	\$ 43,647,622	\$ 19,806,349
Lease liabilities -non-current	25,781	26,361
Other non-current liabilities	32,982	27,433
Total liabilities	43,706,385	19,860,143
 <b>Equity</b>		
Share capital	7,300,000	6,500,000
Capital surplus	898,167	498,167
Retained earnings	2,706,170	1,713,867
Other equity	798,160	572,942
Total equity	11,702,497	9,284,976
 Total	 \$ 55,408,882	 \$ 29,145,119

**Cathay Securities Corporation**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 3,409,262	\$ 2,387,638
Service fee expenses	(215,310)	(78,255)
Employee benefit expenses	(882,334)	(815,153)
Operating expenses	(989,894)	(831,787)
Share of profit of subsidiaries and associates accounted for using the equity method	22,805	(31,868)
Non-operating income and expenses	<u>28,174</u>	<u>18,312</u>
Profit before income tax	1,372,703	648,887
Income tax expense	<u>(239,735)</u>	<u>(93,884)</u>
Net income	1,132,968	555,003
Other comprehensive income	<u>252,628</u>	<u>113,323</u>
Total comprehensive income	<u>\$ 1,385,596</u>	<u>\$ 668,326</u>
Basic earnings per share	<u>\$1.55</u>	<u>\$0.85</u>

**Cathay Futures Co., Ltd.**

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

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 13,816,377	\$ 11,306,309
Financial assets at fair value through other comprehensive income - non-current	914,664	635,378
Property and equipment	69,165	61,931
Investment property	291,175	291,175
Right-of-use assets	5,831	1,045
Intangible assets	14,087	19,753
Deferred tax assets	181	154
Other non-current assets	163,380	160,587
<b>Total</b>	<b>\$ 15,274,860</b>	<b>\$ 12,476,332</b>
<b>Liabilities</b>		
Current liabilities	\$ 13,449,385	\$ 10,936,772
Lease liabilities - non-current	2,885	-
Deferred tax liabilities	6,646	6,842
Other non-current liabilities	2,526	2,178
<b>Total liabilities</b>	<b>13,461,442</b>	<b>10,945,792</b>
<b>Equity</b>		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	261,511	257,608
Other equity	884,227	605,252
<b>Total equity</b>	<b>1,813,418</b>	<b>1,530,540</b>
<b>Total</b>	<b>\$ 15,274,860</b>	<b>\$ 12,476,332</b>

**Cathay Futures Co., Ltd.**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 197,081	\$ 176,364
Operating expenses	<u>(199,292)</u>	<u>(186,265)</u>
Operating loss	(2,211)	(9,901)
Non-operating income and expenses	<u>28,484</u>	<u>53,012</u>
Profit before income tax	26,273	43,111
Income tax expense	<u>(5,073)</u>	<u>(6,084)</u>
Net income	21,200	37,027
Other comprehensive income	<u>271,585</u>	<u>97,588</u>
 Total comprehensive income	 <u>\$ 292,785</u>	 <u>\$ 134,615</u>
 Basic earnings per share	 <u>\$0.32</u>	 <u>\$0.56</u>

**Cathay Securities (Hong Kong) Limited**

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

<b>Assets</b>	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,518,392	\$ 2,275,262
Investments accounted for using the equity method	25,712	3,637
Property and equipment	3,396	7,610
Right-of-use assets	36,734	15,488
Intangible assets	1,787	1,905
Other non-current assets	<u>106,377</u>	<u>27,371</u>
 Total	 <u>\$ 1,692,398</u>	 <u>\$ 2,331,273</u>
 <b>Liabilities</b>		
Current liabilities	\$ 1,088,012	\$ 1,757,402
Non-current liabilities	<u>23,195</u>	<u>723</u>
Total liabilities	<u>1,111,207</u>	<u>1,758,125</u>
 <b>Equity</b>		
Capital	1,108,244	1,108,244
Retained earnings	(441,963)	(489,280)
Other equity	<u>(85,090)</u>	<u>(45,816)</u>
Total equity	<u>581,191</u>	<u>573,148</u>
 Total	 <u>\$ 1,692,398</u>	 <u>\$ 2,331,273</u>

**Cathay Securities (Hong Kong) Limited**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 55,271	\$ 3,572
Service fee expenses	(1,658)	(1,373)
Employee benefit expenses	(28,905)	(25,989)
Operating expenses	(45,936)	(47,207)
Non-operating income and expenses	<u>22,835</u>	<u>2,106</u>
Profit (loss) before income tax	1,607	(68,891)
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	1,607	(68,891)
Other comprehensive (loss) income	<u>(14,278)</u>	<u>2,106</u>
 Total comprehensive loss	 <u>\$ (12,671)</u>	 <u>\$ (66,785)</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)**

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ <u>1,393,062</u>	\$ <u>80,290</u>
Total	\$ <u>1,393,062</u>	\$ <u>80,290</u>
 <b>Liabilities</b>		
Current liabilities	\$ <u>1,367,350</u>	\$ <u>76,654</u>
Total liabilities	<u>1,367,350</u>	<u>76,654</u>
 <b>Equity</b>		
Capital	3,875	3,875
Retained earnings	22,359	(193)
Other equity	<u>(522)</u>	<u>(46)</u>
Total equity	<u>25,712</u>	<u>3,636</u>
 Total	 <u>\$ 1,393,062</u>	 <u>\$ 80,290</u>

**Cathay Capital (Asia) Limited**

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

	<b>For the Six Months Ended June 30, 2021</b>	<b>From February 24 to June 30, 2020</b>
Revenues	\$ 27,090	\$ 1
Operating costs	(3,649)	(6)
Operating expenses	(643)	(189)
Non-operating income and expenses	<u>-</u>	<u>1</u>
Profit (loss) before income tax	22,798	(193)
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	22,798	(193)
Other comprehensive loss	<u>(340)</u>	<u>(46)</u>
 Total comprehensive income (loss)	 <u>\$ 22,458</u>	 <u>\$ (239)</u>
 Basic earnings per share	 Note	 Note

Note 1: Cathay Capital (Asia) is a limited company, and no information is disclosed accordingly.

Note 2: Cathay Capital (Asia) has been included in the consolidated financial statements as a subsidiary since February 24, 2020.

**Cathay Securities Investment Trust Co., Ltd.**

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

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 3,512,381	\$ 2,853,314
Financial assets at fair value through other comprehensive income - non-current	10,665	9,329
Investments accounted for using the equity method	462,771	478,684
Property and equipment	37,801	32,899
Right-of-use assets	45,336	73,426
Intangible assets	21,974	18,351
Deferred tax assets	30,056	23,900
Other non-current assets	296,684	258,511
<b>Total</b>	<b>\$ 4,417,668</b>	<b>\$ 3,748,414</b>
<b>Liabilities</b>		
Current liabilities	\$ 1,380,454	\$ 1,142,146
Non-current liabilities	167,350	147,289
<b>Total liabilities</b>	<b>1,547,804</b>	<b>1,289,435</b>
<b>Equity</b>		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	1,463,598	1,043,826
Other equity	(110,187)	(101,300)
<b>Total equity</b>	<b>2,869,864</b>	<b>2,458,979</b>
<b>Total</b>	<b>\$ 4,417,668</b>	<b>\$ 3,748,414</b>

**Cathay Securities Investment Trust Co., Ltd.**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 1,837,833	\$ 1,390,735
Operating expenses	<u>(938,973)</u>	<u>(892,603)</u>
Operating profit	898,860	498,132
Non-operating income and expenses	<u>(15,563)</u>	<u>(10,967)</u>
Profit before income tax	883,297	487,165
Income tax expense	<u>(179,984)</u>	<u>(100,640)</u>
Net income	703,313	386,525
Other comprehensive loss	<u>(3,292)</u>	<u>(12,131)</u>
 Total comprehensive income	 <u>\$ 700,021</u>	 <u>\$ 374,394</u>
 Basic earnings per share	 <u>\$4.69</u>	 <u>\$2.58</u>

**Cathay Private Equity Co., Ltd.**

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

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 52,072	\$ 74,184
Other non-current assets	<u>36,556</u>	<u>17,088</u>
 Total	 <u>\$ 88,628</u>	 <u>\$ 91,272</u>
 <b>Liabilities</b>		
Current liabilities	\$ 15,557	\$ 8,005
Other non-current liabilities	<u>3,638</u>	<u>277</u>
Total liabilities	<u>19,195</u>	<u>8,282</u>
 <b>Equity</b>		
Share capital	100,000	100,000
Capital surplus	63	63
Retained earnings	<u>(30,630)</u>	<u>(17,073)</u>
Total equity	<u>69,433</u>	<u>82,990</u>
 Total	 <u>\$ 88,628</u>	 <u>\$ 91,272</u>

**Cathay Private Equity Co., Ltd.**

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

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 8,292	\$ 3,734
Operating expenses	<u>(18,298)</u>	<u>(8,759)</u>
Operating loss	(10,006)	(5,025)
Non-operating income and expenses	<u>35</u>	<u>(537)</u>
Loss before income tax	(9,971)	(5,562)
Income tax benefit	<u>2,000</u>	<u>996</u>
Net loss	<u>(7,971)</u>	<u>(4,566)</u>
Total comprehensive loss	\$ <u>(7,971)</u>	\$ <u>(4,566)</u>
Basic loss per share	<u>\$(0.80)</u>	<u>\$(0.46)</u>

**Cathay Venture Inc.**  
**Condensed Balance Sheets**  
(In Thousands of New Taiwan Dollars)

	<b>June 30</b>	
<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,219,536	\$ 1,427,477
Financial assets at fair value through profit or loss - non-current	4,799,924	4,030,902
Investments accounted for using the equity method	295,361	329,213
Property and equipment	2,261	3,162
Right-of-use assets	8,086	13,516
Deferred tax assets	71,740	56,181
Other non-current assets	1,267	1,267
<b>Total</b>	<b>\$ 6,398,175</b>	<b>\$ 5,861,718</b>
<b>Liabilities</b>		
Current liabilities	\$ 27,178	\$ 38,572
Non-current liabilities	11,431	15,508
<b>Total liabilities</b>	<b>38,609</b>	<b>54,080</b>
<b>Equity</b>		
Share capital	5,181,730	4,565,147
Share dividends to be distributed	-	277,216
Capital surplus	576,667	576,667
Retained earnings	601,025	388,534
Other equity	144	74
<b>Total equity</b>	<b>6,359,566</b>	<b>5,807,638</b>
<b>Total</b>	<b>\$ 6,398,175</b>	<b>\$ 5,861,718</b>

**Cathay Venture Inc.**

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	\$ 408,823	\$ 218,899
Operating costs	(18,431)	(19,380)
Operating expenses	(7,097)	(6,709)
Non-operating income and expenses	(1,204)	(122)
Profit before income tax	382,091	192,688
Income tax (expense) benefit	(11,125)	3,495
Net income	370,966	196,183
Other comprehensive income	-	-
Total comprehensive income	\$ 370,966	\$ 196,183
Basic earnings per share	\$0.72	\$0.38

**Cathay Investment Inc.**

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

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets	\$ 34,209	\$ 64,814
Non-current assets	190	923
Total	\$ 34,399	\$ 65,737
<b>Liabilities</b>		
Current liabilities	\$ 190	\$ 30,441
Non-current liabilities	-	506
Total liabilities	190	30,947
<b>Equity</b>		
Share capital	35,000	35,000
Retained earnings	(791)	(210)
Total equity	34,209	34,790
Total	\$ 34,399	\$ 65,737

**Cathay Investment Inc.**

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

	For the Six Months Ended June 30	
	2021	2020
Operating revenue	\$ 24	\$ 68
Operating expenses	(208)	(290)
Non-operating income and expenses	3	(5)
Loss before income tax	(181)	(227)
Income tax (expense) benefit	(142)	59
Net loss	(323)	(168)
Other comprehensive income	-	-
 Total comprehensive loss	 \$ (323)	 \$ (168)
 Basic loss per share	 \$(0.09)	 \$(0.05)

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

For the six months ended June 30, 2021

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.94	0.82	11.56	10.16	26.47
The Company	9.07	8.96	10.37	10.24	97.90
Cathay Life	1.12	1.00	11.95	10.70	15.61
Cathay Century	2.76	2.36	9.74	8.35	10.30
Cathay United Bank	0.43	0.38	5.78	5.07	40.34
Cathay Securities	2.67	2.20	11.90	9.82	33.23

For the six months ended June 30, 2020

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.37	0.32	4.82	4.17	10.18
The Company	3.98	3.68	4.49	4.15	90.57
Cathay Life	0.27	0.27	3.19	3.25	4.59
Cathay Century	3.22	2.65	11.32	9.32	11.36
Cathay United Bank	0.53	0.46	6.82	5.93	43.42
Cathay Securities	2.32	1.98	7.25	6.20	23.24

Note: Net income ratio = Net income/Net revenue

### 33. 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 664 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 Marketing Planning Division for Monitoring Subsidiaries' Selling Activities, and Guidelines of Cathay Financial Holdings' Data Storage Management; 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 by one-stop shopping, the Group keeps on expanding co-selling activities to the extent allowed by laws and regulations.

- 1) Cathay United Bank is engaged in co-selling activities for securities business through its 165 branches. Cathay United Bank has been engaged in insurance agency business since April 29, 2016 and promoted life insurance products in its 165 branches.
- 2) Cathay Life is engaged in co-selling activities for banking and property and casualty insurance businesses in its service units (65 locations).
- 3) Cathay Securities sets up co-selling offices in Cathay Life's 32 branches (Zhongxiao and others) to facilitate account opening services through sharing business facilities and locations.

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

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

### 34. 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 interest-sensitive sales of traditional insurance, investment-linked insurance and 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 June 30, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 9,516,135	\$ 38,642,477	\$ 128,975	\$ 114,657	\$ (141,464)	\$ 48,260,780
Net income and gains other than interest income	5,857,105	95,315,240	1,732,439	1,544,042	3,458,982	107,907,808
Profit from operations	15,373,240	133,957,717	1,861,414	1,658,699	3,317,518	156,168,588
Provision for bad debt, commitments and guarantee reserve	(876,402)	18,390	-	(747)	-	(858,759)
Net changes in insurance liability reserve	-	(94,539,998)	(81,358)	-	-	(94,621,356)
Operating expenses	(7,566,356)	(8,721,225)	(851,181)	(806,408)	(2,418,479)	(20,363,649)
Profit from continuing operations before taxes	6,930,482	30,714,884	928,875	851,544	899,039	40,324,824
Income tax expense	(921,312)	(3,815,264)	(116,499)	(135,109)	(1,387,227)	(6,375,411)
Net income (loss) from continuing operations	6,009,170	26,899,620	812,376	716,435	(488,188)	33,949,413

For the three months ended June 30, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 8,844,214	\$ 38,721,206	\$ 137,595	\$ 40,763	\$ (118,532)	\$ 47,625,246
Net income and gains other than interest income	4,849,689	100,085,511	1,304,230	1,198,708	3,995,483	111,433,621
Profit from operations	13,693,903	138,806,717	1,441,825	1,239,471	3,876,951	159,058,867
Provision for bad debt, commitments and guarantee reserve	(682,669)	96,294	-	(229)	45	(586,559)
Net changes in insurance liability reserve	-	(125,851,038)	196,410	-	-	(125,654,628)
Operating expenses	(7,301,678)	(10,197,510)	(791,384)	(807,086)	(2,205,896)	(21,303,554)
Profit from continuing operations before taxes	5,709,556	2,854,463	846,851	432,156	1,671,100	11,514,126
Income tax (expense) benefit	(922,586)	1,561,334	(107,134)	(52,888)	(2,804,454)	(2,325,728)
Net income (loss) from continuing operations	4,786,970	4,415,797	739,717	379,268	(1,133,354)	9,188,398

For the six months ended June 30, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 18,744,039	\$ 77,382,465	\$ 260,324	\$ 199,436	\$ (273,354)	\$ 96,312,910
Net income and gains other than interest income	10,105,758	226,489,295	3,316,374	2,984,142	6,567,962	249,463,531
Profit from operations	28,849,797	303,871,760	3,576,698	3,183,578	6,294,608	345,776,441
Provision for bad debt, commitments and guarantee reserve	(2,121,101)	(58,753)	-	(672)	-	(2,180,526)
Net changes in insurance liability reserve	-	(198,146,167)	(323,262)	-	-	(198,469,429)
Operating expenses	(15,032,825)	(17,675,790)	(1,701,893)	(1,616,973)	(4,910,651)	(40,938,132)
Profit from continuing operations before taxes	11,695,871	87,991,050	1,551,543	1,565,933	1,383,957	104,188,354
Income tax expense	(1,827,384)	(8,797,178)	(187,821)	(239,717)	(1,620,241)	(12,672,341)
Net income (loss) from continuing operations	9,868,487	79,193,872	1,363,722	1,326,216	(236,284)	91,516,013

For the six months ended June 30, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 17,975,345	\$ 77,814,371	\$ 277,723	\$ 80,860	\$ (242,896)	\$ 95,905,403
Net income and gains other than interest income	11,124,046	203,140,378	2,659,367	2,121,273	6,200,152	225,245,216
Profit from operations	29,099,391	280,954,749	2,937,090	2,202,133	5,957,256	321,150,619
Provision for bad debt, commitments and guarantee reserve	(1,271,955)	351,719	-	131	(29)	(920,134)
Net changes in insurance liability reserve	-	(242,222,320)	313,118	-	-	(241,909,202)
Operating expenses	(15,251,534)	(17,805,640)	(1,587,563)	(1,483,970)	(4,368,838)	(40,497,545)
Profit from continuing operations before taxes	12,575,902	21,278,508	1,662,645	718,294	1,588,389	37,823,738
Income tax (expense) benefit	(2,244,355)	324,991	(243,466)	(93,893)	(2,865,303)	(5,122,026)
Net income (loss) from continuing operations	10,331,547	21,603,499	1,419,179	624,401	(1,276,914)	32,701,712

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

## 35. 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 be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- iv) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

###### 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 management mechanisms regularly.
- iii) The committee should assist and monitor the risk management activities.
- iv) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
- v) The committee should enhance cross-department interaction and communication.

###### 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 rules 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 and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. Cathay Life has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

x. 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.

xi. ESG and climate risks

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

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. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.

- 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 set up a special panel for large policies 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 committee 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 that 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 addition 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 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, 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; 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 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 Six Months Ended June 30, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,532,480	Decrease (increase)	\$ 1,225,984
Expense	×1.05 (×0.95)	Decrease (increase)	1,535,891	Decrease (increase)	1,228,713
Surrender rate	×1.05 (×0.95)	Increase (decrease)	104,848	Increase (decrease)	83,878
Rate of return	+0.1%	Increase	3,319,718	Increase	2,655,774
Rate of return	-0.1%	Decrease	3,321,355	Decrease	2,657,084

For the Six Months Ended June 30, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,429,086	Decrease (increase)	\$ 1,143,269
Expense	×1.05 (×0.95)	Decrease (increase)	1,527,531	Decrease (increase)	1,222,025
Surrender rate	×1.05 (×0.95)	Increase (decrease)	223,173	Increase (decrease)	178,538
Rate of return	+0.1%	Increase	3,110,821	Increase	2,488,657
Rate of return	-0.1%	Decrease	3,112,361	Decrease	2,489,889

ii. Cathay Lujiazui Life

For the Six Months Ended June 30, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 80,179	Decrease (increase)	\$ 60,135
Expense	×1.05 (×0.95)	Decrease (increase)	48,916	Decrease (increase)	36,687
Surrender rate	×1.10 (×0.90)	Increase (decrease)	38,788	Increase (decrease)	29,091
Rate of return	+0.25%	Increase	149,585	Increase	112,189
Rate of return	-0.25%	Decrease	149,954	Decrease	112,466

For the Six Months Ended June 30, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 77,036	Decrease (increase)	\$ 57,777
Expense	×1.05 (×0.95)	Decrease (increase)	44,580	Decrease (increase)	33,435
Surrender rate	×1.10 (×0.90)	Increase (decrease)	41,339	Increase (decrease)	31,004
Rate of return	+0.25%	Increase	115,920	Increase	86,940
Rate of return	-0.25%	Decrease	116,206	Decrease	87,155

iii. Cathay Life (Vietnam)

For the Six Months Ended June 30, 2021					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 1,682	Decrease (increase)	\$ 1,346
Expense	×1.05 (×0.95)	Decrease (increase)	35,694	Decrease (increase)	28,555
Surrender rate	×1.05 (×0.95)	Increase (decrease)	7,353	Increase (decrease)	5,882
Rate of return	+0.1%	Increase	11,591	Increase	9,273
Rate of return	-0.1%	Decrease	11,597	Decrease	9,277

For the Six Months Ended June 30, 2020					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 659	Decrease (increase)	\$ 527
Expense	×1.05 (×0.95)	Decrease (increase)	25,441	Decrease (increase)	20,353
Surrender rate	×1.05 (×0.95)	Increase (decrease)	3,123	Increase (decrease)	2,498
Rate of return	+0.1%	Increase	7,808	Increase	6,246
Rate of return	-0.1%	Decrease	7,812	Decrease	6,249

- i) Changes in income before tax listed above referred to the effects of income before tax for the six months ended June 30, 2021 and 2020. 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):

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

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		
2014Q3-2015Q2	14,571,990	18,110,741	18,441,030	18,521,678	18,563,115	18,587,024	18,604,641	-	-
2015Q3-2016Q2	15,612,219	19,236,420	19,604,451	19,681,903	19,729,832	19,758,546	19,778,066	19,520	19,559
2016Q3-2017Q2	16,041,023	19,907,013	20,260,407	20,348,766	20,387,112	20,415,358	20,435,847	48,735	48,833
2017Q3-2018Q2	18,543,719	22,888,227	23,332,963	23,447,982	23,498,270	23,529,607	23,552,385	104,403	104,612
2018Q3-2019Q2	20,263,104	25,132,218	25,605,267	25,723,292	25,778,159	25,812,145	25,836,773	231,506	231,969
2019Q3-2020Q2	21,103,207	26,299,751	26,798,337	26,922,406	26,979,819	27,015,290	27,040,878	741,127	742,609
2020Q3-2021Q2	20,934,771	25,891,749	26,367,495	26,483,815	26,541,063	26,577,320	26,603,639	5,668,868	5,680,205
									\$ 6,827,787
									22,632
									6,850,419
									4,328,653
									\$ 11,179,072
									Loss reserve balance

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		
2014Q3-2015Q2	14,685,660	18,279,560	18,612,485	18,694,584	18,736,320	18,760,308	18,778,025	-	-
2015Q3-2016Q2	15,749,673	19,399,201	19,773,769	19,851,792	19,899,854	19,928,726	19,948,318	19,592	19,631
2016Q3-2017Q2	16,100,992	20,016,979	20,373,156	20,461,802	20,500,332	20,528,673	20,549,231	48,899	48,997
2017Q3-2018Q2	18,688,695	23,063,158	23,509,021	23,624,332	23,675,002	23,706,557	23,729,490	105,158	105,367
2018Q3-2019Q2	20,326,834	25,207,686	25,682,155	25,801,022	25,856,486	25,890,832	25,915,714	233,559	234,026
2019Q3-2020Q2	21,131,012	26,339,764	26,839,712	26,964,267	27,022,030	27,057,713	27,083,451	743,687	745,174
2020Q3-2021Q2	20,970,362	25,941,023	26,418,508	26,535,457	26,593,165	26,629,699	26,656,214	5,685,852	5,697,224
								Expected future payments	\$ 6,850,419
								Add: Claims filed but not yet paid	4,276,891
								Retained loss reserve balance	\$ 11,127,310

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

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided as claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to 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		
2014Q3-2015Q2	213,929	400,392	428,503	433,437	433,437	433,437	433,437	-	
2015Q3-2016Q2	253,853	474,751	519,348	555,261	555,261	555,261	555,261	-	
2016Q3-2017Q2	261,165	472,894	516,495	516,495	516,495	516,495	516,495	-	
2017Q3-2018Q2	279,503	318,158	448,111	448,111	448,111	448,111	448,111	-	
2018Q3-2019Q2	356,814	505,486	683,090	697,679	697,679	697,679	697,679	14,589	
2019Q3-2020Q2	373,281	528,815	632,028	645,527	645,527	645,527	645,527	116,712	
2020Q3-2021Q2	418,000	649,283	776,009	792,583	792,583	792,583	792,583	374,583	
								Expected future payments	\$ 505,884
								Add: Assumed reserve for claims not yet filed	(2,119)
								Reserve for claims not yet filed	503,765
								Add: Claims filed but not yet paid	31,197
								Loss reserve balance	\$ 534,962

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2014Q3-2015Q2	242,314	417,461	447,399	453,307	453,307	453,307	453,307	-
2015Q3-2016Q2	240,247	461,902	495,747	495,747	495,747	495,747	495,747	-
2016Q3-2017Q2	274,883	441,382	468,755	474,171	474,171	474,171	474,171	-
2017Q3-2018Q2	329,711	354,746	429,693	429,693	429,693	429,693	429,693	-
2018Q3-2019Q2	393,799	726,717	1,023,545	1,029,838	1,029,838	1,029,838	1,029,838	6,293
2019Q3-2020Q2	385,706	546,417	651,717	655,724	655,724	655,724	655,724	109,307
2020Q3-2021Q2	434,916	687,005	819,398	824,436	824,436	824,436	824,436	389,520
								\$ 505,120
								(2,119)
								19,334
								<u>\$ 522,335</u>

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

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

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

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016Q3-2017Q2	5,273	6,659	6,659	6,659	6,659
2017Q3-2018Q2	30,180	34,836	34,896	34,943	34,943
2018Q3-2019Q2	98,241	124,696	124,696	124,828	124,828
2019Q3-2020Q2	151,602	192,220	192,287	192,490	192,490
2020Q3-2021Q2	317,284	398,001	398,140	398,561	398,561

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2016Q3-2017Q2	5,273	6,659	6,659	6,659	6,659
2017Q3-2018Q2	30,180	34,836	34,896	34,943	34,943
2018Q3-2019Q2	98,241	124,696	124,696	124,828	124,828
2019Q3-2020Q2	151,602	192,220	192,287	192,490	192,490
2020Q3-2021Q2	317,284	398,001	398,140	398,561	398,561

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

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

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

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
June 30, 2021	\$ (170)	\$ 4,858	\$ 175,603
December 31, 2020	(1,025)	4,481	182,228
June 30, 2020	(1,282)	3,689	182,682

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 of risk management, 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 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.
- Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.
- Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.
- Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions of the business units.
- Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.
- Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
- Assist to collect 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 general manager, 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	
	2021	2020
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 RBC 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 CAR.

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		
	June 30, 2021	December 31, 2020	June 30, 2020
Fire insurance	\$ 100,192	\$ 13,274	\$ 20,180
Marine insurance	29,332	11,468	6,157
Land and air insurance	42,021	37,194	34,888
Liability insurance	30,351	45,977	41,004
Guarantee insurance	389	157	3,599
Other property insurance	22,132	19,898	38,440
Accident insurance	15,951	15,417	16,670
Health insurance	16,978	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>145,699</u>	<u>161,235</u>	<u>214,148</u>
	403,045	304,620	375,086
Less: Loss allowance	<u>(4,030)</u>	<u>(15,231)</u>	<u>(18,754)</u>
Net amount	<u>\$ 399,015</u>	<u>\$ 289,389</u>	<u>\$ 356,332</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	June 30, 2021	December 31, 2020	June 30, 2020
Fire insurance	\$ 1,159,302	\$ 936,657	\$ 1,146,043
Marine insurance	416,583	356,045	277,639
Land and air insurance	123,695	137,421	203,627
Liability insurance	233,463	304,996	173,494
Guarantee insurance	56,605	34,644	45,838
Other property insurance	144,308	237,919	221,410
Accident insurance	123,439	119,462	132,004
Health insurance	10,272	4,849	4,291
Policy-oriented residential earthquake insurance	30,467	30,466	27,292
Compulsory automobile liability insurance	<u>18,919</u>	<u>19,596</u>	<u>25,718</u>
	2,317,053	2,182,055	2,257,356
Less: Loss allowance	<u>(42,272)</u>	<u>(36,713)</u>	<u>(32,650)</u>
Net amount	<u>\$ 2,274,781</u>	<u>\$ 2,145,342</u>	<u>\$ 2,224,706</u>

Aging analysis of receivable:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Up to 90 days	\$ 1,763,221	\$ 1,845,819	\$ 1,970,485
Over 90 days	<u>553,832</u>	<u>336,236</u>	<u>286,871</u>
	<u>\$ 2,317,053</u>	<u>\$ 2,182,055</u>	<u>\$ 2,257,356</u>

The overdue amounts as of June 30, 2021, December 31, 2020 and June 30, 2020 in the above premiums receivable were \$553,832 thousand, \$336,236 thousand and \$286,871 thousand, respectively, and loss allowance of \$24,115 thousand, \$18,347 thousand and \$13,112 thousand were provided, respectively.

b) Payables

	<b>June 30, 2021</b>		
<b>Insurance Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 21,217	\$ 11,413	\$ 32,630
Marine insurance	14,949	15,174	30,123
Land and air insurance	120,137	98,590	218,727
Liability insurance	26,490	23,667	50,157
Guarantee insurance	6,838	846	7,684
Other property insurance	7,753	11,460	19,213
Accident insurance	8,967	26,397	35,364
Health insurance	1,979	27,340	29,319
Policy-oriented residential earthquake insurance	1,522	1,297	2,819
Compulsory automobile liability insurance	<u>28,465</u>	<u>-</u>	<u>28,465</u>
	<u>\$ 238,317</u>	<u>\$ 216,184</u>	<u>\$ 454,501</u>

	<b>December 31, 2020</b>		
<b>Insurance Type</b>	<b>Commission Payable</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 28,222	\$ 12,555	\$ 40,777
Marine insurance	13,293	11,805	25,098
Land and air insurance	106,137	98,872	205,009
Liability insurance	23,814	25,884	49,698
Guarantee insurance	3,840	378	4,218
Other property insurance	7,176	9,654	16,830
Accident insurance	10,325	25,601	35,926
Health insurance	1,352	878	2,230
Policy-oriented residential earthquake insurance	1,646	1,225	2,871
Compulsory automobile liability insurance	<u>26,369</u>	<u>-</u>	<u>26,369</u>
	<u>\$ 222,174</u>	<u>\$ 186,852</u>	<u>\$ 409,026</u>

Insurance Type	June 30, 2020		
	Commission Payable	Others	Total
Fire insurance	\$ 32,522	\$ 11,677	\$ 44,199
Marine insurance	10,645	11,444	22,089
Land and air insurance	85,577	89,113	174,690
Liability insurance	15,671	19,023	34,694
Guarantee insurance	6,260	515	6,775
Other property insurance	5,795	10,505	16,300
Accident insurance	8,725	26,468	35,193
Health insurance	1,306	600	1,906
Policy-oriented residential earthquake insurance	1,763	1,221	2,984
Compulsory automobile liability insurance	<u>27,575</u>	<u>-</u>	<u>27,575</u>
	<u>\$ 195,839</u>	<u>\$ 170,566</u>	<u>\$ 366,405</u>

c) Due from (to) reinsurers and ceding companies - reinsurance

	June 30, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C	\$ 330,173	\$ 363,875
Marsh	98,026	309,210
AON	53,854	50,356
Central Re	29,662	308,558
Cosmos	28,452	153,541
Swiss Re	20,201	212,227
Others (individually below 5%)	<u>378,854</u>	<u>1,201,996</u>
	939,222	2,599,763
Less: Loss allowance	<u>(49,303)</u>	<u>-</u>
Net amount	<u>\$ 889,919</u>	<u>\$ 2,599,763</u>

	<b>December 31, 2020</b>	
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Non-Life Insurance Association of the R.O.C.	\$ 311,559	\$ 360,628
AON	44,900	188,748
Central Re	11,634	131,069
Cosmos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611
Swiss Re	19,000	113,884
Willis	58,826	57,680
Others (individually below 5%)	<u>171,960</u>	<u>558,089</u>
	752,144	1,778,193
Less: Loss allowance	<u>(43,501)</u>	<u>-</u>
Net amount	<u>\$ 708,643</u>	<u>\$ 1,778,193</u>

	<b>June 30, 2020</b>	
	<b>Due from Reinsurers and Ceding Companies</b>	<b>Due to Reinsurers and Ceding Companies</b>
Non-Life Insurance Association of the R.O.C.	\$ 349,764	\$ 340,962
AON	84,372	39,834
Willis	61,488	28,108
Marsh	9,580	308,998
Central Re	5,916	131,065
Others (individually below 5%)	<u>306,510</u>	<u>910,261</u>
	817,630	1,759,228
Less: Loss allowance	<u>(44,642)</u>	<u>-</u>
Net amount	<u>\$ 772,988</u>	<u>\$ 1,759,228</u>

The overdue amounts as of June 30, 2021, December 31, 2020 and June 30, 2020 in the above due from (to) reinsurers and ceding companies were \$16,375 thousand, \$11,495 thousand and \$9,253 thousand, respectively, and loss allowances of \$16,375 thousand, \$11,495 thousand and \$9,253 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) Acquisition cost of insurance contracts

<b>For the Three Months Ended June 30, 2021</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 41,728	\$ 7,030	\$ 41,930	\$ 4,082	\$ 94,770
Marine insurance	17,565	77	1,270	354	19,266
Land and air insurance	292,502	113	4,582	108,310	405,507
Liability insurance	46,119	33	268	7,115	53,535
Guarantee insurance	4,972	74	1,144	103	6,293
Other property insurance	20,685	929	4,051	772	26,437
Accident insurance	82,235	316	368	18,662	101,581
Health insurance	130,681	(7)	(28)	321	130,967
Policy-oriented residential earthquake insurance	5,291	16	-	674	5,981
Compulsory automobile liability insurance	-	95,020	-	-	95,020
	<u>\$ 641,778</u>	<u>\$ 103,601</u>	<u>\$ 53,585</u>	<u>\$ 140,393</u>	<u>\$ 939,357</u>
<b>For the Three Months Ended June 30, 2020</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 47,646	\$ 6,717	\$ 57,383	\$ 4,112	\$ 115,858
Marine insurance	14,073	684	4,049	349	19,155
Land and air insurance	265,112	347	14,293	105,542	385,294
Liability insurance	35,434	38	288	6,609	42,369
Guarantee insurance	5,049	4	1,114	56	6,223
Other property insurance	22,290	1,740	9,539	1,163	34,732
Accident insurance	78,063	485	139	19,372	98,059
Health insurance	7,139	249	998	484	8,870
Policy-oriented residential earthquake insurance	5,218	81	-	682	5,981
Compulsory automobile liability insurance	-	96,507	-	-	96,507
	<u>\$ 480,024</u>	<u>\$ 106,852</u>	<u>\$ 87,803</u>	<u>\$ 138,369</u>	<u>\$ 813,048</u>

<b>For the Six Months Ended June 30, 2021</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 80,324	\$ 11,636	\$ 75,318	\$ 8,135	\$ 175,413
Marine insurance	34,842	348	3,159	773	39,122
Land and air insurance	582,737	507	16,013	214,760	814,017
Liability insurance	96,685	48	432	14,955	112,120
Guarantee insurance	7,171	75	1,079	452	8,777
Other property insurance	37,129	3,047	10,864	1,611	52,651
Accident insurance	163,005	796	109	37,044	200,954
Health insurance	138,338	80	320	627	139,365
Policy-oriented residential earthquake insurance	10,285	57	-	1,282	11,624
Compulsory automobile liability insurance	-	187,436	-	-	187,436
	<u>\$ 1,150,516</u>	<u>\$ 204,030</u>	<u>\$ 107,294</u>	<u>\$ 279,639</u>	<u>\$ 1,741,479</u>

<b>For the Six Months Ended June 30, 2020</b>					
<b>Insurance Type</b>	<b>Commission Expenses</b>	<b>Service fee Charge</b>	<b>Reinsurance Commission Expenses</b>	<b>Others</b>	<b>Total</b>
Fire insurance	\$ 85,441	\$ 11,798	\$ 96,117	\$ 7,984	\$ 201,340
Marine insurance	29,142	794	5,465	883	36,284
Land and air insurance	524,529	770	23,923	210,983	760,205
Liability insurance	74,933	66	357	13,853	89,209
Guarantee insurance	7,151	199	5,519	129	12,998
Other property insurance	38,106	3,950	21,676	2,506	66,238
Accident insurance	166,677	681	124	43,328	210,810
Health insurance	19,424	428	1,714	2,935	24,501
Policy-oriented residential earthquake insurance	10,479	141	-	1,349	11,969
Compulsory automobile liability insurance	-	187,687	-	-	187,687
	<u>\$ 955,882</u>	<u>\$ 206,514</u>	<u>\$ 154,895</u>	<u>\$ 283,950</u>	<u>\$ 1,601,241</u>

Acquisition costs of the insurance contracts were not deferred.

5) Profit and loss analysis of the insurance business

Direct underwriting business

<b>For the Three Months Ended June 30, 2021</b>						
<b>Insurance Type</b>	<b>Written Premium (Net of Premium Allowance)</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Acquisition Cost of Insurance Contracts</b>	<b>Claims and Payments (Including Claim Expense)</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 1,211,903	\$ 391,241	\$ 52,840	\$ 330,806	\$ 87,059	\$ 349,957
Marine insurance	271,543	53,271	17,996	69,205	288,127	(157,056)
Land and air insurance	2,637,535	30,507	400,926	1,549,979	20,661	635,462
Liability insurance	373,818	(37,677)	53,266	160,704	56,910	140,615
Guarantee insurance	47,690	20,296	5,148	2,070	(16,846)	37,022
Other property insurance	232,835	(38,260)	22,385	92,302	(61,936)	218,344
Accident insurance	684,664	(23,575)	101,214	299,345	(16,754)	324,434
Health insurance	719,143	607,065	130,995	39,217	21,558	(79,692)
Policy-oriented residential earthquake insurance	114,323	3,451	5,982	-	-	104,890
Compulsory automobile liability insurance	<u>694,344</u>	<u>(3,341)</u>	<u>95,020</u>	<u>487,419</u>	<u>(73,429)</u>	<u>188,675</u>
	<u>\$ 6,987,798</u>	<u>\$ 1,002,978</u>	<u>\$ 885,772</u>	<u>\$ 3,031,047</u>	<u>\$ 305,350</u>	<u>\$ 1,762,651</u>
<b>For the Three Months Ended June 30, 2020</b>						
<b>Insurance Type</b>	<b>Written Premium (Net of Premium Allowance)</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Acquisition Cost of Insurance Contracts</b>	<b>Claims and Payments (Including Claim Expense)</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 1,235,696	\$ 479,637	\$ 58,473	\$ 157,186	\$ (95,444)	\$ 635,844
Marine insurance	183,279	20,517	15,107	43,397	141,428	(37,170)
Land and air insurance	2,438,483	39,453	371,001	1,391,240	(47,112)	683,901
Liability insurance	305,218	(60,076)	42,081	145,419	29,418	148,376
Guarantee insurance	43,316	15,698	5,109	(73,396)	20,446	75,459
Other property insurance	239,310	(19,996)	25,192	124,070	(78,267)	188,311
Accident insurance	663,264	(13,262)	97,920	364,711	(27,784)	241,679
Health insurance	30,618	(5,118)	7,873	21,582	(10,700)	16,981
Policy-oriented residential earthquake insurance	112,010	4,330	5,982	-	-	101,698
Compulsory automobile liability insurance	<u>697,216</u>	<u>(9,621)</u>	<u>96,507</u>	<u>506,863</u>	<u>(3,980)</u>	<u>107,447</u>
	<u>\$ 5,948,410</u>	<u>\$ 451,562</u>	<u>\$ 725,245</u>	<u>\$ 2,681,072</u>	<u>\$ (71,995)</u>	<u>\$ 2,162,526</u>

For the Six Months Ended June 30, 2021						
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	\$ 1,735,199	\$ 92,870	\$ 100,094	\$ 359,652	\$ 1,481,930	\$ (299,347)
Marine insurance	439,884	25,135	35,963	124,696	252,293	1,797
Land and air insurance	5,215,341	90,277	798,004	2,977,382	66,027	1,283,651
Liability insurance	807,348	10,428	111,688	309,151	100,458	275,623
Guarantee insurance	66,077	11,955	7,697	(29,057)	(10,721)	86,203
Other property insurance	559,771	10,267	41,788	193,629	(100,126)	414,213
Accident insurance	1,395,234	6,544	200,845	614,485	(22,343)	595,703
Health insurance	756,287	609,889	139,045	55,754	16,796	(65,197)
Policy-oriented residential earthquake insurance	221,112	(1,133)	11,625	-	12	210,608
Compulsory automobile liability insurance	<u>1,365,275</u>	<u>(2,489)</u>	<u>187,436</u>	<u>961,618</u>	<u>(101,483)</u>	<u>320,193</u>
	<u>\$ 12,561,528</u>	<u>\$ 853,743</u>	<u>\$ 1,634,185</u>	<u>\$ 5,567,310</u>	<u>\$ 1,682,843</u>	<u>\$ 2,823,447</u>

For the Six Months Ended June 30, 2020						
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	\$ 1,747,938	\$ 249,450	\$ 105,223	\$ 253,878	\$ 90,836	\$ 1,048,551
Marine insurance	332,838	4,398	30,820	94,940	189,258	13,422
Land and air insurance	4,765,384	(20,387)	736,281	2,800,890	(87,490)	1,336,090
Liability insurance	652,169	(83,280)	88,852	387,807	(47,747)	306,537
Guarantee insurance	66,979	14,867	7,479	(70,096)	22,265	92,464
Other property insurance	601,184	81,591	44,561	200,634	13,762	260,636
Accident insurance	1,420,206	(35,785)	210,686	738,804	(30,249)	536,750
Health insurance	104,656	(14,979)	22,788	49,330	(14,322)	61,839
Policy-oriented residential earthquake insurance	223,110	10,179	11,969	-	-	200,962
Compulsory automobile liability insurance	<u>1,360,884</u>	<u>(19,699)</u>	<u>187,687</u>	<u>1,094,817</u>	<u>(43,027)</u>	<u>141,106</u>
	<u>\$ 11,275,348</u>	<u>\$ 186,355</u>	<u>\$ 1,446,346</u>	<u>\$ 5,551,004</u>	<u>\$ 93,286</u>	<u>\$ 3,998,357</u>

Reinsurance inward business

**For the Three Months Ended June 30, 2021**

<b>Insurance Type</b>	<b>Reinsurance Premium</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Reinsurance Commission Expense</b>	<b>Reinsurance Claim</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 205,930	\$ 39,918	\$ 41,931	\$ 101,671	\$ 97,507	\$ (75,097)
Marine insurance	6,884	(4,368)	1,270	7,216	(5,461)	8,227
Land and air insurance	60,331	943	4,582	14,043	7,819	32,944
Liability insurance	2,527	1,135	269	200	(102)	1,025
Guarantee insurance	4,258	274	1,144	985	(1,097)	2,952
Other property insurance	34,450	(7,250)	4,049	39,608	(8,236)	6,279
Accident insurance	4,681	(107)	368	1,926	1,658	836
Health insurance	(279)	(1,246)	(28)	211	350	434
Policy-oriented residential earthquake insurance	16,076	1,891	-	-	-	14,185
Compulsory automobile liability insurance	<u>174,460</u>	<u>(5,649)</u>	<u>-</u>	<u>227,178</u>	<u>2,373</u>	<u>(49,442)</u>
	<u>\$ 509,318</u>	<u>\$ 25,541</u>	<u>\$ 53,585</u>	<u>\$ 393,038</u>	<u>\$ 94,811</u>	<u>\$ (57,657)</u>

**For the Three Months Ended June 30, 2020**

<b>Insurance Type</b>	<b>Reinsurance Premium</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Reinsurance Commission Expense</b>	<b>Reinsurance Claim</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 277,942	\$ 65,842	\$ 57,382	\$ 134,795	\$ (1,098)	\$ 21,021
Marine insurance	22,835	9,419	4,049	16,829	(150)	(7,312)
Land and air insurance	19,296	6,377	14,293	17,699	11,237	(30,310)
Liability insurance	1,706	783	287	143	1,229	(736)
Guarantee insurance	4,202	(483)	1,114	83	(1,521)	5,009
Other property insurance	57,740	3,066	9,541	56,187	(6,572)	(4,482)
Accident insurance	4,093	(1,127)	139	2,414	339	2,328
Health insurance	9,983	3,172	998	539	(184)	5,458
Policy-oriented residential earthquake insurance	13,627	1,050	-	64	(136)	12,649
Compulsory automobile liability insurance	<u>183,803</u>	<u>5,330</u>	<u>-</u>	<u>263,340</u>	<u>895</u>	<u>(85,762)</u>
	<u>\$ 595,227</u>	<u>\$ 93,429</u>	<u>\$ 87,803</u>	<u>\$ 492,093</u>	<u>\$ 4,039</u>	<u>\$ (82,137)</u>

For the Six Months Ended June 30, 2021						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 366,899	\$ 118,545	\$ 75,318	\$ 194,164	\$ 123,238	\$ (144,366)
Marine insurance	19,326	740	3,159	24,136	9,574	(18,283)
Land and air insurance	98,391	17,520	16,013	30,762	11,602	22,494
Liability insurance	3,955	1,513	433	96	(126)	2,039
Guarantee insurance	2,771	(5,019)	1,079	1,790	(1,080)	6,001
Other property insurance	96,139	6,462	10,863	97,107	(18,080)	(213)
Accident insurance	8,422	1,373	109	2,670	888	3,382
Health insurance	3,199	(485)	320	2,978	666	(280)
Policy-oriented residential earthquake insurance	31,017	3,942	-	-	-	27,075
Compulsory automobile liability insurance	<u>362,054</u>	<u>(2,969)</u>	<u>-</u>	<u>437,029</u>	<u>2,086</u>	<u>(74,092)</u>
	<u>\$ 992,173</u>	<u>\$ 141,622</u>	<u>\$ 107,294</u>	<u>\$ 790,732</u>	<u>\$ 128,768</u>	<u>\$ (176,243)</u>

For the Six Months Ended June 30, 2020						
Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 477,946	\$ 98,948	\$ 96,116	\$ 240,950	\$ (18,906)	\$ 60,838
Marine insurance	29,851	5,928	5,465	23,145	(912)	(3,775)
Land and air insurance	40,059	8,514	23,922	19,724	14,209	(26,310)
Liability insurance	2,795	1,215	357	144	1,330	(251)
Guarantee insurance	18,958	2,731	5,519	1,788	16,557	(7,637)
Other property insurance	129,842	4,809	21,678	134,793	(16,995)	(14,443)
Accident insurance	7,076	(30)	124	3,062	26	3,894
Health insurance	17,138	2,399	1,714	12,745	14	266
Policy-oriented residential earthquake insurance	28,518	3,374	-	65	(136)	25,215
Compulsory automobile liability insurance	<u>363,338</u>	<u>(2,413)</u>	<u>-</u>	<u>448,000</u>	<u>5,549</u>	<u>(87,798)</u>
	<u>\$ 1,115,521</u>	<u>\$ 125,475</u>	<u>\$ 154,895</u>	<u>\$ 884,416</u>	<u>\$ 736</u>	<u>\$ (50,001)</u>

Ceded reinsurance business

<b>For the Three Months Ended June 30, 2021</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>(Profit) Loss</b>
Fire insurance	\$ 797,500	\$ 269,423	\$ 41,818	\$ 168,671	\$ 117,996	\$ 199,592
Marine insurance	176,833	44,944	19,444	54,120	239,771	(181,446)
Land and air insurance	122,505	24,999	26,430	46,990	42,071	(17,985)
Liability insurance	92,813	(29,453)	20,853	40,152	32,646	28,615
Guarantee insurance	30,328	15,292	4,700	30	(17,548)	27,854
Other property insurance	149,756	(8,898)	32,907	62,416	(59,443)	122,774
Accident insurance	46,423	(9,771)	13,346	27,094	(268)	16,022
Health insurance	476,631	417,023	190,695	16,978	8,201	(156,266)
Policy-oriented residential earthquake insurance	114,323	3,451	-	-	-	110,872
Compulsory automobile liability insurance	291,388	(2,005)	-	287,181	(43,844)	50,056
	<u>\$ 2,298,500</u>	<u>\$ 725,005</u>	<u>\$ 350,193</u>	<u>\$ 703,632</u>	<u>\$ 319,582</u>	<u>\$ 200,088</u>

<b>For the Three Months Ended June 30, 2020</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>(Profit) Loss</b>
Fire insurance	\$ 768,094	\$ 365,759	\$ 41,704	\$ 35,451	\$ (40,239)	\$ 365,419
Marine insurance	143,288	27,009	12,771	29,493	111,265	(37,250)
Land and air insurance	131,512	44,944	24,357	35,624	(1,920)	28,507
Liability insurance	71,762	(46,181)	15,065	41,325	(890)	62,443
Guarantee insurance	30,372	16,020	5,640	(74,220)	10,466	72,466
Other property insurance	143,156	(36,282)	26,288	70,998	(47,315)	129,467
Accident insurance	45,747	(2,614)	13,396	18,244	(493)	17,214
Health insurance	4	4	1	-	-	(1)
Policy-oriented residential earthquake insurance	112,010	4,331	-	(996)	-	108,675
Compulsory automobile liability insurance	291,207	(5,772)	-	290,479	(2,361)	8,861
	<u>\$ 1,737,152</u>	<u>\$ 367,218</u>	<u>\$ 139,222</u>	<u>\$ 446,398</u>	<u>\$ 28,513</u>	<u>\$ 755,801</u>

**For the Six Months Ended June 30, 2021**

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	(Profit) Loss
Fire insurance	\$ 1,230,524	\$ 170,603	\$ 74,193	\$ 215,222	\$ 1,288,299	\$ (517,793)
Marine insurance	279,571	13,003	33,608	86,549	200,977	(54,566)
Land and air insurance	203,228	9,013	49,983	81,232	45,657	17,343
Liability insurance	176,686	(66,851)	43,922	69,158	66,106	64,351
Guarantee insurance	40,182	9,545	6,518	(32,631)	(14,701)	71,451
Other property insurance	433,701	56,410	64,072	122,083	(67,810)	258,946
Accident insurance	113,047	26,444	29,286	43,841	568	12,908
Health insurance	476,739	417,114	190,695	16,978	5,201	(153,249)
Policy-oriented residential earthquake insurance	221,112	(1,133)	-	-	-	222,245
Compulsory automobile liability insurance	<u>570,970</u>	<u>(1,494)</u>	<u>-</u>	<u>561,180</u>	<u>(66,481)</u>	<u>77,765</u>
	<u>\$ 3,745,760</u>	<u>\$ 632,654</u>	<u>\$ 492,277</u>	<u>\$ 1,163,612</u>	<u>\$ 1,457,816</u>	<u>\$ (599)</u>

**For the Six Months Ended June 30, 2020**

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	(Profit) Loss
Fire insurance	\$ 1,033,537	\$ 231,603	\$ 78,557	\$ 63,365	\$ 171,746	\$ 488,266
Marine insurance	248,399	23,896	24,977	66,916	152,039	(19,429)
Land and air insurance	197,081	21,149	45,113	73,761	(7,110)	64,168
Liability insurance	172,999	(69,934)	41,904	167,227	(68,001)	101,803
Guarantee insurance	44,119	14,640	8,096	(74,316)	9,982	85,717
Other property insurance	429,138	71,421	54,958	118,042	42,404	142,313
Accident insurance	121,293	34,361	29,531	33,819	(5,784)	29,366
Health insurance	4	4	1	-	-	(1)
Policy-oriented residential earthquake insurance	223,110	10,179	-	(996)	-	213,927
Compulsory automobile liability insurance	<u>566,876</u>	<u>(11,819)</u>	<u>-</u>	<u>637,961</u>	<u>(25,926)</u>	<u>(33,340)</u>
	<u>\$ 3,036,556</u>	<u>\$ 325,500</u>	<u>\$ 283,137</u>	<u>\$ 1,085,779</u>	<u>\$ 269,350</u>	<u>\$ 1,072,790</u>

6) Sensitivity to insurance risk

a) Cathay Century

For the six months ended June 30, 2021

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	\$ 1,596,145	48.00%	\$ (79,807)	\$ (48,769)
Marine insurance	435,082	45.20%	(21,754)	(10,223)
Land and air insurance	5,126,326	62.57%	(256,316)	(250,777)
Liability insurance	806,411	50.46%	(40,321)	(26,907)
Guarantee insurance	66,077	38.65%	(3,304)	(688)
Other property insurance	556,565	52.50%	(27,828)	(6,274)
Accident insurance	1,378,434	43.98%	(68,922)	(65,872)
Health insurance	756,287	32.94%	(37,814)	(30,951)
Policy-oriented residential earthquake insurance	221,112	11.00%	(11,056)	(2,211)
Compulsory automobile liability insurance	<u>1,365,275</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 12,307,714</u>		<u>\$ (547,122)</u>	<u>\$ (442,672)</u>

For the six months ended June 30, 2020

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	\$ 1,681,546	48.95%	\$ (84,077)	\$ (84,077)
Marine insurance	328,303	35.56%	(16,415)	(7,961)
Land and air insurance	4,659,312	63.23%	(232,966)	(226,087)
Liability insurance	651,370	50.48%	(32,568)	(20,798)
Guarantee insurance	66,979	267.03%	(3,349)	(1,967)
Other property insurance	598,578	63.64%	(29,929)	(23,539)
Accident insurance	1,408,979	43.36%	(70,449)	(66,720)
Health insurance	104,656	36.07%	(5,233)	(5,233)
Policy-oriented residential earthquake insurance	223,110	10.65%	(11,156)	(5,578)
Compulsory automobile liability insurance	<u>1,360,884</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 11,083,717</u>		<u>\$ (486,142)</u>	<u>\$ (441,960)</u>

Note: Expected loss rate is calculated based on the simple 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 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 six months ended June 30, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 89,016	21.52%	\$ (4,451)	\$ (4,439)
Marine insurance	4,801	18.45%	(240)	(68)
Fire insurance	139,054	31.49%	(6,953)	(1,537)
Engineering insurance	3,207	65.21%	(160)	(27)
Accident insurance	16,800	39.86%	(840)	(840)
Liability insurance	<u>936</u>	12.16%	<u>(47)</u>	<u>(18)</u>
	<u>\$ 253,814</u>		<u>\$ (12,691)</u>	<u>\$ (6,929)</u>

For the six months ended June 30, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 106,072	30.61%	\$ (5,304)	\$ (5,281)
Marine insurance	4,535	15.16%	(227)	(52)
Fire insurance	66,392	53.38%	(3,320)	(771)
Engineering insurance	2,606	28.25%	(130)	(40)
Accident insurance	11,227	36.75%	(561)	(561)
Liability insurance	<u>799</u>	14.24%	<u>(40)</u>	<u>(13)</u>
	<u>\$ 191,631</u>		<u>\$ (9,582)</u>	<u>\$ (6,718)</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.

## 7) Risk concentration

### a) Cathay Century

#### i. Situations that may cause concentration of insurance risk:

##### i) Single insurance contract or several related contracts

As of June 30, 2021, 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 June 30, 2021, the loss rates of commercial fire insurance and marine insurance have increased due to the huge claims and loss estimate.

##### 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” is set up to safeguard the rights of Cathay Century 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 June 30, 2021, 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 Century established “points for handling teams of catastrophe and major event” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of June 30, 2021, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

##### 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 on voluntary automobile insurance, commercial fire insurance, and residential fire insurance in 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 and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

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 June 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,099,680	\$ 200,891	\$ 685,613	\$ 614,958	11.98
Marine insurance	268,962	6,884	175,122	100,724	1.96
Land and air insurance	2,585,101	60,297	122,487	2,522,911	49.16
Liability insurance	373,608	2,527	92,674	283,461	5.52
Guarantee insurance	47,690	4,258	30,328	21,620	0.42
Other property insurance	230,349	33,709	147,135	116,923	2.28
Accident insurance	677,475	4,681	46,423	635,733	12.39
Health insurance	719,144	(280)	476,631	242,233	4.72
Policy-oriented residential earthquake insurance	114,323	16,076	114,323	16,076	0.32
Compulsory automobile liability insurance	694,344	174,460	291,388	577,416	11.25
Total	\$ 6,810,676	\$ 503,503	\$ 2,182,124	\$ 5,132,055	100.00

Insurance Type	For the Three Months Ended June 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,192,024	\$ 277,546	\$ 729,750	\$ 739,820	15.64
Marine insurance	180,510	22,835	141,341	62,004	1.31
Land and air insurance	2,371,530	19,296	131,476	2,259,350	47.77
Liability insurance	305,133	1,706	71,712	235,127	4.97
Guarantee insurance	43,315	4,201	30,372	17,144	0.36
Other property insurance	237,996	57,741	142,235	153,502	3.25
Accident insurance	659,993	4,093	45,747	618,339	13.08
Health insurance	30,618	9,983	4	40,597	0.86
Policy-oriented residential earthquake insurance	112,010	13,627	112,010	13,627	0.29
Compulsory automobile liability insurance	697,216	183,803	291,207	589,812	12.47
Total	\$ 5,830,345	\$ 594,831	\$ 1,695,854	\$ 4,729,322	100.00

Insurance Type	For the Six Months Ended June 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,596,145	\$ 373,439	\$ 1,107,755	\$ 861,829	8.89
Marine insurance	435,082	19,326	276,449	177,959	1.84
Land and air insurance	5,126,326	98,325	203,210	5,021,441	51.82
Liability insurance	806,411	3,919	176,055	634,275	6.55
Guarantee insurance	66,077	2,771	40,182	28,666	0.30
Other property insurance	556,565	94,928	430,256	221,237	2.28
Accident insurance	1,378,434	8,422	113,047	1,273,809	13.15
Health insurance	756,287	3,199	476,739	282,747	2.92
Policy-oriented residential earthquake insurance	221,112	31,017	221,112	31,017	0.32
Compulsory automobile liability insurance	1,365,275	362,054	570,970	1,156,359	11.93
Total	\$ 12,307,714	\$ 997,400	\$ 3,615,775	\$ 9,689,339	100.00

Insurance Type	For the Six Months Ended June 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 1,681,546	\$ 476,924	\$ 975,360	\$ 1,183,110	12.82
Marine insurance	328,303	29,851	245,218	112,936	1.22
Land and air insurance	4,659,312	40,059	197,045	4,502,326	48.80
Liability insurance	651,370	2,795	172,497	481,668	5.22
Guarantee insurance	66,979	18,957	44,119	41,817	0.46
Other property insurance	598,578	129,843	427,335	301,086	3.26
Accident insurance	1,408,979	7,076	121,293	1,294,762	14.04
Health insurance	104,656	17,138	4	121,790	1.32
Policy-oriented residential earthquake insurance	223,110	28,518	223,110	28,518	0.31
Compulsory automobile liability insurance	1,360,884	363,338	566,876	1,157,346	12.55
Total	\$ 11,083,717	\$ 1,114,499	\$ 2,972,857	\$ 9,225,359	100.00

- iii. Disclosure of the management's past performance regarding the risks with low frequency of occurrence but enormous impact on property insurance business to assist 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) 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 June 30, 2021, 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 June 30, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance (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 June 30, 2021, 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 Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. For the six months ended June 30, 2021, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographic 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 June 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 52,435	\$ 34	\$ 17	\$ 52,452	78.80
Flood insurance	2,579	-	1,710	869	1.31
Fire insurance	112,223	5,039	111,888	5,374	8.07
Engineering insurance	2,487	228	2,163	552	0.83
Accident insurance	7,189	-	-	7,189	10.80
Liability insurance	209	514	599	124	0.19
Total	\$ 177,122	\$ 5,815	\$ 116,377	\$ 66,560	100.00

Insurance Type	For the Three Months Ended June 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 66,954	\$ -	\$ 36	\$ 66,918	86.68
Flood insurance	2,769	-	1,947	822	1.06
Fire insurance	43,672	396	38,344	5,724	7.42
Engineering insurance	1,315	-	920	395	0.51
Accident insurance	3,315	-	-	3,315	4.29
Liability insurance	84	-	51	33	0.04
Total	\$ 118,109	\$ 396	\$ 41,298	\$ 77,207	100.00

Insurance Type	For the Six Months Ended June 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 89,016	\$ 66	\$ 17	\$ 89,065	75.09
Flood insurance	4,801	-	3,122	1,679	1.41
Fire insurance	139,054	8,403	137,713	9,744	8.22
Engineering insurance	3,207	413	2,736	884	0.75
Accident insurance	16,800	-	-	16,800	14.17
Liability insurance	936	834	1,340	430	0.36
Total	\$ 253,814	\$ 9,716	\$ 144,928	\$ 118,602	100.00

Insurance Type	For the Six Months Ended June 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 106,072	\$ -	\$ 36	\$ 106,036	82.23
Flood insurance	4,535	-	3,181	1,354	1.05
Fire insurance	66,392	1,022	58,177	9,237	7.16
Engineering insurance	2,606	-	1,802	804	0.62
Accident insurance	11,227	-	-	11,227	8.71
Liability insurance	799	-	503	296	0.23
Total	\$ 191,631	\$ 1,022	\$ 63,699	\$ 128,954	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 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 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.

## 8) Development trends of claims

### a) Cathay Century

#### June 30, 2021

Accident Year	≤ 2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 5,113,660	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	11,069,344	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	9,935,056	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,459,596	-	-	-	
After the fourth year	-	7,449,663	11,177,663	7,987,025	-	-	-	-	
After the fifth year	-	7,456,430	11,094,801	-	-	-	-	-	
After the sixth year	-	7,452,144	-	-	-	-	-	-	
Final estimated claim payments	-	7,452,144	11,094,801	7,987,025	8,459,596	9,935,056	11,069,344	5,113,660	
Accumulated claims disbursed	-	7,422,118	11,049,307	7,883,151	8,237,135	8,985,475	7,611,659	1,612,325	
	258,924	30,026	45,494	103,874	222,461	949,581	3,457,685	3,501,335	\$ 8,569,380
Adjustment	-	-	-	-	-	-	-	153,956	153,956
Amount recognized in balance sheet	\$ 258,924	\$ 30,026	\$ 45,494	\$ 103,874	\$ 222,461	\$ 949,581	\$ 3,457,685	\$ 3,655,291	\$ 8,723,336

#### December 31, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,479,083	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	8,000,179	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,177,663	-	-	-	-	
After the fifth year	-	7,145,756	7,456,430	-	-	-	-	-	
After the sixth year	-	7,168,709	-	-	-	-	-	-	
Final estimated claim payments	-	7,168,709	7,456,430	11,177,663	8,000,179	8,479,083	10,063,196	9,508,911	
Accumulated claims disbursed	-	6,948,860	7,415,068	11,098,912	7,856,050	8,173,127	8,556,037	5,089,598	
	84,801	219,849	41,362	78,751	144,129	305,956	1,507,159	4,419,313	\$ 6,801,320
Adjustment	-	-	-	-	-	-	-	142,430	142,430
Amount recognized in balance sheet	\$ 84,801	\$ 219,849	\$ 41,362	\$ 78,751	\$ 144,129	\$ 305,956	\$ 1,507,159	\$ 4,561,743	\$ 6,943,750

#### June 30, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 4,615,183	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,210,943	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,504,451	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	7,985,609	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,148,782	-	-	-	-	
After the fifth year	-	7,145,756	7,453,256	-	-	-	-	-	
After the sixth year	-	7,172,147	-	-	-	-	-	-	
Final estimated claim payments	-	7,172,147	7,453,256	11,148,782	7,985,609	8,504,451	10,210,943	4,615,183	
Accumulated claims disbursed	-	6,945,591	7,407,735	11,056,506	7,809,371	7,990,848	7,771,278	1,642,019	
	102,744	226,556	45,521	92,276	176,238	513,603	2,439,665	2,973,164	\$ 6,569,767
Adjustment	-	-	-	-	-	-	-	141,014	141,014
Amount recognized in balance sheet	\$ 102,744	\$ 226,556	\$ 45,521	\$ 92,276	\$ 176,238	\$ 513,603	\$ 2,439,665	\$ 3,114,178	\$ 6,710,781

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 \$1,537,315 thousand and \$1,369,928 thousand as of June 30, 2021, \$1,638,786 thousand and \$1,241,160 thousand as of December 31, 2020, \$1,532,561 thousand and \$1,139,333 thousand as of June 30, 2020.

### b) Cathay Insurance (Vietnam)

Since the claim data of Cathay Insurance (Vietnam) is still immature, the historical experience for development trend of claim are 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.

### 36. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,815,942,101	\$ 1,748,081,143	\$ 1,696,475,809
Financial assets at FVTOCI	1,588,241,683	1,562,998,457	1,310,379,571
Financial assets for hedging	129,913	146,959	669,856
Financial assets at amortized cost			
Cash and cash equivalents	544,477,045	536,716,255	449,880,117
Due from the Central Bank and call loans to banks	197,432,609	129,503,924	137,765,455
Debt instruments at amortized cost	3,174,595,890	3,161,044,538	3,104,500,105
Notes and bonds purchased under resale agreements	71,938,703	67,264,342	66,317,955
Discounts and loans, net	2,263,477,801	2,141,276,205	2,105,202,259
Receivables, net	190,169,621	191,916,164	170,470,715
Other financial assets, net	712,764,024	660,547,975	580,569,220
Guarantee deposits paid	36,661,061	40,044,829	40,208,527
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	95,581,687	140,778,098	124,769,294
Financial liabilities for hedging	36,014	139,858	65,647
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	87,645,603	66,131,059	73,500,085
Due to the Central Bank and banks	1,076,000	1,076,000	410,000
Notes and bonds sold under repurchase agreements	21,854,793	12,299,564	21,075,281
Commercial paper payable, net	44,829,587	39,519,918	43,139,714
Payables	157,844,631	68,696,694	97,279,092
Deposits and remittances	2,725,931,758	2,615,799,063	2,404,243,391
Bonds payable	141,800,000	148,800,000	127,700,000
Other borrowings	1,962,265	1,657,576	566,726
Other financial liabilities	739,667,099	692,760,284	629,262,965
Lease liabilities	14,486,802	13,011,637	12,791,433
Guarantee deposits received	18,279,919	21,314,390	18,165,921

#### 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	June 30, 2021				December 31, 2020				June 30, 2020			
	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	\$ 575,870,688	\$ 550,606,919	\$ 17,707,759	\$ 7,556,010	\$ 538,241,070	\$ 511,087,638	\$ 20,099,118	\$ 7,054,314	\$ 499,784,742	\$ 457,809,623	\$ 35,526,280	\$ 6,448,839
Bonds	306,235,220	17,066,789	286,265,511	2,902,920	213,583,160	7,624,176	203,032,964	2,926,020	274,872,603	5,017,574	267,419,573	2,435,456
Other	856,901,685	506,557,813	205,029,043	145,314,829	895,567,396	541,181,304	234,648,942	119,737,150	826,586,951	522,440,190	204,637,655	99,509,106
Financial assets at FVTOCI												
Stocks	167,659,946	152,405,911	3,449,017	11,805,018	123,365,677	113,328,058	-	10,037,619	96,924,646	86,781,626	-	10,143,020
Bonds (Note)	1,397,280,122	136,604,298	1,260,675,824	-	1,401,383,513	171,349,180	1,230,034,333	-	1,126,152,778	113,519,388	1,012,633,390	-
Other	24,439,536	-	24,439,536	-	39,411,018	-	39,411,018	-	88,448,217	-	88,448,217	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	42,602,622	-	42,602,622	-	44,204,582	-	44,204,582	-	46,232,246	-	46,232,246	-
Held for trading	263,153	263,153	-	-	15,146,735	15,146,735	-	-	4,322,235	4,322,235	-	-
<u>Derivative instruments</u>												
Assets												
Financial assets at FVTPL	76,934,508	369,673	72,278,213	4,286,622	100,689,517	1,504,002	93,823,683	5,361,832	95,231,513	668,396	85,686,728	8,876,389
Financial assets for hedging	129,913	-	129,913	-	146,959	-	146,959	-	669,856	-	669,856	-
Liabilities												
Financial liabilities at FVTPL	52,715,912	1,142,647	47,286,643	4,286,622	81,426,781	611,466	75,453,483	5,361,832	74,214,813	389,551	64,948,873	8,876,389
Financial liabilities for hedging	36,014	-	36,014	-	139,858	-	139,858	-	65,647	-	65,647	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the six months ended June 30, 2021 and 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value.

2) Reconciliation for movements in Level 3 fair value measurements

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain (loss) on financial assets and liabilities at FVTPL	20,339,138	-	(1,037,199)
Loss on reclassification using the overlay approach	(15,405,158)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(55,896)	(127)	-
Other comprehensive income reclassified using the overlay approach	15,405,158	-	-
Gain on financial assets at FVTOCI	-	1,813,431	-
Acquisitions or issuances	21,192,655	60,200	188,393
Disposals or settlements	(16,166,965)	(106,105)	(226,404)
Transfers out of Level 3	(327,867)	-	-
Ending balance	<u>\$ 160,060,381</u>	<u>\$ 11,805,018</u>	<u>\$ 4,286,622</u>
	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 113,469,910	\$ 11,107,719	\$ 10,681,179
Recognized in profit or loss			
Loss on financial assets and liabilities at FVTPL	(4,839,287)	-	(1,062,180)
Gain on reclassification using the overlay approach	6,230,809	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(31,549)	(94)	-
Other comprehensive loss reclassified using the overlay approach	(6,230,809)	-	-
Loss on financial assets at FVTOCI	-	(510,269)	-
Acquisitions or issuances	19,670,654	44,432	70,688
Disposals or settlements	(9,999,606)	(35,038)	(813,298)
Transfers out of Level 3	(1,000,332)	(463,730)	-
Ending balance	<u>\$ 117,269,790</u>	<u>\$ 10,143,020</u>	<u>\$ 8,876,389</u>

Regarding the above amounts recognized in profit or loss for the six months ended June 30, 2021 and 2020, unrealized losses of \$430,768 thousand and unrealized losses of \$2,189,880 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 six months ended June 30, 2021 and 2020, unrealized gains of \$1,037,199 thousand and \$1,062,180 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

<b>June 30, 2021</b>					
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	0%-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.	18%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(82%)-532%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	60%-140%	The higher the dividend payout ratio, the higher the fair value estimates
<b>December 31, 2020</b>					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Income approach		Discount for lack of liquidity, discount for minority interest, etc.	20%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
			Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

<b>June 30, 2020</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	10%-29%	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	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	80%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

<b>June 30, 2021</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-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
	Income approach	Cost of equity rate	6%-7%	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

<b>December 31, 2020</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-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
	Income approach	Cost of equity rate	6%-7%	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

<b>June 30, 2020</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-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
	Income approach	Cost of equity rate	6%-7%	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 Century and its subsidiaries

<b>June 30, 2021</b>				
<b>Financial Assets</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Weighted Average Number</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity the lower the fair value of the shares

<b>December 31, 2020</b>				
<b>Financial Assets</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Weighted Average Number</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

<b>June 30, 2020</b>				
<b>Financial Assets</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Weighted Average Number</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity, the lower the fair value of the shares

Cathay Securities and its subsidiaries

<b>June 30, 2021</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	<b>Sensitivity of the Input to Fair Value</b>
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%)

<b>December 31, 2020</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	<b>Sensitivity of the Input to Fair Value</b>
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%)

June 30, 2020					
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, loans, 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, 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:

#### June 30, 2021

	Carrying Amount	Fair Value				Total
		Level 1	Level 2	Level 3		
<u>Financial assets</u>						
Debt instruments at amortized cost (Note)	\$ 3,184,577,677	\$ 27,443,535	\$ 3,414,427,471	\$ 714,805		\$ 3,442,585,811

#### December 31, 2020

	Carrying Amount	Fair Value				Total
		Level 1	Level 2	Level 3		
<u>Financial assets</u>						
Debt instruments at amortized cost (Note)	\$ 3,170,942,822	\$ 122,770,951	\$ 3,443,887,987	\$ 743,273		\$ 3,567,402,211

#### June 30, 2020

	Carrying Amount	Fair Value				Total
		Level 1	Level 2	Level 3		
<u>Financial assets</u>						
Debt instruments at amortized cost (Note)	\$ 3,114,393,485	\$ 119,004,008	\$ 3,300,414,371	\$ 758,401		\$ 3,420,176,780

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

<b>June 30, 2021</b>					
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	\$ 122,685	\$ -	Financial assets for hedging	\$ (392)
IRS	975,450	-	36,014	Financial liabilities for hedging	9,271
<b>December 31, 2020</b>					
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	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)
<b>June 30, 2020</b>					
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	\$ 6,800,000	\$ 190,953	\$ -	Financial assets for hedging	\$ 40,086
IRS	1,223,475	-	65,647	Financial liabilities for hedging	(35,661)

b) Maturities of the nominal amount of hedging instruments and average price or rate

	<b>Period Till Maturity</b>				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>June 30, 2021</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 209,025	\$ 4,766,425	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2020</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 195,993	\$ 4,890,875	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>June 30, 2020</u>					
IRS					
Nominal principal	\$ -	\$ 600,000	\$ 2,339,031	\$ 5,084,444	\$ -
Average fixed rate	-	1.7%	1.5%-2.5%	1.7%-2.5%	-

c) Hedged items

	For the Six Months Ended June 30, 2021							
	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	\$ 392	\$ 122,685	N/A	\$ (392)	\$ -	\$ -	\$ (23,882)	Net other noninterest gain
Payables	(9,271)	(36,014)	N/A	9,271	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	(242)	N/A	N/A	N/A	5	Net other noninterest gain

	For the Six Months Ended June 30, 2020							
	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	\$ (40,086)	\$ 190,953	N/A	\$ 40,086	\$ -	\$ -	\$ (34,340)	Net other non-interest gain
Payables	35,661	(65,647)	N/A	(35,661)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(266)	N/A	N/A	N/A	5	Net other non-interest gain

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 74,960	\$ 116,269
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	8,883	4,429
Amount reclassified from the cash flow hedge reserve to profit or loss	(23,877)	(34,335)
Tax effects	<u>4,958</u>	<u>10,152</u>
Ending balance	<u>\$ 64,924</u>	<u>\$ 96,515</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

<b>June 30, 2021</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
CCS	\$ 4,717,694	\$ 7,228	\$ -	Financial assets for hedging	\$ 174,800
<b>December 31, 2020</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
CCS	\$ 4,825,692	\$ -	\$ 90,971	Financial liabilities for hedging	\$ (525,402)
<b>June 30, 2020</b>					
<b>Hedging Instrument</b>	<b>Nominal Amount of the Hedging Instrument</b>	<b>Carrying Amount of the Hedging Instrument</b>		<b>Line Item in Balance Sheet Where the Hedging Instrument Is Included</b>	<b>Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period</b>
		<b>Assets</b>	<b>Liabilities</b>		
CCS	\$ 5,020,697	\$ 478,903	\$ -	Financial assets for hedging	\$ (65,709)

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>June 30, 2021</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,717,694
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
<u>December 31, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
<u>June 30, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 5,020,697
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

c) Hedged items

For the Six Months Ended June 30, 2021								
	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 Statement of Financial Position that Includes 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	\$ 4,717,694	\$ -	\$ (174,800)	\$ -	Financial assets at amortized cost	\$ (174,800)	\$ -	\$ -
<u>For the Six Months Ended June 30, 2020</u>								
	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 Statement of Financial Position that Includes 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	\$ 5,020,697	\$ -	\$ 65,709	\$ -	Financial assets at amortized cost	\$ 65,709	\$ -	\$ -

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive (loss) income	(76,601)	181,743
Tax effects	<u>15,320</u>	<u>(36,349)</u>
Ending balance	<u>\$ 211,630</u>	<u>\$ 361,055</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:

June 30, 2021

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
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	
Derivative financial instruments	\$ 30,838,866	\$ -	\$ 30,838,866	\$ 7,829,651	\$ 9,435,419	\$ 13,573,796

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities 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	
Derivative financial instruments	\$ 8,498,491	\$ -	\$ 8,498,491	\$ 7,829,651	\$ 1,493,024	\$ (824,184)

December 31, 2020

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
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	
Derivative financial instruments	\$ 28,176,353	\$ -	\$ 28,176,353	\$ 10,405,202	\$ 12,169,879	\$ 5,601,272

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities 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	
Derivative financial instruments	\$ 11,778,038	\$ -	\$ 11,778,038	\$ 10,405,202	\$ 270,595	\$ 1,102,241

June 30, 2020

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
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	
Derivative financial instruments	\$ 17,479,724	\$ -	\$ 17,479,724	\$ 2,568,883	\$ 9,339,559	\$ 5,571,282

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Liabilities 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	
Derivative financial instruments	\$ 2,692,495	\$ -	\$ 2,692,495	\$ 2,568,883	\$ 54,335	\$ 69,277

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 the financial instruments could be settled at gross amount if not. 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:

June 30, 2021

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
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	\$ 46,927,469	\$ -	\$ 46,927,469	\$ 44,232,567	\$ 2,694,902	\$ -

June 30, 2021

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
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	\$ 44,232,567	\$ -	\$ 44,232,567	\$ 44,232,567	\$ -	\$ -
Repurchase bonds	19,338,617	-	19,338,617	18,588,060	750,557	-

December 31, 2020

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
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	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

December 31, 2020

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
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	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase bonds	10,092,058	-	10,092,058	9,278,702	813,356	-

June 30, 2020

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
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	\$ 78,316,163	\$ -	\$ 78,316,163	\$ 71,905,722	\$ 6,410,441	\$ -

June 30, 2020

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreements</b>						
<b>Item</b>	<b>Gross Amount of Recognized Financial Liabilities (a)</b>	<b>Gross Amount Offset in the Balance Sheet (b)</b>	<b>Amount Presented in the Balance Sheet (c)= (a)-(b)</b>	<b>Amount Not Offset in the Balance Sheet (d)</b>		<b>Net Amount (e)=(c)-(d)</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received/ Pledged</b>	
Derivative financial instruments	\$ 71,905,722	\$ -	\$ 71,905,722	\$ 71,905,722	\$ -	\$ -
Repurchase bonds	18,522,291	-	18,522,291	15,996,696	2,525,595	-

Note: Master netting arrangements and non-cash collateral are included.

Cathay Securities and its subsidiaries

Cathay Securities enters into secured repurchase agreements with counterparties, for which Cathay Securities provides 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:

June 30, 2021

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Repurchase bonds	\$ 2,516,176	\$ -	\$ 2,516,176	\$ 2,510,991	\$ -	\$ 5,185

December 31, 2020

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Repurchase bonds	\$ 2,207,506	\$ -	\$ 2,207,506	\$ 2,218,853	\$ -	\$ (11,347)

June 30, 2020

<b>Financial Liabilities</b>	<b>Gross Amount of Recognized Financial Liabilities</b>	<b>Gross Amount of Offset Financial Assets Recognized on the Balance Sheet</b>	<b>Net Financial Liabilities Recognized on the Balance Sheet</b>	<b>Relevant Amount That Has Not Been Offset on the Balance Sheet</b>		<b>Net Amount</b>
				<b>Financial Instruments (Note)</b>	<b>Cash Collateral Received</b>	
Repurchase bonds	\$ 2,552,990	\$ -	\$ 2,552,990	\$ 3,078,719	\$ -	\$ (525,729)

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 nature of these transactions are secured loans, 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 will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank is 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:

June 30, 2021					
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	\$ 14,483,285	\$ 13,828,014	\$ 14,483,285	\$ 13,828,014	\$ 655,271
Debt instruments at amortized cost					
Repurchase agreements	5,704,525	5,510,603	5,872,043	5,510,603	361,440

December 31, 2020					
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	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Debt instruments at amortized cost					
Repurchase agreements	865,651	916,127	961,477	916,127	45,350

June 30, 2020					
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	\$ 18,644,244	\$ 17,471,502	\$ 18,644,244	\$ 17,471,502	\$ 1,172,742
Debt instruments at amortized cost					
Repurchase agreements	1,100,778	1,050,789	1,114,112	1,050,789	63,323

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:

June 30, 2021

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,510,991	\$ 2,516,176	\$ 2,510,991	\$ 2,516,176	\$ (5,185)

December 31, 2020

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 2,218,853	\$ 2,207,506	\$ 2,218,853	\$ 2,207,506	\$ 11,347

June 30, 2020

<b>Categories of Financial Assets</b>	<b>Carrying Value of Transferred Financial Assets</b>	<b>Carrying Value of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Fair Value</b>
<u>Financial assets at FVTOCI</u>					
Repurchase bonds	\$ 3,078,719	\$ 2,552,990	\$ 3,078,719	\$ 2,552,990	\$ 525,729

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

Cathay Life's major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

a) Sources of market risk

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

Cathay Life and its subsidiaries continuously utilize market risk management instruments such as Value at Risk ("VaR") and stress testing to completely and effectively measure, monitor, and manage market risk.

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 respectively adopt the one-week VaR at 95% and 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 Six Months Ended	
		June 30	
		2021	2020
Equity risk (stock price index)	-10%	\$ (67,110,855)	\$ (51,731,656)
Interest rate risk (yield curve)	+100bps	(169,183,993)	(116,330,517)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(10,767,947)	(10,257,249)

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

Note 2: Effects of hedging were considered.

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

iii. Sensitivity analysis

**Summary of Sensitivity Analysis**

<b>For the Six Months Ended June 30, 2021</b>			
<b>Risk Factor</b>	<b>Variable (+/-)</b>	<b>Change in Profit or Loss</b>	<b>Change in Equity</b>
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,622,617	\$ 5,253,010
	Appreciation of CNY/USD by 1%	242,449	301,571
	Appreciation of HKD/USD by 1%	4,306	295,860
	Appreciation of EUR/USD by 1%	44,771	274,191
	Appreciation of GBP/USD by 1%	42,476	279,359
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	3,189	(1,376,831)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(48,032)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(9,481)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(5,078)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(355,998)
	Equity price risk	Increase in equity price by 1%	(103,600)
<b>For the Six Months Ended June 30, 2020</b>			
<b>Risk Factor</b>	<b>Variable (+/-)</b>	<b>Change in Profit or Loss</b>	<b>Change in Equity</b>
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 5,504,725	\$ 4,855,096
	Appreciation of CNY/USD by 1%	236,143	273,253
	Appreciation of HKD/USD by 1%	3,674	275,598
	Appreciation of EUR/USD by 1%	(58,396)	175,901
	Appreciation of GBP/USD by 1%	797	272,922
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	(1)	(968,024)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(8,482)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(9,333)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(4,076)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(284,826)
Equity price risk	Increase in equity price by 1%	(15,040)	5,175,213

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

Note 2: Effects of hedging were considered.

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

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

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

iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR), EURO Interbank Offered Rate (EURIBOR) and Australia Interbank Offered Rate (AUS Bank Bill Swap Rate), which are expected to cease on December 31, 2021.

Cathay Life and its subsidiaries are exposed to above-mentioned Interbank Offered Rates in several countries which are subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities, which are mainly related to USD LIBOR; therefore, USD LIBOR is used to represent the main exposure in the following disclosures.

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

At the end of November 2020, the Federal Reserve Board (FED) and UK’s Financial Conduct Authority announced the plan to extend publications of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, to ensure existing LIBOR contracts to naturally expire; for other interest rate benchmarks, it is suggested to adopt appropriate measures as soon as possible to reduce the risks arising from interest rate benchmark reform.

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

i) Interest rate basis risk

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

ii) Hedge accounting

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

iii) Operation risk

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

In light of the abovementioned risks, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. As of June 30, 2021, Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments on modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

The following table contains details of all of the financial instruments subject to the reform held by Cathay Life and its subsidiaries at June 30, 2021, including bonds and loans, for which the required modifications of affected contracts are planned to complete before the end of 2021.

	<u>Carrying Amount</u>	
	<b>USD LIBOR</b>	<b>Other Interest Rates Benchmarks</b>
<u>Financial assets</u>		
Bonds	\$ 240,521,061	\$ 25,705,160
Loans	1,721,556	13,299,195

Note: Only including those with interest reset dates after December 31, 2021.

2) Credit risk analysis

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:

June 30, 2021

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 375,051,846	\$ 10,788,863	\$ 257,861	\$ 114,110,290	\$ 21,100,000	\$ 521,308,860
Financial assets at FVTPL	47,656,831	22,835,607	93,830,420	61,782,905	27,786,352	253,892,115
Financial assets at FVTOCI	43,385,120	43,579,966	164,206,998	450,329,643	441,457,136	1,142,958,863
Financial assets for hedging	62,703	-	7,228	59,982	-	129,913
Financial assets at amortized cost	<u>137,930,662</u>	<u>175,632,995</u>	<u>437,642,779</u>	<u>1,254,322,874</u>	<u>612,909,183</u>	<u>2,618,438,493</u>
	<u>\$ 604,087,162</u>	<u>\$ 252,837,431</u>	<u>\$ 695,945,286</u>	<u>\$ 1,880,605,694</u>	<u>\$ 1,103,252,671</u>	<u>\$ 4,536,728,244</u>
Proportion	13.3%	5.6%	15.3%	41.5%	24.3%	100%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 390,017,117	\$ 11,072,417	\$ 173,264	\$ 83,058,513	\$ 19,456,840	\$ 503,778,151
Financial assets at FVTPL	55,583,687	22,875,926	49,567,018	28,446,882	27,752,478	184,225,991
Financial assets at FVTOCI	44,744,477	45,223,287	163,314,323	489,450,958	380,528,502	1,123,261,547
Financial assets for hedging	74,724	-	-	72,235	-	146,959
Financial assets at amortized cost	<u>152,627,614</u>	<u>180,749,168</u>	<u>427,807,550</u>	<u>1,224,717,193</u>	<u>663,462,282</u>	<u>2,649,363,807</u>
	<u>\$ 643,047,619</u>	<u>\$ 259,920,798</u>	<u>\$ 640,862,155</u>	<u>\$ 1,825,745,781</u>	<u>\$ 1,091,200,102</u>	<u>\$ 4,460,776,455</u>
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

June 30, 2020

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 288,952,301	\$ 21,639,935	\$ 123,425	\$ 95,789,466	\$ 16,100,003	\$ 422,605,130
Financial assets at FVTPL	53,606,504	24,286,661	97,038,092	44,806,629	43,978,292	263,716,178
Financial assets at FVTOCI	47,410,170	38,642,166	152,940,363	387,863,973	268,208,096	895,064,768
Financial assets for hedging	93,403	-	478,903	97,550	-	669,856
Financial assets at amortized cost	<u>153,196,803</u>	<u>171,692,421</u>	<u>443,011,157</u>	<u>1,222,827,666</u>	<u>686,354,639</u>	<u>2,677,082,686</u>
	<u>\$ 543,259,181</u>	<u>\$ 256,261,183</u>	<u>\$ 693,591,940</u>	<u>\$ 1,751,385,284</u>	<u>\$ 1,014,641,030</u>	<u>\$ 4,259,138,618</u>
Proportion	12.8%	6.0%	16.3%	41.1%	23.8%	100%

- ii. Regional distribution of maximum risk exposure for Cathay Life's secured loans:

June 30, 2021

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 206,351,936	\$ 42,107,800	\$ 59,519,826	\$ 2,260,242	\$ 310,239,804
Non-accrual receivables	<u>105,878</u>	<u>20,234</u>	<u>30,744</u>	<u>1,989,651</u>	<u>2,146,507</u>
	<u>\$ 206,457,814</u>	<u>\$ 42,128,034</u>	<u>\$ 59,550,570</u>	<u>\$ 4,249,893</u>	<u>\$ 312,386,311</u>
Proportion	66.1%	13.5%	19.1%	1.3%	100%

December 31, 2020

<b>Location of Collaterals</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 210,393,088	\$ 41,501,050	\$ 59,563,296	\$ 2,697,023	\$ 314,154,457
Non-accrual receivables	<u>163,381</u>	<u>30,890</u>	<u>47,059</u>	<u>1,800,141</u>	<u>2,041,471</u>
	<u>\$ 210,556,469</u>	<u>\$ 41,531,940</u>	<u>\$ 59,610,355</u>	<u>\$ 4,497,164</u>	<u>\$ 316,195,928</u>
Proportion	66.6%	13.1%	18.9%	1.4%	100%

June 30, 2020

<b>Location of Collaterals</b>	<b>Northern and Eastern Areas</b>	<b>Central Area</b>	<b>Southern Area</b>	<b>Overseas</b>	<b>Total</b>
Secured loans	\$ 218,350,165	\$ 40,553,204	\$ 60,644,049	\$ 4,734,328	\$ 324,281,746
Non-accrual receivables	<u>843,017</u>	<u>45,272</u>	<u>69,900</u>	<u>-</u>	<u>958,189</u>
	<u>\$ 219,193,182</u>	<u>\$ 40,598,476</u>	<u>\$ 60,713,949</u>	<u>\$ 4,734,328</u>	<u>\$ 325,239,935</u>
Proportion	67.4%	12.5%	18.7%	1.4%	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 collaterals of the borrowers are 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 Crop. 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

June 30, 2021						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Investment grade						
Debt instruments at FVTOCI	\$ 1,118,272,164	\$ -	\$ -	\$ -	\$ -	\$ 1,118,272,164
Financial assets at amortized cost	2,604,394,160	-	-	-	(709,033)	2,603,685,127
Non-investment grade						
Debt instruments at FVTOCI	24,686,699	-	-	-	-	24,686,699
Financial assets at amortized cost	12,204,950	2,774,487	-	-	(226,071)	14,753,366
December 31, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Investment grade						
Debt instruments at FVTOCI	\$ 1,119,207,518	\$ -	\$ -	\$ -	\$ -	\$ 1,119,207,518
Financial assets at amortized cost	2,635,142,149	-	-	-	(1,726,558)	2,633,415,591
Non-investment grade						
Debt instruments at FVTOCI	3,995,777	58,252	-	-	-	4,054,029
Financial assets at amortized cost	13,064,695	3,730,378	-	-	(846,857)	15,948,216
June 30, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Investment grade						
Debt instruments at FVTOCI	\$ 889,317,152	\$ -	\$ -	\$ -	\$ -	\$ 889,317,152
Financial assets at amortized cost	2,655,285,862	-	-	-	(1,561,674)	2,653,724,188
Non-investment grade						
Debt instruments at FVTOCI	4,957,183	790,433	-	-	-	5,747,616
Financial assets at amortized cost	16,780,348	7,788,475	-	-	(1,210,325)	23,358,498

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

June 30, 2021							
	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	\$ 304,753,688	\$ 631,685	\$ 7,000,938	\$ -	\$ (876,472)	\$ (3,933,105)	\$ 307,576,734
December 31, 2020							
	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	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ (4,093,427)	\$ 311,462,212

June 30, 2020							
	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	\$ 316,498,062	\$ 76,332	\$ 8,665,541	\$ -	\$ (2,192,495)	\$ (2,355,369)	\$ 320,692,071

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, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12-month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	291,975	-	-	-	291,975
Financial assets that have been derecognized during the period	(141,470)	(2,852)	-	-	(144,322)
Changes in models/risk parameters	(453,177)	(69)	-	-	(453,246)
Foreign exchange and other movements	(12,532)	(12)	-	-	(12,544)
June 30, 2021	<u>\$ 375,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,010</u>
	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2020	\$ 337,078	\$ 9,666	\$ -	\$ -	\$ 346,744
Changes due to financial instruments recognized as at January 1					
Transferred to 12-month expected credit losses	(1,691)	1,691	-	-	-
New financial assets originated or purchased	139,398	-	-	-	139,398
Financial assets that have been derecognized during the period	(129,793)	(114,795)	-	-	(244,588)
Changes in models/risk parameters	171,460	267,825	-	-	439,285
Foreign exchange and other movements	(7,308)	(3,868)	-	-	(11,176)
June 30, 2020	<u>\$ 509,144</u>	<u>\$ 160,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,663</u>

ii. Financial assets at amortized cost

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2021	\$ 1,775,172	\$ 798,243	\$ -	\$ -	\$ 2,573,415
New financial assets originated or purchased	119,985	-	-	-	119,985
Financial assets that have been derecognized during the period	(105,238)	(163,406)	-	-	(268,644)
Changes in models/risk parameters	(1,037,806)	(413,864)	-	-	(1,451,670)
Foreign exchange and other movements	<u>(27,582)</u>	<u>(10,400)</u>	<u>-</u>	<u>-</u>	<u>(37,982)</u>
June 30, 2021	<u>\$ 724,531</u>	<u>\$ 210,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 935,104</u>

	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2020	\$ 1,043,037	\$ 153,984	\$ -	\$ -	\$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(7,977)	7,977	-	-	-
New financial assets originated or purchased	219,671	-	-	-	219,671
Financial assets that have been derecognized during the period	(186,284)	(444,876)	-	-	(631,160)
Changes in models/risk parameters	569,480	1,459,786	-	-	2,029,266
Foreign exchange and other movements	<u>(20,236)</u>	<u>(22,563)</u>	<u>-</u>	<u>-</u>	<u>(42,799)</u>
June 30, 2020	<u>\$ 1,617,691</u>	<u>\$ 1,154,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,771,999</u>

iii. Secured loans and non-accrual receivables

	Lifetime Expected Credit Losses					Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets				
January 1, 2021	\$ 33,284	\$ 32	\$ 606,973	\$ -	\$ 640,289	\$ 4,093,427	\$ 4,733,716	
Changes due to financial instruments recognized as at January 1								
Transferred to lifetime expected credit losses	(2,368)	2,368	-	-	-	-	-	
Transferred to credit-impaired financial assets	(26)	(18)	44	-	-	-	-	
Transferred to 12-month expected credit losses	65,610	(8)	(65,602)	-	-	-	-	
New financial assets originated or purchased	2,372	-	2,324	-	4,696	-	4,696	
Financial assets that have been derecognized during the period	(1,784)	-	(23,547)	-	(25,331)	-	(25,331)	
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(160,322)	(160,322)	
Changes in models/risk parameters	<u>(54,009)</u>	<u>(959)</u>	<u>311,786</u>	<u>-</u>	<u>256,818</u>	<u>-</u>	<u>256,818</u>	
June 30, 2021	<u>\$ 43,079</u>	<u>\$ 1,415</u>	<u>\$ 831,978</u>	<u>\$ -</u>	<u>\$ 876,472</u>	<u>\$ 3,933,105</u>	<u>\$ 4,809,577</u>	

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(16)	16	-	-	-	-	-
Transferred to credit-impaired financial assets	(1,397)	(74)	1,471	-	-	-	-
Transferred to 12-month expected credit losses	432	(101)	(331)	-	-	-	-
New financial assets originated or purchased	17,514	-	18,403	-	35,917	-	35,917
Financial assets that have been derecognized during the period	(34,141)	(107)	(78,813)	-	(113,061)	-	(113,061)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(1,238,560)	(1,238,560)
Changes in models/risk parameters	290,186	1,005	746,401	-	1,037,592	-	1,037,592
June 30, 2020	\$ 357,387	\$ 1,038	\$ 1,834,070	\$ -	\$ 2,192,495	\$ 2,355,369	\$ 4,547,864

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
<u>June 30, 2021</u>					
Gross carrying amount (Note)	\$ 15,765,526	\$ 89,963	\$ 8,235	\$ -	\$ 15,863,724
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,799	824	-	2,623

Note: Notes receivable of \$76,050 thousand and other receivables of \$15,787,674 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2020</u>					
Gross carrying amount (Note)	\$ 16,155,217	\$ 57,342	\$ 4,641	\$ -	\$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

Note: Notes receivable of \$81,757 thousand and other receivables of \$16,135,443 thousand were included.

**Aging of Receivables Recognized**

	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>June 30, 2020</u>					
Gross carrying amount (Note)	\$ 20,816,749	\$ 60,442	\$ 36,524	\$ -	\$ 20,913,715
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,209	3,652	-	4,861

Note: Notes receivable of \$94,792 thousand and other receivables of \$20,818,923 thousand were included.

The movements of loss allowance were as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 1,611	\$ 1,541
Provision for the current period	<u>1,012</u>	<u>3,320</u>
Ending balance	<u>\$ 2,623</u>	<u>\$ 4,861</u>

2) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when 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.

	<b>June 30, 2021</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 31,029,127	\$ 682,463	\$ 992,509	\$ 178,372	\$ -
Bonds payable (Note 2)	569,589	1,293,120	2,715,000	8,145,000	83,315,000
Lease liabilities (Note 3)	352,084	422,042	781,307	1,601,495	20,714,139
<u>Derivative financial liabilities</u>					
SWAP	3,415,173	617,371	-	-	-
Forward	6,268,127	202,400	-	-	-
CCS	-	-	6,912	6,185	-
Option	6,160	-	-	-	-

	<b>December 31, 2020</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 22,135,418	\$ 326,161	\$ 466,043	\$ 973,975	\$ 3,287
Bonds payable (Note 2)	559,620	1,194,411	2,715,000	8,145,000	84,770,000
Lease liabilities (Note 3)	317,787	458,732	689,696	1,400,670	17,942,761
<u>Derivative financial liabilities</u>					
SWAP	2,664,438	1,258,529	-	-	-
Forward	13,569,120	224,100	-	-	-
CCS	-	-	10,673	42,933	90,971

	<b>June 30, 2020</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables (Note 1)	\$ 23,503,492	\$ 496,362	\$ 419,367	\$ 1,061,899	\$ 56,148
Bonds payable (Note 2)	569,589	1,293,120	2,715,000	8,145,000	86,030,000
Lease liabilities (Note 3)	400,661	270,420	634,453	1,390,089	18,229,940
<u>Derivative financial liabilities</u>					
SWAP	3,376,667	372,800	-	-	-
Forward	1,318,971	52,050	-	-	-

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

Note 2: For the bonds payable without maturity dates, the remaining period used to calculate the contractual cash flows was 10 years.

Note 3: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 43 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 report the above issues 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 and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) 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 Company 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. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

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 a contract

When the contract payment is overdue for 30 days to 89 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 a 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.

- 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) Changes in credit rating

- Notch downgrade

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 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.

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.
- The lowest credit risk 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 30 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.

<b>Credit Category</b>	<b>Definition</b>
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 at 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 classifies the credit assets into the following groups based on product characteristics.

<b>Credit Category</b>	<b>Definition</b>
Loan activities, call loans to banks business, and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business	Grouped by product category and internal/external credit rating
Bond business	Grouped by product category and internal/external credit rating
Due from banks and reverse repurchase	Grouped by product category and internal/external credit rating

- 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 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.
  - The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

- 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 and Insurance 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, external credit rating and payment ranks

#### i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its credit category, risk characteristics and product category, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Cathay United Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised 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.

#### ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its issuer's category, issuer's credit rating and risk characteristics. The probabilities of default and loss given default were built by the delinquent information and calibrated by 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 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.

### iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic including product category and counterparty types 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 amortised 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

Cathay United Bank and its subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- i. The recourse procedure has ceased.
- ii. The debtor's assets or income are evaluated to be insufficient to repay outstanding payments.

Financial asset which has been written-off can pursue the recovery of debt and institute legal proceedings continuously under related 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 use 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 2021 are as follows:

<b>Credit Category</b>	<b>Probability of Default (PD)</b>
Enterprise loan	GDP % Government Expenditures
Consumer loan	Proportion of savings to GDP (%) Unemployment rate % Price Index
Credit card	Price Index Proportion of revenue from government to GDP (%)

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing 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.

The relevant economic factors identified by CUBCN Bank in 2021 include but are not limited to GDP gross domestic product published by the China Statistics Bureau, China Customs and other government authorities, CPI consumer price index, import price index, and government expenditure data, 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 2021 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
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 2021 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loans	Change of inflation (%) Change of volume of imports (%) Proportion of investment in GDP (%)
Credit card	Change of volume of exports (%) Proportion of savings in GDP (%) Proportion of current account balance in GDP (%)

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change as of June 30, 2021.

#### 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 is 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 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, Cathay United 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 credit quality) 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 mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

The credit quality of Cathay United Bank's corporate borrowers is classified as excellent, good, average, or bad.

To ensure the reasonable ness 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 every year 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, Cathay United 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-backed 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		
	June 30, 2021	December 31, 2020	June 30, 2020
Irrevocable loan commitments	\$ 175,941,163	\$ 190,736,959	\$ 129,980,562
Credit card commitments	753,078,443	744,977,230	723,895,676
Unused commercial letters of credit	7,142,412	5,731,441	4,751,037
Guarantees on duties and contracts	17,648,943	17,071,951	13,273,076

ii) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2021	December 31, 2020	June 30, 2020
Financial guarantee contracts	\$ 1,313,324	\$ 1,323,647	\$ 1,225,345
Unused commercial letters of credit	864,402	972,917	680,992
Irrevocable loan commitments	675	-	-

iii) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2021	December 31, 2020	June 30, 2020
Financial guarantee contracts	\$ 17,637	\$ 17,406	\$ 20,633
Credit card commitments	278,937	277,491	293,663
Irrevocable loan commitments	247,698	234,582	381,103

iv) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk		
	June 30, 2021	December 31, 2020	June 30, 2020
Financial guarantee contracts	\$ 256,448	\$ 236,475	\$ 346,652
Unused commercial letters of credit	265,184	210,453	262,962
Irrevocable loan commitments	823,965	928,613	1,075,794

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 conduct reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

### June 30, 2021

	<b>Discounts and Loans</b>				<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Differences of</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Impairment Loss under Regulations</b>	
Total carrying amount	\$ 1,749,714,347	\$ 52,903,436	\$ 13,834,427	\$ -	\$ 1,816,452,210
Less: Allowance for impairment	(3,390,823)	(1,454,321)	(5,393,424)	-	(10,238,568)
Less: Differences of impairment loss under regulations	-	-	-	(19,442,995)	(19,442,995)
	<u>\$ 1,746,323,524</u>	<u>\$ 51,449,115</u>	<u>\$ 8,441,003</u>	<u>\$ (19,442,995)</u>	<u>\$ 1,786,770,647</u>

  

	<b>Receivable</b>				<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Differences of</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Impairment Loss under Regulations</b>	
Total carrying amount	\$ 82,316,480	\$ 1,638,863	\$ 2,200,074	\$ -	\$ 86,155,417
Less: Allowance for impairment	(442,602)	(173,051)	(1,794,380)	-	(2,410,033)
Less: Differences of impairment loss under regulations	-	-	-	(65,620)	(65,620)
	<u>\$ 81,873,878</u>	<u>\$ 1,465,812</u>	<u>\$ 405,694</u>	<u>\$ (65,620)</u>	<u>\$ 83,679,764</u>

### December 31, 2020

	<b>Discounts and Loans</b>				<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Differences of</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Impairment Loss under Regulations</b>	
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance for impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Differences of impairment loss under regulations	-	-	-	(16,384,201)	(16,384,201)
	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>

  

	<b>Receivable</b>				<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Differences of</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Impairment Loss under Regulations</b>	
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance for impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Differences of impairment loss under regulations	-	-	-	(62,941)	(62,941)
	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

### June 30, 2020

	<b>Discounts and Loans</b>				<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Differences of</b>	
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Impairment Loss under Regulations</b>	
Total carrying amount	\$ 1,577,587,383	\$ 54,015,381	\$ 12,066,471	\$ -	\$ 1,643,669,235
Less: Allowance for impairment	(4,169,840)	(2,285,559)	(5,792,161)	-	(12,247,560)
Less: Differences of impairment loss under regulations	-	-	-	(15,869,760)	(15,869,760)
	<u>\$ 1,573,417,543</u>	<u>\$ 51,729,822</u>	<u>\$ 6,274,310</u>	<u>\$ (15,869,760)</u>	<u>\$ 1,615,551,915</u>

	Receivable			Differences of Impairment Loss under Regulations	Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses		
Total carrying amount	\$ 84,525,983	\$ 1,780,347	\$ 2,210,456	\$ -	\$ 88,516,786
Less: Allowance for impairment	(536,899)	(139,995)	(1,685,168)	-	(2,362,062)
Less: Differences of impairment loss under regulations	-	-	-	(53,037)	(53,037)
	<u>\$ 83,989,084</u>	<u>\$ 1,640,352</u>	<u>\$ 525,288</u>	<u>\$ (53,037)</u>	<u>\$ 86,101,687</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-credit 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	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 146,977,381	8.00	\$ 136,414,473	7.98	\$ 126,365,511	7.61
Financial institutions and insurance	77,382,164	4.21	77,235,347	4.52	79,714,670	4.80
Leasing and real estate	172,404,552	9.38	151,233,185	8.85	143,391,863	8.64
Individuals	1,106,634,610	60.21	1,029,137,040	60.20	919,038,313	55.38
Others	<u>334,455,765</u>	<u>18.20</u>	<u>315,605,920</u>	<u>18.45</u>	<u>390,971,143</u>	<u>23.57</u>
Total	<u>\$ 1,837,854,472</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,659,481,500</u>	<u>100.00</u>

  

Geographic Region	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,574,609,506	85.68	\$ 1,432,739,575	83.80	\$ 1,360,651,802	81.99
Asia	199,533,062	10.86	208,251,320	12.18	224,404,033	13.52
America	45,549,647	2.48	47,564,475	2.78	51,106,498	3.08
Others	<u>18,162,257</u>	<u>0.98</u>	<u>21,070,595</u>	<u>1.24</u>	<u>23,319,167</u>	<u>1.41</u>
Total	<u>\$ 1,837,854,472</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,659,481,500</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means that a bank cannot provide sufficient funding for business growth and for meeting obligations on matured liabilities or that it has to make late payments to counterparties or raise emergency funding to cover funding gaps.

b) Liquidity risk management strategy and principles

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. The Asset and Liability Management Committee is responsible for the planning of liquidity risk management strategy and the Financial Trading Department is responsible for the implementation, including liquidity risk measurement, interest rate sensitivity analysis, scenario simulation analysis and continuous contingency planning with quantitative management requirements and systems. Cathay United Bank adjusts its liquidity gap according to its daily funds and market changes to ensure appropriate liquidity. When the liquidity has or expects significant changes, Cathay United Bank immediately reports to the board of directors.

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 hold 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 banks, financial assets at FVTPL, financial assets at FVTOCI, debt instruments at amortized cost, discounts and loans, notes and bonds purchased under resale agreements.

ii. Maturity analysis of non-derivative financial liabilities.

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.

	June 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 53,744,563	\$ 14,269,197	\$ 14,063,686	\$ 122,301	\$ 82,199,747
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	935,498	271,366	-	35,952,300	37,159,164
Notes and bonds sold under repurchase agreements	14,600,577	1,309,492	-	68	15,910,137
Payables	39,844,354	20,473,675	3,342,334	337,153	63,997,516
Deposits and remittances	380,999,711	1,144,521,634	1,022,686,992	143,749,768	2,691,958,105
Financial debentures payable	-	83,033	4,317,187	42,600,000	47,000,220
Lease liabilities	119,487	598,993	530,542	2,181,483	3,430,505
Other capital outflow at maturity	9,063,497	12,989,490	5,620,901	1,459,988	29,133,876
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Due to the Central Bank and banks	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	566,549	36,775,320	37,341,869
Notes and bonds sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136
	June 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 23,361,680	\$ 20,724,462	\$ 15,047,003	\$ 19,105	\$ 59,152,250
Due to the Central Bank and banks	-	-	-	410,000	410,000
Non-derivative financial liabilities at FVTPL	995,583	288,794	-	38,261,400	39,545,777
Notes and bonds sold under repurchase agreements	12,835,997	1,323,836	-	3,940,178	18,100,011
Payables	26,749,985	1,770,080	4,231,709	326,965	33,078,739
Deposits and remittances	358,358,031	1,000,159,846	886,285,419	132,604,192	2,377,407,488
Financial debentures payable	-	84,190	7,123,195	46,800,000	54,007,385
Lease liabilities	121,094	581,063	615,506	2,736,423	4,054,086
Other capital outflow at maturity	13,025,383	24,839,326	8,017,969	1,011,934	46,894,612

Additional information about the maturity analysis of lease liabilities:

	June 30, 2021	December 31, 2020	June 30, 2020
Less than 1 year	\$ 1,249,022	\$ 1,351,581	\$ 1,317,663
1-5 years	1,906,692	2,156,451	2,515,040
5-10 years	274,791	250,974	221,383
Over 10 years	<u>-</u>	<u>2,110</u>	<u>-</u>
	<u>\$ 3,430,505</u>	<u>\$ 3,761,116</u>	<u>\$ 4,054,086</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii) Interest 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:

	June 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 6,960	\$ 47,949	\$ 3,537	\$ 1	\$ 58,447
Interest rate derivative instruments	<u>56,245</u>	<u>261,327</u>	<u>403,942</u>	<u>17,276,547</u>	<u>17,998,061</u>
Total	<u>\$ 63,205</u>	<u>\$ 309,276</u>	<u>\$ 407,479</u>	<u>\$ 17,276,548</u>	<u>\$ 18,056,508</u>
	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	<u>25,200</u>	<u>879,624</u>	<u>362,723</u>	<u>23,592,651</u>	<u>24,860,198</u>
Total	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>
	June 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 3,389	\$ 599,450	\$ 13,423	\$ 842	\$ 617,104
Interest rate derivative instruments	<u>466,488</u>	<u>473,143</u>	<u>1,291,179</u>	<u>37,769,550</u>	<u>40,000,360</u>
Total	<u>\$ 469,877</u>	<u>\$ 1,072,593</u>	<u>\$ 1,304,602</u>	<u>\$ 37,770,392</u>	<u>\$ 40,617,464</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange swaps;
- ii) Interest rate derivative instruments: Cross currency swaps;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

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:

	June 30, 2021				
	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	\$ (4,114,319)	\$ (5,824,291)	\$ (1,276,118)	\$ (759,630)	\$ (11,974,358)
Cash inflow	4,242	12,730	1,373	-	18,345
Interest rate derivative instruments					
Cash outflow	-	(68,346)	(58,219)	(614,435)	(741,000)
Cash inflow	39	-	-	-	39
Cash outflow subtotal	(4,114,319)	(5,892,637)	(1,334,337)	(1,374,065)	(12,715,358)
Cash inflow subtotal	4,281	12,730	1,373	-	18,384
Net cash flow	\$ (4,110,038)	\$ (5,879,907)	\$ (1,332,964)	\$ (1,374,065)	\$ (12,696,974)
	December 31, 2020				
	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	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	(6,206,951)	(9,727,492)	(4,013,582)	(1,016,447)	(20,964,472)
Cash inflow subtotal	9,973	2,984	1,329	-	14,286
Net cash flow	\$ (6,196,978)	\$ (9,724,508)	\$ (4,012,253)	\$ (1,016,447)	\$ (20,950,186)
	June 30, 2020				
	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	\$ (2,245,896)	\$ (4,638,089)	\$ (1,366,440)	\$ (250,035)	\$ (8,500,460)
Cash inflow	1,156	9,425	-	-	10,581
Interest rate derivative instruments					
Cash outflow	-	(43,987)	(115,250)	(130,095)	(289,332)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,245,896)	(4,682,076)	(1,481,690)	(380,130)	(8,789,792)
Cash inflow subtotal	1,156	9,425	-	-	10,581
Net cash flow	\$ (2,244,740)	\$ (4,672,651)	\$ (1,481,690)	\$ (380,130)	\$ (8,779,211)

#### 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:

	June 30, 2021			
	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 149,314,146	\$ 20,078,832	\$ 6,548,185	\$ 175,941,163
Credit card commitments	21,176,014	206,342,491	525,559,938	753,078,443
Financial guarantee contracts	16,599,734	8,161,018	30,603	24,791,355

	<b>December 31, 2020</b>			
	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

  

	<b>June 30, 2020</b>			
	<b>Not Later Than 1 Year</b>	<b>1-5 Years</b>	<b>Later Than 5 Years</b>	<b>Total</b>
Irrevocable loan commitments	\$ 93,606,499	\$ 30,621,737	\$ 5,752,326	\$ 129,980,562
Credit card commitments	23,639,720	233,315,860	466,940,096	723,895,676
Financial guarantee contracts	13,499,073	4,494,904	30,136	18,024,113

### 3) Market risk

#### a) Source and definition of market risk

Market risk is the potential 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 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 interest risk, foreign exchange risk and price of equity securities.

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 testing, 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, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response 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 100bp, equity securities price at 15% and foreign exchange rate at 3%, 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 and financial position of the securities issuers, and 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 main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

i. Strategy

Interest risk management enhances Cathay United Bank's ability to take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets or liabilities.

ii. Management procedure

When undertaking the operations relating to interest rate instruments, Cathay United Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In addition, Cathay United Bank also measures the potential impact of interest rate changes on the profit and economic value of Cathay United Bank. Cathay United Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets are found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

iii. Method of measurement

The interest risk of Cathay United Bank is mainly measured by the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off-balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress testing. Each interest risk indicator and the result of stress testing are reported to the executive management regularly for review.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchanged 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 3% 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 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 investment limits on industries, using the  $\beta$  value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity securities prices from its non-trading portfolio is controlled through stress testing of business scale under appropriate scenarios and Cathay United Bank reports the results to the risk management committee.

Cathay United Bank adopts many methods to manage its market risk. Value-at-risk (VaR) is one of the methods. VaR is a statistical measure that assesses potential losses that might be 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% to extrapolate the VaR of one-year fluctuations. 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.

<b>June 30, 2021</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 88,241	\$ 150,135	\$ 43,133	\$ 150,135
Foreign exchange	155,984	371,160	65,675	65,675
Equity securities price	429,113	629,009	234,264	331,380

<b>December 31, 2020</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

<b>June 30, 2020</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 113,765	\$ 194,699	\$ 67,718	\$ 114,060
Foreign exchange	168,445	371,160	35,686	371,160
Equity securities price	301,361	791,984	103,986	435,087

Note: Above information about factors of market risks is defined by risk management of the trading book.

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank transacts derivative contracts with its clients to meet their demands and also takes proprietary positions for its own accounts within the allowed market risk.

h) 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.

<b>Stress Testing</b>				
<b>Market/Product</b>	<b>Scenarios</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Stock market	Major stock exchanges +15%	\$ 2,430,985	\$ 2,111,674	\$ 1,472,693
	Major stock exchanges -15%	(2,387,683)	(2,038,832)	(1,472,693)
Interest rate/bond market	Major interest rate +100bp	(1,126,438)	(1,433,146)	(639,880)
	Major interest rate -100bp	767,150	53,539	72,440
Foreign exchange market	Major currencies +3%	215,093	306,945	361,687
	Major currencies -3 %	(206,577)	(306,945)	(342,281)
Composite	Major stock exchanges -15%	(3,299,028)	(3,165,033)	(1,750,886)
	Major interest rate +100bp			
	Major currencies +3%			

Note: The information of stress testing is defined by risk management policy of the trading book.

i) 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% (100 basis points) in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

		<b>June 30, 2021</b>	
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 90,005	\$ -
	HKD+1%	(2,459)	-
	JPY+1%	(2,948)	-
	AUD+1%	(2,754)	-
	CNY+1%	16,388	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(6,141)	-
	Yield curves (HKD) parallel shift+1bp	9	-
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (AUD) parallel shift+1bp	(266)	-
	Yield curves (CNY) parallel shift+1bp	(1,432)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	931	160,895

		<b>December 31, 2020</b>	
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	22,531	118,190

		<b>June 30, 2020</b>	
<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 90,129	\$ -
	HKD+1%	(8,621)	-
	JPY+1%	676	-
	AUD+1%	(875)	-
	CNY+1%	6,261	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	2,891	-
	Yield curves (HKD) parallel shift+1bp	90	-
	Yield curves (AUD) parallel shift+1bp	(25)	-
	Yield curves (CNY) parallel shift+1bp	(889)	-
	Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	(4,657)

j) 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.

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. As of June 30, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

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

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of June 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 3,968,500
Investments in debt instruments at amortized cost	3,963,163
Discounts and loans	<u>54,700,287</u>
	<u>62,631,950</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>816,057</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,717,094</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>21,471,203</u>
Financial assets linked to SGD SIBOR	
Discounts and loans	<u>31,262</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>9,618,387</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>249,202</u>
	<u>\$ 98,535,155</u>

Non-derivative financial liabilities which are subject to the reform

Financial liabilities linked to USD LIBOR	
Notes and bonds sold under repurchase agreement	<u>\$ 139,350</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at June 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

<b>Derivative Financial Instrument</b>	<b>Nominal Amount</b>	<b>Carrying Amount</b>	
		<b>Financial Assets</b>	<b>Financial Liabilities</b>
Financial assets linked to USD LIBOR			
Interest rate swaps	\$ 20,926,342	\$ 776,279	\$ 43,146
Options	<u>2,386,454</u>	<u>-</u>	<u>204</u>
	<u>23,312,796</u>	<u>776,279</u>	<u>43,350</u>
Financial assets linked to SGD SIBOR			
IRS	5,141,913	2,728	17,179
CCS	<u>736,040</u>	<u>-</u>	<u>1,341</u>
	<u>5,877,953</u>	<u>2,728</u>	<u>18,520</u>
	<u>\$ 29,190,749</u>	<u>\$ 779,007</u>	<u>\$ 61,870</u>

### CUBCN Bank

The following table contains details of derivative financial instruments held by CUBCN Bank at June 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Financial assets linked to USD			
LIBOR			
CCS	\$ 613,140	\$ 23,088	\$ 12,436

### Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk analysis

Market risk is the risk that changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, may decrease 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 changes. 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 that losses would be incurred for 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.

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Equity price risk (index)	-10%	\$(1,030,904)	\$ (936,002)	\$ (590,870)
Interest rate risk (yield curve)	+20bps	(127,820)	(139,733)	(141,223)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(141,861)	(133,032)	(112,412)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

- 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.

The carrying amounts of Cathay Century and its subsidiaries' foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 39.

- Interest rate risk

Cathay Century and its subsidiaries is exposed to interest rate risk because entities in the Cathay Century and its subsidiaries hold debt instrument at both fixed and floating interest rates. The risk is managed by the Cathay Century and its subsidiaries by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

c) Sensitivity analysis

<b>For the Six Months Ended June 30, 2021</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 24,271	\$ 7,497
	CNY appreciates 1%	2,654	-
	HKD appreciates 1%	848	4,278
	EUR appreciates 1%	14	511
	VND appreciates 1%	-	6,145
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,594)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(39)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,114)	(671)
Equity securities price sensitivity	Increases 1% in equity price	-	103,090
<b>For the Year Ended December 31, 2020</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,146	\$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

**For the Six Months Ended June 30, 2020**

<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 21,987	\$ 4,630
	CNY appreciates 1%	2,479	-
	HKD appreciates 1%	669	3,683
	EUR appreciates 1%	113	272
	VND appreciates 1%	-	6,101
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,230)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(59)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,093)	(754)
Equity securities price sensitivity	Increases 1% in equity price	-	59,087

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

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

2) Credit risk

- a) 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 in accordance with agreed conditions 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 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. The amounts of credit risk exposure for Cathay Century and its subsidiaries' financial assets are as follows:

June 30, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 11,591,659	\$ -	\$ -	\$ -	\$ 314,746	\$ 11,906,405
Financial assets at FVTPL	408,647	-	-	-	-	408,647
Financial assets at FVTOCI	751,563	-	-	-	-	751,563
Financial assets at amortized cost	2,103,049	69,803	1,211,117	2,806,692	1,549,266	7,739,927
Total	\$ 14,854,918	\$ 69,803	\$ 1,211,117	\$ 2,806,692	\$ 1,864,012	\$ 20,806,542
Proportion	71.40%	0.34%	5.81%	13.49%	8.96%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,987,740	\$ -	\$ -	\$ -	\$ 248,975	\$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Financial assets at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,905,771
Total	\$ 13,324,089	\$ 71,512	\$ 1,231,351	\$ 2,916,059	\$ 1,831,068	\$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

June 30, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,434,906	\$ -	\$ -	\$ -	\$ 208,728	\$ 9,643,634
Financial assets at FVTPL	661,950	-	-	-	-	661,950
Financial assets at FVTOCI	761,622	-	-	-	-	761,622
Financial assets at amortized cost	1,908,386	341,935	1,421,442	3,104,875	1,737,215	8,513,853
Total	\$ 12,766,864	\$ 341,935	\$ 1,421,442	\$ 3,104,875	\$ 1,945,943	\$ 19,581,059
Proportion	65.19%	1.75%	7.26%	15.86%	9.94%	100%

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 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. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody's) and adjusted according to general economic information.

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

i. Financial assets of Cathay Century and its subsidiaries

	June 30, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 751,563	\$ -	\$ -	\$ -	\$ -	\$ 751,563
Financial assets at amortized cost	7,607,247	-	-	-	(2,456)	7,604,791
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	138,123	-	-	(2,987)	135,136
	December 31, 2020					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 764,184	\$ -	\$ -	\$ -	\$ -	\$ 764,184
Financial assets at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,195	-	-	(10,311)	130,884
	June 30, 2020					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 761,622	\$ -	\$ -	\$ -	\$ -	\$ 761,622
Financial assets at amortized cost	8,243,816	-	-	-	(5,656)	8,238,160
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	293,391	-	-	(17,698)	275,693

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

	June 30, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 189,043	\$ -	\$ -	\$ -	\$ (2,443)	\$ 186,600
	December 31, 2020					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 197,791	\$ -	\$ -	\$ -	\$ (2,475)	\$ 195,316

	June 30, 2020					Gross Carrying Amount
	Stage 3			Loss Allowance		
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans	\$ 219,564	\$ -	\$ -	\$ -	\$ (2,689)	\$ 216,875

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, 2021	\$ 91	\$ -	\$ -	\$ -	\$ 91
Changes in models/risk parameters	(60)	-	-	-	(60)
June 30, 2021	\$ 31	\$ -	\$ -	\$ -	\$ 31
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66
Changes in models/risk parameters	47	-	-	-	47
June 30, 2020	\$ 113	\$ -	\$ -	\$ -	\$ 113

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, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes due to financial instruments recognized as at January 1	-	-	-	-	-
Transferred to lifetime expected credit loss	-	-	-	-	-
Changes in models/risk parameters	(3,664)	-	(7,324)	-	(10,988)
June 30, 2021	\$ 2,456	\$ -	\$ 2,987	\$ -	\$ 5,443
January 1, 2020	\$ 3,909	\$ -	\$ -	\$ -	\$ 3,909
Changes due to financial instruments recognized as at January 1	-	-	-	-	-
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Changes in models/risk parameters	2,270	-	17,175	-	19,445
June 30, 2020	\$ 5,656	\$ -	\$ 17,698	\$ -	\$ 23,354

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 of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets				
January 1, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475	
Changes in models/risk parameters	(11)	-	-	-	(11)	-	(11)	
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(21)	(21)	
June 30, 2021	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 2,432</u>	<u>\$ 2,443</u>	
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66	\$ 2,737	\$ 2,803	
Changes in models/risk parameters	240	-	-	-	240	-	240	
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(354)	(354)	
June 30, 2020	<u>\$ 306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 2,383</u>	<u>\$ 2,689</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 applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

June 30, 2021	Not Overdue	Overdue	Total
Carrying amount	\$ 1,912,466	\$ 555,899	\$ 2,468,365
Expected loss rate	1.03%	4.71%	
Lifetime expected credit losses	\$ 19,649	\$ 26,182	\$ 45,831
December 31, 2020	Not Overdue	Overdue	Total
Carrying amount	\$ 2,017,873	\$ 338,004	\$ 2,355,877
Expected loss rate	1.00%	5.95%	
Lifetime expected credit losses	\$ 20,087	\$ 20,115	\$ 40,202
June 30, 2020	Not Overdue	Overdue	Total
Carrying amount	\$ 2,155,079	\$ 288,588	\$ 2,443,667
Expected loss rate	0.99%	5.14%	
Lifetime expected credit losses	\$ 21,384	\$ 14,829	\$ 36,213

### 3) Liquidity risk

#### a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the risk that Cathay Century and its subsidiaries are 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 values when the positions are sold or offset during market disorder.

#### b) Liquidity risk management

Cathay Century and its subsidiaries established a complete capital liquidity management 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 use cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries have 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 is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

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

#### June 30, 2021

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 5,180,775	\$ 6,919	\$ 7,231	\$ 9,720	\$ 4,610
Lease liabilities	35,531	12,496	15,622	3,497	-
<u>Derivative financial liabilities</u>					
Swap	1,852	-	-	-	-

#### December 31, 2020

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,322,801	\$ 18,618	\$ 8,438	\$ 8,209	\$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
<u>Derivative financial liabilities</u>					
Swap	2,700	-	-	-	-

June 30, 2020

	<b>Less than 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 4,683,426	\$ 12,543	\$ 8,983	\$ 9,025	\$ -
Lease liabilities	67,451	61,823	27,445	1,183	-
<u>Derivative financial liabilities</u>					
Swap	500	-	-	-	-

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, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings 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, and 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 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.

### 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, board of directors, and risk management office of Cathay Securities and its subsidiaries 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 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.

## 2) Market risk analysis

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 following sensitivities:

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

	<b>For the Six Months Ended June 30, 2021</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 43,142	\$ 79,243	\$ 29,745	\$ 35,097
	<b>For the Six Months Ended June 30, 2020</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 24,154	\$ 40,366	\$ 11,733	\$ 26,721

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 such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

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 Six Months Ended June 30, 2021  
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (388,952)
Interest rate risk (yield curve)	+100bps	(91,198)
Exchange rate risk (exchange rate)	3%	(2,816)
Product risk (price)	-10%	3,163

**For the Six Months Ended June 30, 2020  
Stress Test Table**

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (145,837)
Interest rate risk (yield curve)	+100bps	(163,653)
Exchange rate risk (exchange rate)	3%	26,476
Product risk (price)	-10%	21

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 borrowers 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 borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. 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 Margins Receivables	Total
Balance at January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
(Decrease) increase	<u>(1,268)</u>	<u>213</u>	<u>(13)</u>	<u>213</u>	<u>227</u>	<u>33</u>	<u>-</u>	<u>(595)</u>
Balance at June 30, 2021	<u>\$ 664</u>	<u>\$ 483</u>	<u>\$ 13</u>	<u>\$ 92,435</u>	<u>\$ 532</u>	<u>\$ 61</u>	<u>\$ 74</u>	<u>\$ 94,262</u>
Balance at January 1, 2020	\$ 852	\$ 96	\$ 17	\$ 94,993	\$ 166	\$ 16	\$ -	\$ 96,140
Increase (decrease)	<u>1,039</u>	<u>21</u>	<u>(8)</u>	<u>(231)</u>	<u>88</u>	<u>(1)</u>	<u>29</u>	<u>937</u>
Balance at June 30, 2020	<u>\$ 1,891</u>	<u>\$ 117</u>	<u>\$ 9</u>	<u>\$ 94,762</u>	<u>\$ 254</u>	<u>\$ 15</u>	<u>\$ 29</u>	<u>\$ 97,077</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of June 30, 2021, December 31, 2020 and June 30, 2020, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$7,928,485 thousand, \$6,610,559 thousand and \$7,214,059 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.

June 30, 2021

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	\$ 1,962,265	\$ -	\$ -	\$ -	\$ 1,962,265
Commercial paper payable	4,049,587	-	-	-	4,049,587
Financial liabilities at FVTPL	1,367,545	-	-	-	1,367,545
Liabilities for bonds with repurchase agreements	2,516,176	-	-	-	2,516,176
Short sale margins and payables for short sale collateral received	95,456	190,912	286,368	1,145,465	1,718,201
Securities lending margin - deposit received	6,404	12,808	19,212	76,856	115,280
Futures trader's equity	13,183,120	-	-	-	13,183,120
Accounts payable	31,578,034	-	1,097	2,156,225	33,735,356
Other financial liabilities	173,044	-	-	-	173,044
Lease liabilities	7,333	11,380	9,726	18,218	46,657
Others	457,045	-	-	-	457,045
Total	<u>\$ 55,396,009</u>	<u>\$ 215,100</u>	<u>\$ 316,403</u>	<u>\$ 3,396,764</u>	<u>\$ 59,324,276</u>
% to the total	<u>93.38%</u>	<u>0.36%</u>	<u>0.53%</u>	<u>5.73%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

June 30, 2021

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	\$ 3,821,221	\$ -	\$ -	\$ -	\$ 3,821,221
Financial assets at FVTPL					
Operation securities	5,388,241	-	-	-	5,388,241
Open-end funds and beneficiary certificates	50,112	-	-	-	50,112
Futures trading margin	136,793	-	-	-	136,793
Structured products	471	-	-	-	471
Financial assets at FVTOCI - current	2,510,991	-	-	-	2,510,991
Securities financing receivables	506,745	999,146	1,498,719	5,994,867	8,999,477
Refinancing margin and refinancing deposits receivable	822	1,644	2,466	9,869	14,801
Security lending receivable	102,477	204,954	307,430	-	614,861
Customer's margin accounts	13,190,468	-	-	-	13,190,468
Security lending deposits price and security lending margin deposits paid	35,671	71,342	107,013	428,047	642,073
Receivables	30,125,101	-	-	10,076	30,135,177
Others	1,671,538	553	830	1,200,000	2,872,921
	<u>57,540,651</u>	<u>1,277,639</u>	<u>1,916,458</u>	<u>7,642,859</u>	<u>68,377,607</u>
Residual cash	<u>\$ 2,144,642</u>	<u>\$ 1,062,539</u>	<u>\$ 1,600,055</u>	<u>\$ 4,246,095</u>	<u>\$ 9,053,331</u>

December 31, 2020

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	\$ 1,657,576	\$ -	\$ -	\$ -	\$ 1,657,576
Commercial paper payable	1,269,918	-	-	-	1,269,918
Financial liabilities at FVTPL	15,745,711	-	-	-	15,745,711
Liabilities for bonds with repurchase agreements	2,207,506	-	-	-	2,207,506
Short sale margins and payables for short sale collateral received	77,180	154,360	231,540	926,156	1,389,236
Securities lending margin - deposit received	7,208	14,416	21,624	86,502	129,750
Futures trader's equity	13,215,030	-	-	-	13,215,030
Equity for each customer in the account	11,744	-	-	-	11,744
Accounts payable	15,094,904	458,671	236,349	322,227	16,112,151
Other financial liabilities	286,668	-	-	-	286,668
Lease liabilities	7,483	15,076	20,443	20,705	63,707
Others	1,335,561	-	-	-	1,335,561
Total	<u>\$ 50,916,489</u>	<u>\$ 642,523</u>	<u>\$ 509,956</u>	<u>\$ 1,355,590</u>	<u>\$ 53,424,558</u>
% to the total	<u>95.31%</u>	<u>1.20%</u>	<u>0.95%</u>	<u>2.54%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2020

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	\$ 4,872,595	\$ -	\$ -	\$ -	\$ 4,872,595
Financial assets at FVTPL					
Lent securities	112,858	-	-	-	112,858
Operation securities	10,375,243	-	-	-	10,375,243
Open-end funds and beneficiary certificates	50,097	-	-	-	50,097
Call option-futures	35,075	-	-	-	35,075
Futures trading margin	1,329,790	-	-	-	1,329,790
Structured products	115,583	-	-	-	115,583
Financial assets at FVTOCI - current	2,218,853	-	-	-	2,218,853
Securities financing receivables	294,283	574,748	862,122	3,448,489	5,179,642
Refinancing margin and refinancing deposits receivable	1,696	3,392	5,088	20,348	30,524
Security lending receivable	47,348	94,696	142,044	-	284,088
Customer's margin accounts	13,222,279	-	-	-	13,222,279
Security lending deposits price and security lending margin deposits paid	349,115	698,230	1,047,345	4,189,380	6,284,070
Receivables	14,943,570	-	-	171,879	15,115,449
Others	2,094,005	1,914	2,870	1,200,000	3,298,789
	<u>50,062,390</u>	<u>1,372,980</u>	<u>2,059,469</u>	<u>9,030,096</u>	<u>62,524,935</u>
Residual cash	<u>\$ (854,099)</u>	<u>\$ 730,457</u>	<u>\$ 1,549,513</u>	<u>\$ 7,674,506</u>	<u>\$ 9,100,377</u>

June 30, 2020

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	\$ 566,726	\$ -	\$ -	\$ -	\$ 566,726
Commercial paper payable	2,549,714	-	-	-	2,549,714
Financial liabilities at FVTPL	4,688,791	-	-	-	4,688,791
Liabilities for bonds with repurchase agreements	2,552,990	-	-	-	2,552,990
Deposits for securities borrowed	33,487	66,974	100,461	401,837	602,759
Securities lending margin - deposit received	641	1,282	1,923	7,693	11,539
Futures trader's equity	9,709,712	-	-	-	9,709,712
Ledgers of securities firms' settlement accounts customer's equity	41,849	-	-	-	41,849
Payables	10,090,137	-	232,913	178,397	10,501,447
Other financial liabilities	12,996	-	-	-	12,996
Lease liabilities - current	7,090	13,860	18,644	62,362	101,956
Others	59,190	-	-	-	59,190
Total	<u>\$ 30,313,323</u>	<u>\$ 82,116</u>	<u>\$ 353,941</u>	<u>\$ 650,289</u>	<u>\$ 31,399,669</u>
% to the total	<u>96.54%</u>	<u>0.26%</u>	<u>1.13%</u>	<u>2.07%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

June 30, 2020

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	\$ 3,548,916	\$ -	\$ -	\$ -	\$ 3,548,916
Financial assets at FVTPL					
Lent securities	3,563	-	-	-	3,563
Operation securities	6,607,950	-	-	-	6,607,950
Open-end funds and beneficiary certificates	30,009	-	-	-	30,009
Call option-futures	33,985	-	-	-	33,985
Futures trading margin	610,406	-	-	-	610,406
Structured products	99,990	-	-	-	99,990
Financial assets at FVTOCI - current	3,078,719	-	-	-	3,078,719
Securities financing receivables	176,031	347,638	521,457	2,085,826	3,130,952
Refinancing margin and refinancing deposits receivable	2,231	4,462	6,693	26,771	40,157
Security lending receivable	25,698	51,396	77,093	-	154,187
Customer's margin accounts	9,718,029	-	-	-	9,718,029
Security lending deposits price and security lending margin deposits paid	32,674	65,348	98,022	392,096	588,140
Receivables	8,387,411	-	-	21,976	8,409,387
Others	1,406,061	1,600	2,400	900,000	2,310,061
	<u>33,761,673</u>	<u>470,444</u>	<u>705,665</u>	<u>3,426,669</u>	<u>38,364,451</u>
Residual cash	<u>\$ 3,448,350</u>	<u>\$ 388,328</u>	<u>\$ 351,724</u>	<u>\$ 2,776,380</u>	<u>\$ 6,964,782</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 June 30, 2021, December 31, 2020 and June 30, 2020, Cathay Life and its subsidiaries provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these 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 June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>June 30, 2021</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 145,293,100	\$ 36,477,823
Financial assets at FVTOCI	-	48,748,285
Debt instruments at amortized cost	-	109,705,955
	<u>\$ 145,293,100</u>	<u>\$ 194,932,063</u>

	<b>December 31, 2020</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Debt instruments at amortized cost	<u>-</u>	<u>119,025,227</u>
	<u>\$ 119,715,465</u>	<u>\$ 225,786,806</u>

  

	<b>June 30, 2020</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 99,497,539	\$ 36,180,034
Financial assets at FVTOCI	-	51,957,648
Debt instruments at amortized cost	<u>-</u>	<u>133,722,037</u>
	<u>\$ 99,497,539</u>	<u>\$ 221,859,719</u>

- c) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank 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

As of June 30, 2021, December 31, 2020 and June 30, 2020, 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial assets at FVTOCI	\$ 6,955,613	\$ 14,299,523	\$ 26,832,487
Debt instruments at amortized cost	<u>53,028,353</u>	<u>32,294,807</u>	<u>40,086,918</u>
	<u>\$ 59,983,966</u>	<u>\$ 46,594,330</u>	<u>\$ 66,919,405</u>

- d) Cathay Century and its subsidiaries does not provide financial support or other support to the unconsolidated structured entities. Cathay Century's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century. 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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets at FVTOCI	\$ 230,898	\$ 33,637	\$ 29,189
Debt instruments at amortized cost	<u>371,566</u>	<u>459,934</u>	<u>564,659</u>
	<u>\$ 602,464</u>	<u>\$ 493,571</u>	<u>\$ 593,848</u>

### 37. 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.

a. Capital adequacy ratio of the Group

Item	June 30, 2021		
	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 886,107,324	\$ 1,025,298,665
Cathay United Bank	100.00%	270,139,447	177,647,031
Cathay Securities	100.00%	8,882,555	3,856,973
Cathay Life	100.00%	712,121,630	384,343,999
Cathay Century	100.00%	11,822,607	7,470,537
Cathay Venture	75.00%	4,769,675	2,398,592
Cathay Securities Investment Trust	100.00%	2,869,864	2,208,581
Less: Deduction items		<u>(1,043,155,028)</u>	<u>(1,001,733,750)</u>
		<u>\$ 853,558,074</u>	<u>\$ 601,490,628</u>
Capital adequacy ratio of the Group			141.91%

Item	June 30, 2020		
	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100.00%	\$ 775,483,123	\$ 885,969,403
Cathay United Bank	100.00%	269,328,744	184,774,599
Cathay Securities	100.00%	6,614,144	2,965,910
Cathay Life	100.00%	556,457,792	320,943,717
Cathay Century	100.00%	10,481,157	6,821,154
Cathay Venture	75.00%	4,355,729	2,197,421
Cathay Securities Investment Trust	100.00%	2,458,979	1,874,006
Less: Deduction items		<u>(914,875,622)</u>	<u>(870,599,005)</u>
		<u>\$ 710,304,046</u>	<u>\$ 534,947,205</u>

Capital adequacy ratio of the Group 132.78%

b. Eligible capital

Item	June 30, 2021 Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stock and non-cumulative subordinated debt without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,251,872
Legal reserve	59,471,895
Special reserve	150,716,023
Retained earnings	217,691,715
Equity adjustments	133,980,387
Less: Goodwill	-
Less: Deferred assets	(29,670)
Less: Treasury stock	-
Total eligible capital	<u>\$ 886,107,324</u>

Item	<u>June 30, 2020</u> Amount
Ordinary shares	\$ 131,692,102
Non-cumulative perpetual preferred stock and non-cumulative subordinated debt without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	177,254,459
Legal reserve	51,967,688
Special reserve	149,894,910
Retained earnings	126,826,108
Equity adjustments	122,832,628
Less: Goodwill	-
Less: Deferred assets	(317,772)
Less: Treasury stock	<u>-</u>
Total eligible capital	<u>\$ 775,483,123</u>

### 38. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

#### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired	Consideration Transferred
Global Evolution Holding ApS	Asset Management Services	June 25, 2020	53%	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired a further 8% ownership interest in Global Evolution Holding ApS, the ownership interest increased from 45% to 53%, and CHL obtained the control.

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

	<b>Global Evolution Holding ApS</b>
Current assets	
Cash and cash equivalents	\$ 117,198
Other	1,031,302
Intangible assets - customer relationships	2,467,576
Non-current assets	108,021
Current liabilities	(596,864)
Non-current liabilities	<u>(233,440)</u>
	<u>\$ 2,893,793</u>

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	<b>Global Evolution Holding ApS</b>
Consideration transferred for 8% shares	\$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,302,994
Plus: Fair value of 45% shares owned before acquisition	<u>4,396,904</u>
	6,481,215
Less: Fair value of identifiable net assets acquired	<u>(2,893,793)</u>
Goodwill recognized on acquisitions	<u>\$ 3,587,422</u>

e. Net cash outflow on the acquisition of subsidiaries

	<b>Global Evolution Holding ApS</b>
Consideration paid in cash	\$ 781,317
Less: Cash and cash equivalent balances acquired	<u>(117,198)</u>
	<u>\$ 664,119</u>

### 39. OTHERS

a. Impact of COVID-19

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the financial report, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

The 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:

	<b>June 30, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 150,918,086	27.8700	\$ 4,206,087,057
CNY	59,944,609	4.3110	258,421,209
AUD	8,197,259	20.9499	171,731,756
Non-monetary items			
USD	12,583,510	27.8700	350,702,424
<u>Financial liabilities</u>			
Monetary items			
USD	22,648,611	27.8700	631,216,789
CNY	27,300,334	4.3110	117,691,740
	<b>December 31, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,841,984	28.5080	\$ 3,901,091,280
CNY	42,150,730	4.3813	184,674,993
AUD	6,327,462	21.9725	139,030,159
Non-monetary items			
USD	11,673,378	28.5080	332,784,660
<u>Financial liabilities</u>			
Monetary items			
USD	17,999,522	28.5080	513,130,373
	<b>June 30, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 132,785,346	29.6600	\$ 3,938,413,362
CNY	13,114,656	4.1956	55,023,851
Non-monetary items			
USD	11,712,883	29.6600	347,404,110
<u>Financial liabilities</u>			
Monetary items			
USD	14,952,456	29.6600	443,489,845

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 losses for the six months ended June 30, 2021 and 2020 were \$58,236,121 thousand and \$40,126,942 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of June 30, 2021, December 31, 2020 and June 30, 2020, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Domestic shares	\$ 189,001,907	\$ 165,441,030	\$ 132,434,149
Overseas shares	85,478,536	73,520,629	63,195,526
Notes and bonds purchased under resale agreements	14,291,500	20,066,000	12,824,000
Cash in banks	45,786,876	51,308,069	45,870,765
Beneficiary certificates	190,703	1,997,792	122,790
Futures and options	<u>216,812</u>	<u>501,910</u>	<u>216,748</u>
	<u>\$ 334,966,334</u>	<u>\$ 312,835,430</u>	<u>\$ 254,663,978</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of June 30, 2021, December 31, 2020 and June 30, 2020, the discretionary investments limits are as follows (in thousands of each currency):

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Monetary items			
NTD	\$ 100,979,839	\$ 84,358,163	\$ 84,358,163
USD	1,131,400	1,462,200	1,252,200
HKD	2,084	74,084	544,084

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Domestic shares	\$ 1,790,014	\$ 1,588,344	\$ 1,212,483
Short-term notes	-	200,009	200,204
Cash in banks	760,203	414,548	399,682
Future margins	<u>2,011</u>	<u>2,011</u>	<u>2,011</u>
	<u>\$ 2,552,228</u>	<u>\$ 2,204,912</u>	<u>\$ 1,814,380</u>

The fair values of Cathay Century and its subsidiaries' financial assets under discretionary account management contracts are as the same as their carrying amounts.

As of June 30, 2021, December 31, 2020 and June 30, 2020, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limit of \$1,200,000 thousand.

d. 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		June 30, 2021					June 30, 2020				
Item		Nonperforming Loan (Note 1)	Loan	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	\$ 1,222,400	\$ 289,566,270	0.42%	\$ 1,903,413	155.71%	\$ 151,437	\$ 245,914,110	0.06%	\$ 3,575,255	2360.89%
	Unsecured	1,059,592	332,709,367	0.32%	8,223,421	776.09%	260,252	382,972,768	0.07%	8,145,971	3130.03%
Consumer banking	Housing mortgage (Note 4)	266,246	468,475,072	0.06%	7,281,501	2734.88%	427,474	357,113,998	0.12%	5,728,885	1340.17%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	269,485	108,061,790	0.25%	4,086,702	1516.48%	235,439	93,828,134	0.25%	3,107,923	1320.06%
	Other (Note 6)	Secured	805,547	518,810,263	0.16%	5,986,793	743.20%	887,384	470,717,662	0.19%	5,748,185
Unsecured		20,175	23,613,836	0.09%	322,698	1599.49%	36,029	19,220,111	0.19%	276,417	767.21%
Total Loan		3,643,445	1,741,236,598	0.21%	27,804,528	763.14%	1,998,015	1,569,766,783	0.13%	26,582,636	1330.45%
		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		\$ 120,974	\$ 67,979,560	0.18%	\$ 1,976,831	1634.09%	\$ 120,300	\$ 71,580,619	0.17%	\$ 1,895,295	1575.47%
Accounts receivable factored without recourse (Note 7)		-	3,872,728	-	108,066	-	-	4,785,241	-	69,788	-

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 possible losses for loans ÷ Nonperforming loans.  
Coverage ratio of credit card receivables: Allowance for possible 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. 094000494), 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	June 30, 2021		June 30, 2020	
		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)	\$ 1,189	\$ 41,929	\$ 1,692	\$ 60,921
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	81,300	1,181,399	66,104	1,193,260
	Total	\$ 82,489	\$ 1,223,328	\$ 67,796	\$ 1,254,181

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, %)

June 30, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 30,351,107	12.74
2	Group B - packaging and testing of semi-conductors	10,326,149	4.33
3	Group C - wired telecommunications activities	7,334,916	3.08
4	Group D - ocean transportation	6,783,120	2.85
5	Group E - other financial intermediation	6,764,204	2.84
6	Group F - real estate development activities	6,000,000	2.52
7	Group G - other financial intermediation	5,797,064	2.43
8	Group H - real estate development activities	5,708,000	2.40
9	Group I - manufacture of computers	5,044,470	2.12
10	Group J - manufacture of computers	4,416,524	1.85

June 30, 2020			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 29,074,017	12.62
2	Group B - packaging and testing of semi-conductors	11,884,602	5.16
3	Group C - ocean transportation	8,776,208	3.81
4	Group D - other financial intermediation	7,490,945	3.25
5	Group E - wired telecommunications activities	7,156,470	3.11
6	Group F - real estate development activities	6,200,000	2.69
7	Group G - wired telecommunications activities	4,970,945	2.16
8	Group H - other financial intermediation	4,931,200	2.14
9	Group I - other financial intermediation	4,568,921	1.98
10	Group J - manufacture of petroleum and coal products	4,460,228	1.94

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

June 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,118,108,529	\$ 51,999,280	\$ 63,413,651	\$ 160,342,460	\$ 2,393,863,920
Interest rate-sensitive liabilities	188,150,066	1,681,304,964	234,524,856	78,271,229	2,182,251,115
Interest rate-sensitive gap	1,929,958,463	(1,629,305,684)	(171,111,205)	82,071,231	211,612,805
Net worth					238,217,683
Ratio of interest rate-sensitive assets to liabilities					109.70%
Ratio of interest rate sensitivity gap to net worth					88.83%

June 30, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,886,957,630	\$ 62,339,944	\$ 76,589,549	\$ 127,084,554	\$ 2,152,971,677
Interest rate-sensitive liabilities	200,603,382	1,399,552,453	244,626,803	85,946,702	1,930,729,340
Interest rate-sensitive gap	1,686,354,248	(1,337,212,509)	(168,037,254)	41,137,852	222,242,337
Net worth					230,389,113
Ratio of interest rate-sensitive assets to liabilities					111.51%
Ratio of interest rate sensitivity gap to net worth					96.46%

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)**

(In Thousands of U.S. Dollars, %)

**June 30, 2021**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,000,550	\$ 812,798	\$ 966,834	\$ 8,182,918	\$ 17,963,100
Interest rate-sensitive liabilities	11,299,556	3,708,691	3,824,453	4,581,679	23,414,379
Interest rate-sensitive gap	(3,299,006)	(2,895,893)	(2,857,619)	3,601,239	(5,451,279)
Net worth					8,547,459
Ratio of interest rate-sensitive assets to liabilities					76.72%
Ratio of interest rate sensitivity gap to net worth					(63.78%)

**June 30, 2020**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 9,386,220	\$ 820,035	\$ 475,617	\$ 7,102,374	\$ 17,784,246
Interest rate-sensitive liabilities	10,892,636	3,153,407	3,265,021	4,314,717	21,625,781
Interest rate-sensitive gap	(1,506,416)	(2,333,372)	(2,789,404)	2,787,657	(3,841,535)
Net worth					7,767,671
Ratio of interest rate-sensitive assets to liabilities					82.24%
Ratio of interest rate sensitivity gap to net worth					(49.46%)

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)**

(In Thousands of New Taiwan Dollars)

**June 30, 2021**

	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	\$ 3,080,971,229	\$ 460,722,786	\$ 388,057,512	\$ 334,797,412	\$ 264,083,276	\$ 362,123,638	\$ 1,271,186,605
Main capital outflow on maturity	3,675,655,847	170,432,967	254,560,485	507,088,012	560,431,115	706,793,347	1,476,349,921
Gap	(594,684,618)	290,289,819	133,497,027	(172,290,600)	(296,347,839)	(344,669,709)	(205,163,316)

**June 30, 2020**

	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	\$ 2,853,123,212	\$ 510,037,067	\$ 379,570,591	\$ 316,527,560	\$ 296,240,816	\$ 303,147,896	\$ 1,047,599,282
Main capital outflow on maturity	3,331,210,677	176,581,906	208,057,021	497,739,010	544,777,468	636,244,958	1,267,810,314
Gap	(478,087,465)	333,455,161	171,513,570	(181,211,450)	(248,536,652)	(333,097,062)	(220,211,032)

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)**

(In Thousands of U.S. Dollars)

**June 30, 2021**

	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	\$ 66,995,315	\$ 21,504,752	\$ 14,776,154	\$ 8,788,898	\$ 10,237,943	\$ 11,687,568
Main capital outflow on maturity	71,594,019	23,472,006	16,918,430	8,585,512	14,017,017	8,601,054
Gap	(4,598,704)	(1,967,254)	(2,142,276)	203,386	(3,779,074)	3,086,514

**June 30, 2020**

	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	\$ 66,616,587	\$ 19,306,014	\$ 17,154,087	\$ 9,648,136	\$ 9,986,728	\$ 10,521,622
Main capital outflow on maturity	71,288,886	22,595,992	17,756,470	9,535,613	13,248,604	8,152,207
Gap	(4,672,299)	(3,289,978)	(602,383)	112,523	(3,261,876)	2,369,415

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

e. Disclosures according to Article 46 of the Financial Holding Company Act

Ending balances of the transaction mentioned in Paragraph 2 of Article 46 of the Financial Holding Company Act, between all subsidiaries of a financial holding company and the same counterparties mentioned in Paragraph 1 of the same article.

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
1) Same person		
Central Bank of the Republic of China (Taiwan)	\$ 458,238,988	51.71
Treasury Bond/Treasury Bills	132,052,578	14.90
Taiwan Semiconductor Manufacturing Company Limited	78,931,563	8.91
FREDDIE MAC	74,406,369	8.40
FANNIE MAE	71,540,694	8.07
Macquarie Investment Management Advisers	64,697,642	7.30
Yuanta Securities Investment Trust Co., Ltd.	63,415,151	7.16
CTBC Securities Co., Ltd.	61,308,731	6.92
Fubon Asset Management Co., Ltd.	56,035,449	6.32
China Development Bank Corp.	55,209,131	6.23
China Government Bond	54,830,421	6.19
Fidelity Worldwide Investment	54,231,495	6.12
Indonesia Government International Bond	46,050,478	5.20
Israel Government International Bond	45,424,796	5.13
Barclays PLC	42,207,483	4.76
Qatar Government International Bond	42,111,869	4.75
Mexico Government International Bond	38,835,324	4.38
BNP Paribas	38,123,048	4.30
Goldman Sachs Group Inc.	36,882,330	4.16
Chunghwa Telecom Co., Ltd.	35,593,538	4.02
KGI Securities Investment Trust Co., Ltd.	34,814,639	3.93
AT&T Inc.	34,655,053	3.91
Wells Fargo & Co.	33,126,084	3.74
Verizon Communications Inc.	28,295,632	3.19
Citigroup Inc.	27,493,839	3.10
BANK OF AMERICA, N.A.	27,149,962	3.06
Taiwan Mobile Co., Ltd.	26,495,626	2.99
Bank of China Ltd.	25,232,401	2.85
Panama Government International Bond	24,734,020	2.79
Russian Foreign Bond - Eurobond	24,455,884	2.76
Industrial & Commercial Bank of China	23,854,893	2.69
Tencent Holdings Ltd.	21,754,699	2.46
JPMorgan Chase & Co.	21,559,800	2.43
Commonwealth Bank of Australia	21,450,313	2.42
Sinopec Group Overseas Development Ltd.	20,874,838	2.36
UBS AG	20,803,403	2.35

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Alibaba Group Holding Ltd.	\$ 20,443,821	2.31
United States Treasury Note/Bond	20,224,022	2.28
Department of Finance, Kaohsiung City Government	19,831,273	2.24
Far EasTone Telecommunications Co., Ltd.	19,493,287	2.20
Fubon Financial Holding Co., Ltd.	19,471,068	2.20
Vietnam Government Bond	19,347,356	2.18
MediaTek Inc.	18,981,613	2.14
Colombia Government International Bond	18,906,183	2.13
Capital Investment Trust Corporation	18,711,646	2.11
BlackRock Inc.	17,919,245	2.02
Comcast Corp.	17,643,649	1.99
Anthem Inc.	17,631,624	1.99
Saudi Government International Bond	16,795,196	1.90
State of California	16,749,670	1.89
Agricultural Development Bank of China	16,675,561	1.88
Citigroup Global Markets Holdings Inc.	16,509,505	1.86
Credit Agricole SA	16,502,375	1.86
Shin Kong Investment Trust Co., Ltd.	16,337,741	1.84
Uni-President Enterprises Corporation	16,287,332	1.84
Saudi Arabian Oil Co	15,765,580	1.78
Standard Chartered PLC	15,476,396	1.75
Petronas Capital Ltd.	15,190,021	1.71
PERTAMINA PT	14,936,129	1.69
CNOOC Ltd.	14,922,398	1.68
Ginnie Mae II pool	14,890,329	1.68
Fuh Hwa Securities Investment Trust Co., Ltd.	14,883,401	1.68
CIGNA CORP.	14,592,872	1.65
European Investment Bank	14,526,400	1.64
CVS Health Corp.	14,429,247	1.63
MDC-GMTN B.V.	14,337,273	1.62
Peruvian Government International Bond	14,298,924	1.61
Government National Mortgage Association	13,935,933	1.57
America Movil SAB de CV	13,836,071	1.56
Australia And New Zealand Banking Group Ltd	13,826,447	1.56
Societe Generale	13,636,920	1.54
Goldman Sachs Finance Corp International Ltd	13,526,241	1.53
CNOOC PETROLEUM NA ULC	13,523,106	1.53
Hon Hai Precision Industry Co., Ltd.	13,423,260	1.51
Oracle Corp.	13,406,491	1.51
LONDON CLEARING HOUSE	13,381,135	1.51
Dragon Steel Corporation	13,331,793	1.50
Mega Financial Holding Co., Ltd.	13,241,743	1.49
Perusahaan Listrik Negara PT	12,999,779	1.47

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
UnitedHealth Group Inc.	\$ 12,967,429	1.46
Abu Dhabi Government International Bond	12,757,451	1.44
Chile Government International Bond	12,721,759	1.44
China Bills Finance Corporation	12,640,180	1.43
CTBC Bank Co., Ltd.	12,380,470	1.40
CTBC Financial Holding Co., Ltd.	12,160,749	1.37
Fomento Economico Mexicano SAB de CV	12,116,620	1.37
Mega Bills Finance Co., Ltd.	12,058,149	1.36
Bristol-Myers Squibb Co	11,935,958	1.35
REPUBLICA ORIENT URUGUAY	11,820,040	1.33
CITIC LIMITED	11,752,650	1.33
AbbVie Inc.	11,596,675	1.31
Telefonica Emisiones SAU	11,550,156	1.30
Export-Import Bank of China	11,543,573	1.30
Raytheon Technologies Corp.	11,538,213	1.30
Taishin International Bank Co., Ltd.	11,395,781	1.29
SG Issuer	11,350,527	1.28
China Construction Bank Corp	11,348,814	1.28
Lloyds Bank PLC	11,158,264	1.26
Westpac Banking Corp.	11,123,885	1.26
Anheuser-Busch InBev Worldwide Inc.	11,071,965	1.25
Baillie Gifford Overseas Limited	11,021,916	1.24
E.Sun Commercial Bank, Ltd.	10,965,557	1.24
BPCE SA	10,866,728	1.23
Daiwa SB Investment Limited	10,566,466	1.19
Sinopec Group Overseas Development 2018 Ltd.	10,512,756	1.19
Credit Suisse Group AG	10,454,940	1.18
Hamilton Lane Advisors, L.L.C	10,399,653	1.17
QNB Finance Ltd	10,326,326	1.17
BANK OF MONTREAL	10,121,041	1.14
IBM CORP	10,111,185	1.14
Postal Savings Bank of China Co., Ltd.	10,072,197	1.14
China Cinda Asset Management Co Ltd.	10,043,273	1.13
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands	10,028,412	1.13
Argicultural Bank of Taiwan Co., Ltd.	9,965,826	1.12
Amgen Inc.	9,813,567	1.11
AIA Group Ltd.	9,788,852	1.10
Morgan Stanley	9,772,066	1.10
Ecopetrol SA	9,768,610	1.10
NATIONAL BANK OF CANADA	9,658,090	1.09
Vodafone Group PLC	9,578,981	1.08
Nationwide Building Society	9,559,406	1.08

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Nan Ya Plastics Corporation	\$ 9,552,292	1.08
Prosus NV	9,546,364	1.08
Takeda Pharmaceutical Co Ltd.	9,455,442	1.07
Quanta Computer Inc.	9,396,566	1.06
Land Bank of Taiwan Co., Ltd.	9,382,975	1.06
Formosa Plastics Corporation	9,347,450	1.05
Amazon.com Inc.	9,316,211	1.05
Largan Precision Co., Ltd.	9,236,741	1.04
Far East Horizon Limited	9,033,873	1.02
Gilead Sciences Inc.	8,992,297	1.01
TransCanada PipeLines Ltd.	8,985,477	1.01
KAZMUNAYGAS NATIONAL	8,891,865	1.00
Advanced Semiconductor Engineering, Inc.	8,750,000	0.99
UniCredit SpA	8,707,338	0.98
Prudential Financial Inc.	8,633,535	0.97
Berkshire Hathaway Energy Co	8,599,314	0.97
Apple Inc.	8,550,904	0.96
Taiwan Cooperative Bank Co., Ltd.	8,549,425	0.96
Shell International Finance BV	8,501,992	0.96
Union Pacific Corp.	8,499,845	0.96
Deutsche Bank AG	8,458,423	0.95
Enel Finance International NV	8,428,358	0.95
Taiwan Cement Corporation	8,412,200	0.95
Walt Disney Co/The	8,294,350	0.94
Shinhan Bank	8,168,906	0.92
Taikang Asset Management Co Lt	8,114,002	0.92
Coatue Management, L.L.C.	8,005,019	0.90
Deutsche Telekom AG	7,936,020	0.90
Taiwan High Speed Rail Corporation	7,833,030	0.88
Southern Copper Corp.	7,811,996	0.88
Intercontinental Exchange Inc.	7,702,496	0.87
Abbott Laboratories	7,699,312	0.87
President Chain Store Corporation	7,638,141	0.86
SRISAWAD CORPORATION PUBLIC COMPANY LIMITED	7,626,896	0.86
China Steel Corporation	7,624,690	0.86
Phillips 66	7,518,217	0.85
Banco Santander SA	7,436,296	0.84
Petroleos Mexicanos	7,386,562	0.83
Enterprise Products Operating LLC	7,336,316	0.83
Abu Dhabi National Energy Co	7,327,496	0.83
STANDARD LIFE INVESTMENTS	7,326,606	0.83
HSBC Bank (Taiwan) Limited	7,214,180	0.81

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Dow Chemical Co	\$ 7,210,288	0.81
SSgA Funds Management Inc	7,176,329	0.81
IBF securities Investment consulting Co., Ltd.	7,171,586	0.81
Santander International Products PLC	7,014,887	0.79
Hua Nan Commercial Bank Co., Ltd.	7,014,367	0.79
Kazakhstan Government International Bond	6,922,858	0.78
T-MOBILE USA INC	6,916,753	0.78
HKT Capital No 1 Ltd.	6,888,721	0.78
Grupo Televisa SA	6,869,116	0.78
Grand Bills Finance Corporation	6,813,874	0.77
State Grid Overseas Investment Ltd.	6,801,958	0.77
Altria Group Inc.	6,793,395	0.77
Microsoft Corp	6,767,498	0.76
BlackRock Fund Advisors	6,756,675	0.76
HSBC BANK PLC	6,736,157	0.76
Enbridge Inc.	6,678,265	0.75
China Development Financial Holding Corp.	6,640,091	0.75
ING Groep NV	6,634,368	0.75
Chailease Finance Co., Ltd.	6,628,324	0.75
BBVA Bancomer SA	6,529,691	0.74
Korea Treasury Bond	6,433,700	0.73
Invesco Preferred ETF	6,432,801	0.73
Taishin Financial Holding Co., Ltd.	6,411,060	0.72
First Financial Holding Co., Ltd.	6,374,602	0.72
Landesbank Baden-Wuerttemberg	6,371,102	0.72
SOUTHERN CO	6,323,052	0.71
Mega International Commercial Bank Co., Ltd.	6,272,628	0.71
Sumitomo Mitsui Financial Group Inc	6,252,371	0.71
Kroger Co	6,246,561	0.70
VanEck Vectors High-Yield Municipal Index ETF	6,208,048	0.70
Standard Chartered Bank Taiwan	6,196,949	0.70
Fubon Life Insurance Co., Ltd.	6,156,366	0.69
Yuanta Commercial Bank Co., Ltd.	6,100,191	0.69
Global Investors Series plc	6,070,376	0.69
JPMorgan Chase Bank, N.A.	5,997,265	0.68
Morgan Stanley Finance LLC	5,984,350	0.68
BOC Aviation Limited	5,982,860	0.68
Intel Corp.	5,838,736	0.66
Bayer US Finance LLC	5,808,340	0.66
China Overseas Land & Investment Ltd.	5,805,845	0.66
DowDuPont Inc	5,759,769	0.65
Comision Federal de Electricidad	5,746,079	0.65
Exxon Mobil Corp.	5,739,786	0.65

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
ROYAL BANK OF CANADA	\$ 5,724,894	0.65
Fu Yu Construction Co., Ltd.	5,708,000	0.64
Natwest Group PLC	5,691,025	0.64
ViacomCBS Inc	5,677,201	0.64
CSX CORP.	5,660,229	0.64
Allianz Global Investors GMBH	5,659,710	0.64
Rogers Communications Inc.	5,615,011	0.63
ConocoPhillips	5,591,911	0.63
Kinder Morgan Inc/DE	5,570,724	0.63
PepsiCo Inc.	5,542,536	0.63
Total Capital International SA	5,521,433	0.62
Compal Electronics, Inc.	5,479,102	0.62
Woori Bank	5,447,007	0.61
UBS Group AG	5,384,118	0.61
Pfizer Inc.	5,376,152	0.61
Bell Canada	5,358,132	0.60
BP Capital Markets America Inc.	5,353,528	0.60
Neuberger Berman Investment Funds plc.	5,310,497	0.60
Yuanta Securities Co., Ltd.	5,309,761	0.60
Alexandria Real Estate Equities Inc.	5,309,317	0.60
BAT CAPITAL CORP.	5,292,567	0.60
Insight Venture Management, LLC	5,285,418	0.60
Philippine Government International Bond	5,281,107	0.60
Dr Pepper Snapple Group Inc.	5,236,716	0.59
Vivo Capital LLC	5,233,771	0.59
Regents of the University of California Medical Center Pooled Revenue	5,182,333	0.58
Berkshire Hathaway Finance Corp.	5,175,512	0.58
State Street Bank and Trust Company	5,147,954	0.58
Hua Nan Financial Holdings Co., Ltd.	5,121,378	0.58
Cheng Loong	5,101,831	0.58
Formosa Chemicals & Fibre Corporation	5,099,104	0.58
ELECTRICITE DE FRANCE	5,087,309	0.57
Nuveen Asset Management	5,049,046	0.57
Credit Agricole Corporate & Investment Bank SA	5,037,498	0.57
Bay Area Toll Authority	4,982,161	0.56
FIRST ABU DHABI BANK PJSC	4,955,596	0.56
Blackstone Real Estate Advisors L.P.	4,935,530	0.56
AXA Funds Management SA	4,897,069	0.55
Malayan Banking Bhd	4,824,556	0.54
Homeplus Digital Co., Ltd.	4,776,160	0.54
Far Eastern New Century Corporation	4,771,958	0.54
Anheuser-Busch InBev Finance Inc.	4,768,002	0.54

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Fidelity Funds/Luxembourg	\$ 4,747,512	0.54
Hungary Government International Bond	4,740,879	0.54
Macquarie Group Ltd.	4,735,802	0.53
Corp Andina de Fomento	4,697,393	0.53
Ta Ching Bills Finance Corporation	4,689,916	0.53
First Securities Inc.	4,684,591	0.53
Discovery Communications LLC	4,669,210	0.53
Vanguard Fixed Income Securities Funds	4,667,803	0.53
WISTRON CORPORATION	4,651,467	0.52
Vale Overseas Ltd.	4,638,025	0.52
Halliburton Co	4,605,496	0.52
BlackRock Global Funds	4,592,707	0.52
Queensland Treasury Corp	4,556,175	0.51
Macquarie Bank Ltd	4,552,569	0.51
American International Group Inc.	4,550,123	0.51
Australia Government Bond	4,532,519	0.51
Banco de Credito del Peru	4,523,509	0.51
International Bills Finance Corporation	4,520,783	0.51
Formosa Ha Tinh (Cayman) Limited	4,492,644	0.51
United Microelectronics Corporation	4,377,874	0.49
Romanian Government International Bond	4,372,001	0.49
SHERWIN-WILLIAMS CO	4,362,412	0.49
China Cinda 2020 I Management Ltd	4,357,007	0.49
TYSON FOODS INC	4,348,170	0.49
Corp Nacional del Cobre de Chile	4,337,289	0.49
PTT Treasury Center Co Ltd	4,325,495	0.49
Yuanta Financial Holding Co., Ltd.	4,305,994	0.49
Evergreen Marine Corporation	4,266,332	0.48
AUSTRALIAN GOVERNMENT	4,251,694	0.48
Nisource Finance Corp	4,230,166	0.48
Orsted Wind Power TW Holding A/S	4,217,364	0.48
MetLife Inc.	4,181,309	0.47
Grand Central Limit	4,180,500	0.47
Cyber Company Inc.	4,180,500	0.47
Consolidated Edison Co of New York Inc.	4,168,220	0.47
Deutsche Telekom International Finance BV	4,147,550	0.47
CPC Corporation, Taiwan	4,121,588	0.47
ENI SpA	4,104,743	0.46
Bank of Taiwan	4,095,680	0.46
Humana Inc.	4,067,187	0.46
NATWEST MARKETS PLC	4,028,858	0.45
Oman Government International Bond	4,004,821	0.45
Burlington Northern Santa Fe LLC	4,000,282	0.45

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Yuanta Futures Co., Ltd.	\$ 3,975,823	0.45
Mega Securities	3,955,381	0.45
Indian Railway Finance Corp Ltd	3,951,628	0.45
Intesa Sanpaolo SpA	3,943,962	0.45
Hon Han Investment Co., Ltd.	3,917,094	0.44
Merck & Co Inc.	3,914,279	0.44
Broadcom Inc	3,909,872	0.44
Suncor Energy Inc	3,903,578	0.44
Freeport-McMoRan Copper & Gold Inc	3,902,271	0.44
Capital Futures Corp.	3,891,964	0.44
ICICI Bank Ltd.	3,870,529	0.44
Reliance Industries Ltd.	3,867,073	0.44
AstraZeneca PLC	3,865,853	0.44
National Australia Bank Ltd.	3,863,806	0.44
SinoPac Securities Corporation	3,852,578	0.43
Bank SinoPac Co., Ltd.	3,797,071	0.43
South Africa Government International Bond	3,783,153	0.43
ProShare Advisors LLC	3,775,507	0.43
PCCW Capital No 5 Ltd.	3,754,767	0.42
Banco de Credito e Inversiones	3,748,993	0.42
GAM STAR FUND	3,713,828	0.42
PTTEP Canada International Finance Ltd.	3,705,514	0.42
Molson Coors Brewing Co	3,688,710	0.42
KGI Futures Co., Ltd.	3,651,265	0.41
Kohlberg Kravis Roberts & Co. L.P.	3,647,911	0.41
Canadian Natural Resources Ltd.	3,558,032	0.40
CIC	3,535,729	0.40
Minera Mexico SA de CV	3,511,798	0.40
Global Infrastructure Management	3,505,824	0.40
Lexington Partners L.P.	3,485,587	0.39
HUNG SHENG Construction Co., Ltd.	3,479,737	0.39
BP Capital Markets PLC	3,478,579	0.39
HSBC Holdings PLC	3,475,778	0.39
Oaktree Capital Management, L.P.	3,467,859	0.39
Barrick North America Finance LLC	3,465,154	0.39
NEA Management Company, LLC	3,461,544	0.39
National Retail Properties Inc.	3,460,502	0.39
NVIDIA Corp	3,458,373	0.39
Aquiline Holdings LLC	3,453,965	0.39
Coca-Cola Co	3,450,011	0.39
Port Authority of New York & New Jersey	3,449,104	0.39
KWEICHOW MOUTAI CO LTD-A	3,447,321	0.39
JIHSUN SCL	3,444,795	0.39

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Banco Santander Mexico, S.A., Institucion de Banca Multiple, Grupo Financiero Santand	\$ 3,422,755	0.39
Bangkok Bank Public Company Limited.	3,383,004	0.38
Equinor ASA	3,382,546	0.38
Silver Lake Management Company V, L.L.C.	3,378,234	0.38
Dominion Energy Inc	3,347,098	0.38
Yunneng Wind Power Co., Ltd.	3,333,115	0.38
Blackstone Management Partners L.L.C.	3,322,047	0.37
Grupo Bimbo SAB de CV	3,304,207	0.37
Boeing Co	3,302,979	0.37
Mitsubishi UFJ Financial Group Inc.	3,301,770	0.37
Hotai Leasing Corporation	3,298,722	0.37
UBAM	3,296,332	0.37
EQT Fund Management S.à r.l.	3,254,633	0.37
ABN AMRO Bank	3,254,603	0.37
Qtel International Finance Ltd.	3,241,119	0.37
E INK HOLDINGS INC.	3,234,842	0.37
First Commercial Bank Co., Ltd.	3,223,818	0.36
INVENTEC CORPORATION	3,222,058	0.36
FMC	3,198,780	0.36
HOTAI FINANCE CO., LTD.	3,197,661	0.36
Joint Stock Commercial Bank for Investment and Dev	3,191,115	0.36
Allstate Corp.	3,187,004	0.36
Mondelez International Inc	3,186,928	0.36
YUE BOW ENTERPRISE CO., LTD	3,182,000	0.36
PIMCO Funds: Global Investors Series plc	3,180,155	0.36
Pitango Venture Partners 2004 Ltd.	3,178,686	0.36
Taiwan Railways Administration, MOTC	3,176,894	0.36
DBS Group Holdings Ltd	3,174,342	0.36
Realtek Semiconductor Corporation	3,167,291	0.36
United Overseas Bank Ltd.	3,162,284	0.36
American Tower Corp	3,151,858	0.36
Banco de Chile	3,142,000	0.35
LG Chem Ltd	3,133,326	0.35
PT PERUSAHAAN LISTRIK NEGARA (PERSERO)	3,130,718	0.35
Contemporary Amperex Technology Co Ltd	3,129,786	0.35
BECTON DICKINSON AND CO	3,125,726	0.35
Mexican Bonos	3,110,954	0.35
Taishin Securities Investment Trust Co., Ltd.	3,077,622	0.35
Petroleos del Peru SA	3,077,417	0.35
Foresite Capital Management, LLC	3,067,825	0.35
VISA	3,066,164	0.35

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Macquarie Infrastructure Management (Asia) Pty Limited, Singapore Branch	\$ 3,057,435	0.35
Applied Materials Inc	3,054,082	0.34
PTTEP TREASURY CENTER CO	3,053,713	0.34
CROWN CASTLE INTL CORP	3,022,531	0.34
Wealth Media Co., Ltd.	3,021,859	0.34
AGRICULTURAL BANK OF CHINA SINGAPORE BRANCH	3,009,730	0.34
Bank of Communications Co., Ltd. Sydney Branch	3,009,730	0.34
Power Finance Corp Ltd	3,003,130	0.34
Asia Alternatives Management LLC	3,001,416	0.34
2) Enterprises where the same natural person and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge		
Enterprises where XIE and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	19,081,613	2.15
Enterprises where Ko and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	16,026,252	1.81
Enterprises where DAI and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	8,442,195	0.95
Enterprises where Cheng and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,756,487	0.65
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	5,107,682	0.58
Enterprises where Zhang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,895,570	0.55
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,806,792	0.54
Enterprises where YANG and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,132,215	0.47
Enterprises where Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,620,195	0.41

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Enterprises where Fu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	\$ 3,481,075	0.39
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,299,157	0.37
3) Affiliates with same juridical person		
Government of the Republic of China and its supervisory agency	615,918,438	69.51
Government of the USA and its supervisory agency	212,081,076	23.93
Fubon Group	117,251,647	13.23
Group of Yuanta Financial Holdings	88,544,058	9.99
Group of CTBC Financial Holdings	88,341,475	9.97
TSMC Group	80,835,824	9.12
Macquarie Group Ltd and its related parties	80,459,123	9.08
Fidelity and its related parties	58,979,958	6.66
China Development Bank and its related parties	56,040,168	6.32
Goldman Sachs Group Inc and its related parties	51,304,319	5.79
China Development Group	50,701,311	5.72
Citigroup Inc and its related parties	48,591,425	5.48
Republic of Indonesia and its supervisory agency	46,413,554	5.24
Barclays Plc and its related parties	43,801,842	4.94
United Mexican States and its supervisory agency	42,447,080	4.79
Bnp Paribas Sa and its related parties	41,274,377	4.66
Group of Mega Financial Holdings	38,515,035	4.35
The Far Eastern Group	37,530,071	4.24
Jpmorgan Chase & Co and its related parties	36,940,556	4.17
CHT Group	35,782,876	4.04
Uni-President Group	35,510,613	4.01
Ubs Group Ag and its related parties	35,009,185	3.95
China Petrochemical Corp and its related parties	34,239,972	3.86
Bank of China Group	34,026,078	3.84
Wells Fargo & Co and its related parties	33,289,115	3.76
Hon Tai Group	30,880,437	3.48
Blackrock Inc and its related parties	29,499,018	3.33
China National Offshore Oil Corp and its related parties	28,711,178	3.24
Bank of America Corp and its related parties	28,329,736	3.20
Industrial & Commercial BOC Ltd and its related parties	27,279,990	3.08
Hsbc Holdings Plc and its related parties	27,127,218	3.06
Societe Generale Sa and its related parties	26,350,861	2.97
Capital Financial Group	25,410,843	2.87

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Russian Federation government and its related parties	\$ 24,514,158	2.77
Group of Taishin Financial Holdings	24,096,090	2.72
Credit Agricole Group and its related parties	23,848,186	2.69
China Steel Group	23,142,824	2.61
Standard Chartered Plc and its related parties	22,551,630	2.54
Foxconn Technology Group	22,029,915	2.49
Berkshire Hathaway Inc and its related parties	21,505,635	2.43
Group of Shin Kong Financial Holdings	21,300,245	2.40
Alibaba Group Holding Ltd and its related parties	20,965,350	2.37
Banco Santander Sa and its related parties	19,989,791	2.26
Australia government and its related parties	18,730,966	2.11
Morgan Stanley and its related parties	18,244,815	2.06
Comcast Corp and its related parties	17,955,737	2.03
Pertamina Persero Pt and its related parties	17,339,518	1.96
Group of Hua Nan Financial Holdings	17,129,440	1.93
Yuen Foong Yu Group	16,902,704	1.91
Anheuser-Busch Inbev Sa/Nv and its related parties	16,788,283	1.89
Group of First Financial Holdings	16,078,941	1.81
Saudi Arabian Oil Co and its related parties	15,774,676	1.78
China Construction Bank Corp and its related parties	15,662,984	1.77
Petroliam Nasional Bhd and its related parties	15,337,638	1.73
Australia & New Zealand Banking Group Ltd and its related parties	15,322,570	1.73
China Cinda Asset Management Co., Ltd. and its related parties	15,289,577	1.73
London Stock Exchange Group Plc and its related parties	15,046,447	1.70
TACB Group	14,638,231	1.65
Credit Suisse Group Ag and its related parties	14,386,634	1.62
CITIC Group	14,385,448	1.62
Fomento Economico Mexicano Sab De Cv and its related parties	13,534,226	1.53
Perusahaan Listrik Negara Pt and its related parties	13,507,853	1.52
Dowdupont Inc and its related parties	13,388,107	1.51
O-Bank Group	13,319,627	1.50
IBF Group	13,227,510	1.49
Royal Bank of Scotland Group Plc and its related parties	13,152,146	1.48
Group of E.Sun Financial Holdings	12,994,394	1.47
Nan Ya Plastics Group	12,720,515	1.44
Blackstone Group Inc and its related parties	12,362,701	1.40
Ptt Pcl and its related parties	12,306,651	1.39
Group of ASE Technology Holding	12,266,625	1.38
Deutsche Telekom Ag and its related parties	12,209,466	1.38
Groupe Bpce and its related parties	11,937,714	1.35
Export-Import Bank of China and its related parties	11,893,573	1.34

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Lloyds Banking Group Plc and its related parties	\$ 11,715,664	1.32
Baillie Gifford and its related parties	11,708,681	1.32
Grupo Mexico Sab De Cv and its related parties	11,324,493	1.28
Land Bank of Taiwan Group	11,243,642	1.27
Westpac Banking Corp and its related parties	11,177,287	1.26
Enel Spa and its related parties	10,813,212	1.22
Pccw Ltd and its related parties	10,643,488	1.20
Daiwa Securities Group Inc and its related parties	10,566,585	1.19
Invesco Ltd and its related parties	10,402,548	1.17
Bank of Montreal and its related parties	10,142,463	1.14
China Post Group Co and its related parties	10,072,587	1.14
Deutsche Bank Ag and its related parties	9,901,245	1.12
Ing Groep Nv and its related parties	9,811,179	1.11
Shinhan Financial Group Co., Ltd. and its related parties	9,729,540	1.10
Bp Plc and its related parties	9,689,967	1.09
Chailease Holding Group	9,603,667	1.08
Evergreen Group	9,569,035	1.08
Naspers Ltd and its related parties	9,566,850	1.08
UMC Group	9,464,398	1.07
Koos Group	9,028,696	1.02
Transcanada Corp and its related parties	9,026,402	1.02
Allianz Se and its related parties	8,939,753	1.01
Banco Bilbao Vizcaya Argentaria Sa and its related parties	8,876,129	1.00
Bank of Communications Co., Ltd. and its related parties	8,748,043	0.99
Royal Dutch Shell Plc and its related parties	8,547,403	0.96
Southern Co and its related parties	8,365,194	0.94
Axa Sa and its related parties	8,237,292	0.93
China Network Group	7,686,102	0.87
Ck Hutchison Holdings Ltd and its related parties	7,658,756	0.86
Sumitomo Group and its related parties	7,651,559	0.86
Formosa Petrochemical Group	7,533,177	0.85
State Grid Corp of China and its related parties	7,468,787	0.84
Bayer Ag and its related parties	7,178,520	0.81
Yulon Group	6,947,564	0.78
China State Construction Engineering and its related parties	6,940,990	0.78
Mitsubishi Corporation and its related parties	6,823,412	0.77
Conocophillips and its related parties	6,777,623	0.76
Hotai Motor Group	6,746,997	0.76
Intesa Sanpaolo Spa and its related parties	6,451,085	0.73
State Street Corp and its related parties	6,406,472	0.72
Barrick Gold Corp and its related parties	6,351,948	0.72
Kinpo Group	6,343,072	0.72
Total Sa and its related parties	6,256,801	0.71

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
WISTRON GROUP	\$ 6,245,617	0.70
Van Eck Associates Corp and its related parties	6,212,810	0.70
Intel Corp and its related parties	6,201,046	0.70
Malayan Banking Bhd and its related parties	6,176,358	0.70
Gam Holding Ag and its related parties	6,059,616	0.68
Woori Bank and its related parties	6,004,407	0.68
Triumph Transcend Group	6,000,000	0.68
Royal Bank of Canada and its related parties	5,880,473	0.66
Formosa Chemicals and Fibre Group	5,777,205	0.65
Pfizer Inc and its related parties	5,655,154	0.64
Visa Inc and its related parties	5,616,975	0.63
British American Tobacco Plc and its related parties	5,494,575	0.62
Oneok Inc and its related parties	5,466,846	0.62
Kb Financial Group Inc and its related parties	5,378,032	0.61
Bce Inc and its related parties	5,361,944	0.61
CHENG LOONG Group	5,275,586	0.60
Duke Energy Corp and its related parties	5,163,226	0.58
Keppel Group	5,121,885	0.58
Credit Mutuel-Cml1 Group and its related parties	5,026,363	0.57
Agricultural Bank of China Ltd and its related parties	5,022,202	0.57
First Abu Dhabi Bank Pjsc and its related parties	4,975,192	0.56
Credicorp Ltd and its related parties	4,939,554	0.56
Discovery Inc and its related parties	4,924,842	0.56
Vale Sa and its related parties	4,904,301	0.55
Charter Communications Inc and its related parties	4,853,235	0.55
Nisource Inc and its related parties	4,788,270	0.54
Zurich Insurance Group Ag and its related parties	4,733,232	0.53
Vanguard Group Inc and its related parties	4,713,760	0.53
Dbx Group Holdings Ltd and its related parties	4,581,891	0.52
Chevron Corp and its related parties	4,439,331	0.50
Jih Sun Group	4,421,751	0.50
National Australia Bank Ltd and its related parties	4,405,733	0.50
Power Corp of Canada and its related parties	4,376,404	0.49
Industrias Penoles Sab De Cv and its related parties	4,313,850	0.49
Dominion Energy Inc and its related parties	4,183,116	0.47
Consolidated Edison Inc and its related parties	4,176,395	0.47
Shanghai Commercial & Savings Bank Ltd and its related parties	4,110,909	0.46
Beijing Enterprises Group Co., Ltd. and its related parties	4,054,176	0.46
CT&D Group	4,002,769	0.45
Merck & Co Inc and its related parties	3,915,071	0.44
Pimco and its related parties	3,896,408	0.44
American Electric Power Co Inc and its related parties	3,887,477	0.44

(Continued)

<b>June 30, 2021</b>		
<b>Expressed in Thousands of New Taiwan Dollars; %</b>		
<b>Name</b>	<b>Total Balance</b>	<b>Total Balance to Financial Holding Company's Net Value (%)</b>
Oaktree Capital Group Holdings Lp and its related parties	\$ 3,810,046	0.43
Nvidia Corp and its related parties	3,737,073	0.42
Capitaland Ltd and its related parties	3,645,108	0.41
Walsin Lihwa Group	3,637,474	0.41
TCC Group	3,625,541	0.41
WPG HOLDINGS Group	3,535,399	0.40
Temasek Holdings Pte Ltd and its related parties	3,489,460	0.39
Equinor Asa and its related parties	3,466,156	0.39
Chow Tai Fook Group	3,442,952	0.39
BIDV Group	3,414,075	0.39
SHINKONG SYNTHETIC FIBER Group	3,282,886	0.37
TBC Group	3,265,459	0.37
Brookfield Asset Management Inc and its related parties	3,254,321	0.37
United Overseas Bank Ltd and its related parties	3,244,116	0.37
King Yuan ELECTRONICS Group	3,221,911	0.36
BenQ-AUO Group	3,143,986	0.35
Ting Hsin International Group	3,127,714	0.35
JUT Group	3,102,475	0.35
ELITE MATERIAL Group	3,054,134	0.34
County of Miami-Dade Fl Aviation and its related parties	3,048,313	0.34
HueTeng Group	3,012,920	0.34

(Concluded)

#### 40. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

<b>Code</b>	<b>Description</b>	<b>Explanation</b>
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

<b>Code</b>	<b>Description</b>	<b>Explanation</b>
1	Information regarding investee companies and percentage of ownership	Table 3
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 4
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
9	Endorsements/guarantees provided	None
10	Marketable securities held as of June 30, 2021	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 Table 6 and Note 28.
- 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

JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	\$ 3,168,920 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay United Bank Co., Ltd.	Subsidiary	16,089,080 (Note 2)	-	-	-	-	-
	Cathay Century Insurance Co., Ltd.	Subsidiary	1,607,247 (Note 2)	-	-	-	-	-
	Cathay Securities Co., Ltd.	Subsidiary	1,319,613 (Note 2)	-	-	-	-	-
	Cathay Securities Investment Consulting Co., Ltd.	Subsidiary	934,001 (Note 2)	-	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	1,445,799 (Note 3)	-	-	-	-	-
	Cathay United Bank (China) Co., Ltd.	Subsidiary	675,691 (Note 4)	-	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Subsidiary	318,444 (Note 5)	-	-	-	-	-

Note 1: The ending balance is mainly comprised of tax receivable arising from integrated income tax return.

Note 2: The ending balance is mainly comprised of dividends receivable.

Note 3: The ending balance is comprised of receivable for insurance commission.

Note 4: The ending balance is comprised of interest receivable.

Note 5: The ending balance is comprised of service fee receivable.

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2021

(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	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Corporate bonds</u> SmartGames CB	N/A	Financial assets at fair value through profit or loss	-	\$ 7	-	\$ 7	
	Guanghe CBI	"	"	-	40,176	-	40,176	
	A2G CB	"	"	-	1,370	-	1,370	
	PT Cemerlang Multimedia CB	"	"	-	81,748	-	81,748	
	Yonggu I	"	"	-	33,687	-	33,687	
	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	"	"	25,216	319,386	-	319,386	
	Taishin 1699 Money Market Fund	"	"	19,565	267,321	-	267,321	
	Cathay Taiwan Money Market Fund	"	"	24,160	303,159	-	303,159	
	<u>Shares</u>							
	Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	4,611	28.20	4,611	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	126,456	32.28	126,456	
	Tien-Tai Optronics Corporation	"	"	10,125	130,084	33.64	130,084	
	F- Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	70,709	-	70,709	
	F- Hiroca Holdings Ltd.	"	"	439	28,981	-	28,981	
	Man Zai Industrial Co., Ltd.	"	"	349	5,741	-	5,741	
	Senhwa Biosciences, Inc.	"	"	1,180	210,630	1.32	210,630	
	Tanvex BioPharma, Inc.	"	"	1,250	72,375	-	72,375	
	Global Tek Fabrication Co., Ltd.	"	"	24	1,159	-	1,159	
	Cathay Superior Venture Capital Limited Partnership	"	"	-	200	100.00	200	
	Shane Global Holdings Inc.	"	"	3,700	284,507	3.35	284,507	
	Brighton-Best International (Taiwan) Inc.	"	"	4,149	170,109	-	170,109	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	50,274	-	50,274	
	Compal Broadband Networks, Inc.	"	"	10	281	-	281	
	Ching Chan Optical Technology Co., Ltd.	"	"	696	19,662	1.95	19,662	
	Fusheng Precision Co., Ltd.	"	"	800	167,600	-	167,600	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Tot Biopharm Co., Ltd	N/A	Financial assets at fair value through profit or loss	6,909	\$ 110,846	1.15	110,846	
	WW Holding Inc.	"	"	1,413	54,612	2.36	54,612	
	Airmate (Cayman) International Co Limited	"	"	718	19,667	-	19,667	
	World Known MFG (Cayman) Limited	"	"	1,478	55,425	4.36	55,425	
	Yonggu Group Inc.	"	"	219	16,565	-	16,565	
	Easywell Biomedicals Inc.	"	"	2,025	31,590	1.45	31,590	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,320	78,540	-	78,540	
	Trusval Technology Co., Ltd.	"	"	350	22,505	-	22,505	
	REMOTEK Corp.	"	"	480	3,673	-	3,673	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	18,390	4.01	18,390	
	Sincere Group	"	"	204	11,426	1.02	11,426	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	51,600	1.97	51,600	
	Winway Technology Co., Ltd.	"	"	638	171,015	1.89	171,015	
	Tigerair Taiwan Co., Ltd.	"	"	1,799	29,036	-	29,036	
	Wendell Industrial Co., Ltd.	"	"	945	48,119	4.43	48,119	
	Evergreen Steel Corp.	"	"	1,500	104,550	-	104,550	
	Weblink International Inc.	"	"	1,638	71,826	2.01	71,826	
	Proconn Technology Co., Ltd.	"	"	2,055	-	3.30	-	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	23,398	1.37	23,398	
	Lien-an Service Co., Ltd.	"	"	125	1,055	5.00	1,055	
	Koatech Technology Corp.	"	"	101	1,263	-	1,263	
	Mega Union Technology Incorporated.	"	"	3,022	105,772	9.24	105,772	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	139,013	15.00	139,013	
	Fashionguide Co., Ltd.	"	"	714	15,795	4.26	15,795	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	37,629	4.02	37,629	
	SMS Holdings One I	"	"	1	-	5.00	-	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	10,800	166,536	3.16	166,536	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	3,115	6.03	3,115	
	Episonica Holding	"	"	2,255	47,642	9.72	47,642	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	8,201	4.13	8,201	
	Transound Electronics Co., Ltd.	"	"	1,200	5,892	3.30	5,892	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	5,050	5.00	5,050	
	Noratech Pharmaceuticals, Inc.	"	"	317	27,010	-	27,010	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	31,955	7.77	31,955	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	SinoGreenergy	N/A	Financial assets at fair value through profit or loss	-	\$ 1	10.00	\$ 1	
	DTCO (Samoa)	"	"	325	3,082	2.94	3,082	
	Tennrich International Corp.	"	"	1,938	174	3.19	174	
	Allianz Pharmascience Limited	"	"	12,000	21,840	6.85	21,840	
	KKDAY	"	"	5,668	15,191	2.17	15,191	
	SmartGames	"	"	164	1,612	1.53	1,612	
	PSS Co., Ltd.	"	"	330	18,912	-	18,912	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	44,480	2.00	44,480	
	Anywhere2Go	"	"	2	1,860	8.99	1,860	
	Yikon Genomics	"	"	1,340	46,351	3.36	46,351	
	Rani Therapeutics, LLC	"	"	119	15,216	-	15,216	
	Mimetas B.V.	"	"	8	15,033	2.81	15,033	
	Xiongchuang (Samoa)	"	"	19	7,603	4.50	7,603	
	91APP-KY	"	"	833	255,833	-	255,833	
	Acepodia Inc.	"	"	2,454	82,607	3.37	82,607	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	50,006	11.22	50,006	
	Emotibot Technology Limited	"	"	2,302	94,714	1.56	94,714	
	Pacific 8 Venture	"	"	-	120,994	15.00	120,994	
	Monk's hill Venture Fund	"	"	-	54,113	2.50	54,113	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	19,656	1.34	19,656	
	One Degree	"	"	350,926	52,639	2.40	52,639	
	Validus	"	"	145	43,835	2.18	43,835	
	VIZIONFOCUS INC.	"	"	1,700	56,032	3.40	56,032	
	Finaxar	"	"	87	17,955	4.72	17,955	
	aetherAI Holding Co., Ltd.	"	"	582	35,768	11.72	35,768	
	Intudo Venture II, LP	"	"	-	37,740	3.76	37,740	
	King Point Enterprise Co., Ltd.	"	"	1,000	20,290	2.53	20,290	
	Cowearth Medical Holding Co., Ltd.	"	"	3,750	45,150	1.26	45,150	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	23,585	11.70	23,585	
	Pharmosa Biopharma Inc.	"	"	4,700	82,109	5.84	82,109	
	Transcene Corp.	"	"	3,000	16,560	14.76	16,560	
	Cirocomm Technology Corporation	"	"	2,000	11,240	6.85	11,240	
	Shangrao Dingxin Metal Chemical Co., Ltd.	"	"	-	38,628	2.41	38,628	
	Ampak Technology Inc.	"	"	1,400	73,066	2.32	73,066	
	New Garden Co., Ltd.	"	"	5,000	44,040	10.00	44,040	
	Well Tech Energy Inc.	"	"	2,144	30,359	5.53	30,359	
	TMY Technology Inc.	"	"	1,071	21,439	3.00	21,439	
	Great Giant Fiber Garment Co., Ltd.	"	"	300	38,481	-	38,481	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Yuen Foong Yu Consumer Products Co., Ltd.	N/A	Financial assets at fair value through profit or loss	500	\$ 8,515	-	\$ 8,515	
	Handa Pharmaceuticals, Inc.			1,400	36,974	1.21	36,974	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	Hua Zhi Venture Capital Co., Ltd.	"	"	-	1	-	1	
	HWA VI Venture Capital Corp.	"	"	-	2	-	2	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	Winking Entertainment Co., Ltd.	"	"	5,312	80,316	11.49	80,316	
	Mycenax Biotech Inc.,	"	"	1,200	51,420	-	51,420	
	INNOPHARMAX INC.	"	"	500	7,600	-	7,600	
	Palm Drive Capital III LP (Cayman)	"	"	-	16,806	2.00	16,806	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	40,850	2.85	40,850	
	VisEra Technologies Co., Ltd.	"	"	580	139,200	-	139,200	
	EirGenix Inc.	"	"	100	14,750	-	14,750	
	Transcom, Inc.	"	"	26	3,231	-	3,231	
	Formosa Pharmaceuticals, Inc.	"	"	1,250	30,000	1.26	30,000	
	Phoenix Pioneer technology Co., Ltd.	"	"	1,500	26,250	-	26,250	
	Pickupp	"	"	262	28,060	1.59	28,060	
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	50,112	-	50,112	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	5,617	914,664	1.52	914,664	

(Concluded)

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE

JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Shareholding Percentage at the End of the Period	Carrying Amount of Investment	Investment Profits or Losses Recognized in the Current Period	Combined Shareholding of the Company and its Affiliates (Note 1)				Note
							Number of Existing Shares	Number of Phantom Shares (Note 2)	Total		
									Number of Shares (In Thousands)	Shareholding Percentage	
Cathay Financial Holding Co., Ltd	Cathay Century Insurance Co., Ltd.	R.O.C.	Life insurance	100.00%	\$ 693,394,476	\$ 76,505,636	5,851,527	-	5,851,527	100.00%	Note 3
	Cathay United Bank Co., Ltd.	R.O.C.	Commercial banking operations	100.00%	236,868,158	12,200,576	10,698,583	-	10,698,583	100.00%	Note 3
	Cathay Century Insurance Co., Ltd.	R.O.C.	Property insurance	100.00%	13,022,397	1,091,354	305,705	-	305,705	100.00%	Note 3
	Cathay Securities Corporation	R.O.C.	Security	100.00%	11,702,905	1,132,914	730,000	-	730,000	100.00%	Note 3
	Cathay Venture Inc.	R.O.C.	Venture capital	75.00%	4,523,220	278,226	484,236	-	484,236	100.00%	Note 3
	Cathay Securities Investment Trust Co., Ltd.	R.O.C.	Entrusted investments	100.00%	4,460,360	703,400	150,000	-	150,000	100.00%	Note 3
	Conning Asia Pacific Ltd.	Hong Kong	Asset management services	17.15%	51,657	9,269	272,950	-	272,950	100.00%	Note 4

Note 1: The existing shares and phantom shares of the investees held by the Company, directors, supervisors, general managers, vice general managers, and affiliates meeting the requirements of the Company Act are included.

Note 2: a. "Phantom shares" refer to the shares acquired due to conversion under the assumption that the Company converts the marketable securities with equity characteristics or derivative instrument contracts (that have not been converted to shares) based on the transaction terms and the equity that the Company has the intention of linking to the reinvestment business, and meeting the reinvestment objectives as provided in Paragraph 2, Article 36 and Article 37 of Financial Holding Company Act.

b. The above-mentioned "marketable securities with equity characteristics" refer to the securities stated in Paragraph 1, Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

c. The above-mentioned "derivative instrument contracts" refer to those that meet the definition related to derivative instruments under IFRS 9, such as stock options.

Note 3: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

Note 4: Share of profit or loss is recognized on the basis of the financial statements which have not been audited by an independent auditor.

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Life Insurance Co., Ltd.	Land located at Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payment by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, CORP.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Ruixing Section, Daix District, Taichung City	2021.05.13	1,500,000	Payment by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payment by installment according to the contract	ROC. (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term "event date" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of June 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2021	Accumulated Repatriation of Investment Income as of June 30, 2021
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 469,282	50.0	\$ 234,642 (Note 2,b,2))	\$ 6,265,918	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	226,042	49.0	110,760 (Note 2,b,3))	4,681,578	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	95,181	100.0	69,933 (Note 2,b,2))	7,620,463	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	63,890	100.0	63,890 (Note 2,b,2))	16,015,055	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(28,782)	33.3	(9,584) (Note 2,b,2))	393,338	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Wealth management	468,290	c	-	-	-	-	10,038	33.3	3,343 (Note 2,b,2))	215,020	-

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 36,949,511	\$ 592,580,788

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 audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
  - 2) The financial statements are audited 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: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 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 June 30, 2021, 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. As of June 30, 2021, Cathay Life’s remittances to this general insurance company totaled 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 June 30, 2021, 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. As of June 30, 2021, 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. According to MOEAIC, further approved working capital of Cathay United Bank’s Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014. The approved working capital of Cathay United Bank’s Shamchun Branch amounted to CNY400,000 (US\$60,710) thousand on January 5, 2015 and was approved 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 CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). 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 CDBS 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, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of June 30, 2021, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

## CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE SIX MONTHS ENDED JUNE 30, 2021  
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note b)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holding	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.31
		Cathay Life	a	Receivables	3,168,920	"	0.03
		Cathay Life	a	Interest income	624,822	"	0.18
		Cathay United Bank	a	Receivables	16,089,080	"	0.14
		Cathay United Bank	a	Cash and cash equivalents	324,971	"	-
		Cathay Century	a	Receivables	1,607,247	"	0.01
		Cathay Securities	a	Receivables	1,319,613	"	0.01
		Cathay Securities Investment Trust	a	Receivables	934,001	"	0.01
1	Cathay Life	Cathay United Bank	c	Guarantee deposits received	187,202	"	-
		Cathay United Bank	c	Cash and cash equivalents	41,724,862	"	0.37
		Cathay United Bank	c	Gain on investment property	347,570	"	0.10
		Cathay United Bank	c	Other general and administrative expense	3,044,062	"	0.88
		Cathay United Bank	c	Payables	1,445,799	"	0.01
		Cathay United Bank	c	Service fee and commission fee expense	557,296	"	0.16
		Cathay United Bank	c	Loss on financial assets and liabilities at fair value through profit or loss	813,688	"	0.24
		Cathay United Bank	c	Financial liabilities at fair value through profit or loss	1,086,848	"	0.01
		Cathay Century	c	Net other non-interest gain	322,630	"	0.09
		Cathay Futures	c	Guarantee deposits paid	2,269,306	"	0.02
		Cathay Securities Investment Trust	c	Service fee and commission fee expense	232,565	"	0.07
		Cathay Walbrook Holding 1 Limited	c	Loans	12,634,235	"	0.11
		Cathay Walbrook Holding 1 Limited	c	Interest income	188,827	"	0.05
		Cathay Walbrook Holding 2 Limited	c	Loans	664,960	"	0.01
		Conning holding limited	c	Payables	318,444	"	-
		Conning holding limited	c	Service fee and commission fee expense	644,505	"	0.19

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note b)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 2,369,627	//	0.02
		Cathay Securities	c	Deposits	4,105,295	//	0.04
		Cathay Securities	c	Service fee and commission fee expense	152,549	//	0.04
		Cathay Venture	c	Deposits	214,487	//	-
		Cathay Securities Investment Trust	c	Deposits	139,563	//	-
		Cathay Futures	c	Deposits	734,237	//	0.01
		Cathay Futures	c	Guarantee deposits paid	453,382	//	-
		Lin Yuan	c	Deposits	1,379,568	//	0.01
		Cathay Industrial R&D Center	c	Deposits	722,450	//	0.01
		CUBC Bank	c	Call loans to banks	585,270	//	0.01
		CUBC Bank	c	Receivables	164,286	//	-
		CUBCN Bank	c	Call loans to banks	7,760,290	//	0.07
		CUBCN Bank	c	Due to banks	7,333,571	//	0.06
		CUBCN Bank	c	Other financial assets	1,293,382	//	0.01
		CUBCN Bank	c	Interest income	147,657	//	0.04
		CUBCN Bank	c	Receivables	675,691	//	0.01
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	314,689	//	-
		Cathay Life (Vietnam)	c	Deposits	3,300,853	//	0.03
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	180,051	//	-

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. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****JUNE 30, 2021**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

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.