# Cathay Life Insurance Co., Ltd. and Subsidiaries

## Consolidated Financial Statements for the Nine Months Ended September 30, 2021 and 2020 and Independent Auditors' Review Report

**INDEPENDENT AUDITORS' REVIEW REPORT**

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

## Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. and its subsidiaries (collectively, "the Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 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 review such consolidated financial statements are those generally applied in the Republic of China.*

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

| | September 30, 2021 (Reviewed) | | December 31, 2020 (Audited) | | September 30, 2020 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34) | $ 488,388,081 | 6 | $ 515,120,301 | 7 | $ 464,672,527 | 6 |
| RECEIVABLES (Notes 4, 5, 7 and 34) | 70,047,327 | 1 | 69,178,243 | 1 | 64,212,133 | 1 |
| INVESTMENTS | | | | | | |
| Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39) | 1,497,729,984 | 19 | 1,397,135,509 | 18 | 1,348,677,805 | 18 |
| Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39) | 1,315,476,607 | 17 | 1,222,686,258 | 16 | 1,096,174,383 | 15 |
| Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39) | 2,676,544,289 | 34 | 2,652,985,443 | 35 | 2,691,258,505 | 36 |
| Financial assets for hedging (Notes 4, 5 and 10) | 244,235 | - | 146,959 | - | 386,927 | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 29,088,242 | - | 29,380,517 | - | 29,336,316 | - |
| Investment property (Notes 4, 5, 14 and 34) | 508,105,450 | 6 | 496,163,021 | 7 | 490,795,823 | 7 |
| Investment property under construction (Notes 4, 14 and 34) | 2,859,520 | - | 1,528,547 | - | 2,242,002 | - |
| Prepayments for buildings and land - investments (Notes 4 and 14) | 158,151 | - | 3,131,915 | - | 325,949 | - |
| Loans (Notes 4, 5, 15 and 34) | 476,644,008 | 6 | 479,791,100 | 6 | 481,592,134 | 7 |
| Total investments | 6,506,850,486 | 82 | 6,282,949,269 | 82 | 6,140,789,844 | 83 |
| REINSURANCE ASSETS (Notes 4, 16 and 23) | 2,259,328 | - | 2,200,691 | - | 1,621,949 | - |
| PROPERTY AND EQUIPMENT (Notes 4 and 17) | 30,954,547 | - | 29,453,426 | - | 31,795,342 | - |
| RIGHT-OF-USE ASSETS (Notes 4, 18 and 34) | 1,764,921 | - | 1,675,209 | - | 1,633,516 | - |
| INTANGIBLE ASSETS (Notes 4 and 19) | 42,171,068 | 1 | 44,070,838 | 1 | 45,115,528 | 1 |
| DEFERRED TAX ASSETS (Note 4) | 59,825,276 | 1 | 56,690,743 | 1 | 53,409,941 | 1 |
| OTHER ASSETS (Notes 20, 34 and 37) | 31,786,158 | - | 32,536,037 | - | 30,913,076 | - |
| SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35) | 697,724,564 | 9 | 641,684,568 | 8 | 592,035,565 | 8 |
| TOTAL | $ 7,931,771,756 | 100 | $ 7,675,559,325 | 100 | $ 7,426,199,421 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| PAYABLES (Notes 21 and 34) | $ 42,350,624 | 1 | $ 30,171,547 | 1 | $ 39,401,900 | 1 |
| CURRENT TAX LIABILITIES (Note 4) | 508,688 | - | 477,145 | - | 706,217 | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8) | 7,472,981 | - | 11,687,067 | - | 1,824,892 | - |
| FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10) | 42,836 | - | 139,858 | - | 57,171 | - |
| BONDS PAYABLE (Notes 22 and 34) | 80,000,000 | 1 | 80,000,000 | 1 | 80,000,000 | 1 |
| INSURANCE LIABILITIES (Notes 4, 5 and 23) | | | | | | |
| Unearned premium reserve | 18,432,621 | - | 18,775,949 | 1 | 17,790,022 | - |
| Loss reserve | 11,463,184 | - | 12,163,853 | - | 11,656,290 | - |
| Policy reserve | 6,238,281,440 | 79 | 5,999,277,703 | 78 | 5,895,203,662 | 80 |
| Special reserve | 11,084,877 | - | 11,084,776 | - | 11,084,624 | - |
| Premium deficiency reserve | 11,329,790 | - | 13,802,343 | - | 16,154,453 | - |
| Other reserve | 1,867,925 | - | 1,876,925 | - | 1,855,141 | - |
| Total insurance liabilities | 6,292,459,837 | 79 | 6,056,981,549 | 79 | 5,953,744,192 | 80 |
| RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24) | 14,746,848 | - | 13,731,508 | - | 13,076,140 | - |
| RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25) | 8,042,954 | - | 14,820,865 | - | 10,212,568 | - |
| PROVISIONS (Notes 4 and 27) | 56,245 | - | 56,245 | - | 56,245 | - |
| LEASE LIABILITIES (Notes 4, 18 and 34) | 12,169,106 | - | 10,522,490 | - | 10,530,195 | - |
| DEFERRED TAX LIABILITIES (Note 4) | 53,683,882 | 1 | 68,278,447 | 1 | 57,499,082 | 1 |
| OTHER LIABILITIES (Notes 28 and 34) | 18,159,815 | - | 25,881,555 | - | 18,654,857 | - |
| SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35) | 697,724,564 | 9 | 641,684,568 | 9 | 592,035,565 | 8 |
| Total liabilities | 7,227,418,380 | 91 | 6,954,432,844 | 91 | 6,777,799,024 | 91 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 58,515,274 | 1 | 58,515,274 | 1 | 58,515,274 | 1 |
| Capital surplus | 60,597,850 | 1 | 60,606,533 | 1 | 60,605,736 | 1 |
| Retained earnings | | | | | | |
| Legal reserve | 27,491,929 | - | 18,834,196 | - | 18,834,196 | - |
| Special reserve | 388,600,599 | 5 | 347,320,212 | 4 | 345,589,461 | 5 |
| Unappropriated earnings | 99,196,168 | 1 | 49,938,120 | 1 | 44,056,985 | - |
| Total retained earnings | 515,288,696 | 6 | 416,092,528 | 5 | 408,480,642 | 5 |
| Other equity | 62,721,347 | 1 | 178,513,029 | 2 | 113,615,835 | 2 |
| Total equity attributable to owners of the Company | 697,123,167 | 9 | 713,727,364 | 9 | 641,217,487 | 9 |
| NON-CONTROLLING INTERESTS (Notes 4 and 30) | 7,230,209 | - | 7,399,117 | - | 7,182,910 | - |
| Total equity | 704,353,376 | 9 | 721,126,481 | 9 | 648,400,397 | 9 |
| TOTAL | $ 7,931,771,756 | 100 | $ 7,675,559,325 | 100 | $ 7,426,199,421 | 100 |

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE | | | | | | | | |
| Retained earned premium (Notes 4, 26 and 34) | | | | | | | | |
| Written premium | $ 107,399,205 | 54 | $ 127,143,563 | 54 | $ 358,061,698 | 50 | $ 422,244,646 | 63 |
| Reinsurance premium | 29,935 | - | 25,183 | - | 86,109 | - | 83,712 | - |
| Premium income | 107,429,140 | 54 | 127,168,746 | 54 | 358,147,807 | 50 | 422,328,358 | 63 |
| Less: Reinsurance expense | (719,845) | - | (642,548) | - | (1,831,396) | - | (1,726,203) | - |
| Add: Net changes in unearned premium reserve (Notes 4 and 23) | 18,685 | - | (38,308) | - | 223,674 | - | 111,732 | - |
| Total retained earned premium | 106,727,980 | 54 | 126,487,890 | 54 | 356,540,085 | 50 | 420,713,887 | 63 |
| Reinsurance commission income | 6,258 | - | 6,004 | - | 15,441 | - | 13,005 | - |
| Fee income (Notes 34 and 35) | 2,732,822 | 1 | 2,231,302 | 1 | 7,958,310 | 1 | 6,410,102 | 1 |
| Net investment incomes (losses) | | | | | | | | |
| Interest income (Notes 4, 32 and 34) | 39,373,838 | 20 | 39,151,641 | 17 | 117,756,590 | 17 | 117,954,453 | 18 |
| (Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8) | (14,665,602) | (7) | 72,868,438 | 31 | 83,460,945 | 12 | 102,541,152 | 15 |
| Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9) | 7,595,511 | 4 | 7,764,364 | 3 | 26,028,379 | 4 | 23,015,501 | 3 |
| Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13) | 5,318,917 | 3 | 10,652,082 | 5 | 32,199,663 | 5 | 34,019,005 | 5 |
| Share of profit (loss) of associates accounted for using the equity method (Notes 4 and 12) | 413,021 | - | 529,895 | - | 1,390,117 | - | (12,505,276) | (2) |
| Foreign exchange loss | (1,562,115) | (1) | (41,490,129) | (18) | (60,073,282) | (9) | (82,072,048) | (12) |
| Net changes in reserve for foreign exchange valuation (Notes 4 and 25) | 1,173,306 | 1 | (3,611,796) | (1) | 6,777,911 | 1 | 7,788,309 | 1 |
| Gain on investment property (Notes 4 and 34) | 2,722,429 | 1 | 2,994,595 | 1 | 9,725,230 | 1 | 11,042,809 | 2 |
| (Expected credit loss) reversal of expected credit loss on investments (Notes 4 and 32) | (247,798) | - | (145,319) | - | 1,620,199 | - | (1,771,713) | - |
| Other net investment income | 473,034 | - | 45,376 | - | 1,312,222 | - | 1,960,698 | - |
| Gain (loss) on reclassification using overlay approach (Notes 4 and 8) | 40,581,196 | 20 | (8,485,876) | (4) | 57,405,171 | 8 | 2,621,931 | - |
| Other operating revenue (Note 34) | 2,125,059 | 1 | 2,244,792 | 1 | 5,975,040 | 1 | 5,417,696 | 1 |
| Separate account insurance product income (Notes 4 and 35) | 6,335,611 | 3 | 22,542,761 | 10 | 59,761,522 | 9 | 33,215,000 | 5 |
| Total operating revenue | 199,103,467 | 100 | 233,786,020 | 100 | 707,853,543 | 100 | 670,364,511 | 100 |

(Continued)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING COSTS | | | | | | | | |
| Retained claims payments (Notes 4 and 26) | | | | | | | | |
| Insurance claims payments | $ 74,776,069 | 37 | $ 69,325,554 | 29 | $ 208,730,929 | 29 | $ 198,368,149 | 29 |
| Less: Claims and payments recovered from reinsurers | (479,012) | - | (414,412) | - | (1,494,668) | - | (1,085,695) | - |
| Total retained claims payments | 74,297,057 | 37 | 68,911,142 | 29 | 207,236,261 | 29 | 197,282,454 | 29 |
| Net changes in other insurance liabilities (Notes 4, 5 and 23) | | | | | | | | |
| Net changes in loss reserve | (319,612) | - | 183,137 | - | (710,028) | - | 611,206 | - |
| Net changes in policy reserve | 75,812,311 | 38 | 99,103,207 | 42 | 275,631,810 | 39 | 342,695,351 | 51 |
| Net changes in special reserve | 140 | - | 99 | - | 101 | - | - | - |
| Net changes in premium deficiency reserve | (575,540) | - | (1,228,405) | - | (2,356,878) | - | (3,382,462) | - |
| Net changes in other reserve | (3,000) | - | (6,000) | - | (9,000) | - | (18,000) | - |
| Total net changes in other insurance liabilities | 74,914,299 | 38 | 98,052,038 | 42 | 272,556,005 | 39 | 339,906,095 | 51 |
| Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24) | 272,686 | - | 201,354 | - | 777,147 | - | 569,617 | - |
| Underwriting expenses (Note 32) | 3,899,931 | 2 | 3,863,936 | 2 | 12,340,903 | 2 | 13,016,737 | 2 |
| Commission expenses (Note 32) | 4,268,020 | 2 | 4,453,322 | 2 | 12,904,034 | 2 | 13,121,479 | 2 |
| Finance costs (Notes 22 and 34) | 781,621 | 1 | 726,526 | - | 2,262,770 | - | 1,766,818 | - |
| Other operating costs (Note 34) | 2,057,853 | 1 | 2,093,104 | 1 | 5,967,165 | 1 | 5,291,468 | 1 |
| Separate account insurance product expenses (Notes 4 and 35) | 6,335,611 | 3 | 22,542,761 | 10 | 59,761,522 | 8 | 33,215,000 | 5 |
| Total operating costs | 166,827,078 | 84 | 200,844,183 | 86 | 573,805,807 | 81 | 604,169,668 | 90 |
| OPERATING EXPENSES (Notes 32 and 34) | | | | | | | | |
| General expenses | 3,486,236 | 2 | 2,684,543 | 1 | 9,291,000 | 1 | 8,015,041 | 1 |
| Administrative expenses | 4,811,497 | 2 | 4,653,909 | 2 | 14,676,757 | 2 | 13,875,223 | 2 |
| Employee training expenses | 18,382 | - | 15,145 | - | 32,432 | - | 35,523 | - |
| Non-investment expected credit loss (reversal gain) (Notes 4 and 32) | 6,807 | - | (1,873) | - | 15,342 | - | 8,548 | - |
| Total operating expenses | 8,322,922 | 4 | 7,351,724 | 3 | 24,015,531 | 3 | 21,934,335 | 3 |
| OPERATING INCOME | 23,953,467 | 12 | 25,590,113 | 11 | 110,032,205 | 16 | 44,260,508 | 7 |
| NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34) | 332,448 | - | 347,734 | - | 1,142,446 | - | 1,196,882 | - |
| PROFIT BEFORE INCOME TAX | 24,285,915 | 12 | 25,937,847 | 11 | 111,174,651 | 16 | 45,457,390 | 7 |
| INCOME TAX EXPENSE (Notes 4 and 33) | (1,640,502) | (1) | (880,265) | - | (10,925,012) | (2) | (609,744) | - |
| NET INCOME | 22,645,413 | 11 | 25,057,582 | 11 | 100,249,639 | 14 | 44,847,646 | 7 |

(Continued)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 30) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| (Loss) gain on equity instruments at fair value through other comprehensive income | $ (4,489,246) | (2) | $ (3,324,050) | (1) | $ 596,055 | - | $ (3,653,953) | (1) |
| Share of other comprehensive income of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss | 137,978 | - | 168,301 | - | 140,976 | - | 337,985 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33) | 243,321 | - | 157,119 | - | 360,014 | - | 652,335 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | (437,384) | - | 382,693 | - | (1,561,533) | - | (2,440,292) | - |
| (Loss) gain on debt instruments at fair value through other comprehensive income | (13,694,086) | (7) | 2,000,448 | 1 | (72,577,980) | (10) | 18,121,539 | 3 |
| (Loss) gain on hedging instruments | (7,388) | - | (51,901) | - | (98,983) | - | 99,936 | - |
| Share of other comprehensive (loss) income of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss | (400,866) | - | 121,867 | - | (894,910) | - | (112,423) | - |
| Other comprehensive (loss) income reclassified using overlay approach | (40,581,196) | (20) | 8,485,876 | 3 | (57,405,171) | (8) | (2,621,931) | (1) |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33) | 4,330,663 | 2 | (2,267,173) | (1) | 14,986,212 | 2 | (2,066,191) | - |
| Total other comprehensive (loss) income for the period, net of income tax | (54,898,204) | (27) | 5,673,180 | 2 | (116,455,320) | (16) | 8,317,005 | 1 |
| TOTAL COMPREHENSIVE (LOSS) INCOME | $ (32,252,791) | (16) | $ 30,730,762 | 13 | $ (16,205,681) | (2) | $ 53,164,651 | 8 |

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | $ 22,465,257 | 11 | $ 24,637,967 | 11 | $ 99,671,966 | 14 | $ 44,103,731 | 7 |
| Non-controlling interests | 180,156 | - | 419,615 | - | 577,673 | - | 743,915 | - |
| | $ 22,645,413 | 11 | $ 25,057,582 | 11 | $ 100,249,639 | 14 | $ 44,847,646 | 7 |
| TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | $ (32,410,130) | (16) | $ 30,484,690 | 13 | $ (16,727,288) | (2) | $ 52,600,424 | 8 |
| Non-controlling interests | 157,339 | - | 246,072 | - | 521,607 | - | 564,227 | - |
| | $ (32,252,791) | (16) | $ 30,730,762 | 13 | $ (16,205,681) | (2) | $ 53,164,651 | 8 |
| EARNINGS PER SHARE (Note 31) | | | | | | | | |
| Basic earnings per share | $ 3.84 | | $ 4.21 | | $ 17.03 | | $ 7.54 | |

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other Equity | | | | | | | | | |
| | Share Capital | | Retained Earnings | | | | | | | | | | | | |
| | Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | Gain (Loss) on Hedging Instruments | Remeasurement of Defined Benefit Plans | Property Revaluation Surplus | Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach | Others | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2020 | $ 58,515,274 | $ 60,607,456 | $ 43,338,466 | $ 289,432,530 | $ 31,652,661 | $ (11,187,030) | $ 57,531,736 | $ 331,929 | $ 447,694 | $ 187,503 | $ 57,760,564 | $ - | $ 588,618,783 | $ 5,899,205 | $ 594,517,988 |
| Appropriation of 2019 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 6,677,339 | - | (6,677,339) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 57,715,708 | (57,715,708) | - | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (1,558,777) | 1,558,777 | - | - | - | - | - | - | - | - | - | - |
| Legal reserve offset deficits | - | - | (31,181,609) | - | 31,181,609 | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | (1,720) | - | - | - | - | - | - | - | - | - | - | (1,720) | - | (1,720) |
| Net income for the nine months ended September 30, 2020 | - | - | - | - | 44,103,731 | - | - | - | - | - | - | - | 44,103,731 | 743,915 | 44,847,646 |
| Other comprehensive (loss) income for the nine months ended September 30, 2020, net of income tax | - | - | - | - | - | (2,431,774) | 12,779,044 | 84,315 | (8,691) | - | (1,926,201) | - | 8,496,693 | (179,688) | 8,317,005 |
| Total comprehensive income (loss) for nine months ended September 30, 2020 | - | - | - | - | 44,103,731 | (2,431,774) | 12,779,044 | 84,315 | (8,691) | - | (1,926,201) | - | 52,600,424 | 564,227 | 53,164,651 |
| Disposals of equity instruments at fair value through other comprehensive income | - | - | - | - | (46,746) | - | 46,746 | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 719,478 | 719,478 |
| BALANCE AT SEPTEMBER 30, 2020 | $ 58,515,274 | $ 60,605,736 | $ 18,834,196 | $ 345,589,461 | $ 44,056,985 | $ (13,618,804) | $ 70,357,526 | $ 416,244 | $ 439,003 | $ 187,503 | $ 55,834,363 | $ - | $ 641,217,487 | $ 7,182,910 | $ 648,400,397 |
| BALANCE AT JANUARY 1, 2021 | $ 58,515,274 | $ 60,606,533 | $ 18,834,196 | $ 347,320,212 | $ 49,938,120 | $ (12,934,112) | $ 92,536,203 | $ 347,871 | $ 226,758 | $ 187,503 | $ 102,093,109 | $ (3,944,303) | $ 713,727,364 | $ 7,399,117 | $ 721,126,481 |
| Appropriation of 2020 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 10,333,774 | - | (10,333,774) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 68,636,191 | (68,636,191) | - | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (3,665,312) | 3,665,312 | - | - | - | - | - | - | - | - | - | - |
| Legal reserve offset deficits | - | - | (1,676,041) | - | 1,676,041 | - | - | - | - | - | - | - | - | - | - |
| Special reserve offset deficits | - | - | - | (23,690,492) | 23,690,492 | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | (8,683) | - | - | (33,629) | - | - | - | - | - | - | - | (42,312) | - | (42,312) |
| Changes in ownership interests in subsidiaries | - | - | - | - | (554,511) | - | - | - | - | - | - | 719,914 | 165,403 | (176,506) | (11,103) |
| Net income for the nine months ended September 30, 2021 | - | - | - | - | 99,671,966 | - | - | - | - | - | - | - | 99,671,966 | 577,673 | 100,249,639 |
| Other comprehensive loss for the nine months ended September 30, 2021, net of income tax | - | - | - | - | - | (2,143,257) | (57,957,759) | (76,202) | (9,971) | - | (56,212,065) | - | (116,399,254) | (56,066) | (116,455,320) |
| Total comprehensive income (loss) for nine months ended September 30, 2021 | - | - | - | - | 99,671,966 | (2,143,257) | (57,957,759) | (76,202) | (9,971) | - | (56,212,065) | - | (16,727,288) | 521,607 | (16,205,681) |
| Disposals of equity instruments at fair value through other comprehensive income | - | - | - | - | 112,342 | - | (112,342) | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (514,009) | (514,009) |
| BALANCE AT SEPTEMBER 30, 2021 | $ 58,515,274 | $ 60,597,850 | $ 27,491,929 | $ 388,600,599 | $ 99,196,168 | $ (15,077,369) | $ 34,466,102 | $ 271,669 | $ 216,787 | $ 187,503 | $ 45,881,044 | $ (3,224,389) | $ 697,123,167 | $ 7,230,209 | $ 704,353,376 |

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 111,174,651 | $ 45,457,390 |
| Adjustments for: | | |
| Depreciation expenses | 974,667 | 966,505 |
| Amortization expenses | 1,964,222 | 1,997,842 |
| Gain on financial assets and liabilities at fair value through profit or loss | (69,930,247) | (89,123,113) |
| Gain on financial assets at fair value through other comprehensive income | (21,125,991) | (20,081,800) |
| Gain on derecognition of financial assets measured at amortized cost | (32,199,663) | (34,019,005) |
| Finance costs | 2,362,043 | 1,911,002 |
| Interest income | (117,756,590) | (117,954,453) |
| Dividend income | (18,433,086) | (16,351,740) |
| Net changes in insurance liabilities | 235,594,925 | 299,196,397 |
| Net changes in reserve for insurance contracts with the nature of financial products | 1,015,340 | 2,144,132 |
| Net changes in reserve for foreign exchange valuation | (6,777,911) | (7,788,309) |
| (Reversal of expected credit loss) expected credit loss on investments | (1,620,199) | 1,771,713 |
| Expected credit loss of non-investments | 15,342 | 8,548 |
| Share of (profit) loss of associates accounted for using the equity method | (1,390,117) | 12,505,276 |
| Gain on reclassification using overlay approach | (57,405,171) | (2,621,931) |
| Loss on disposal and retirement of property and equipment | 2,186 | 2,237 |
| Loss on disposal of investment property | - | 505,615 |
| Gain on disposal of investment accounted for using the equity method | (89,343) | (1,803,139) |
| Gain on changes in fair value of investment property | (1,194,543) | (2,379,604) |
| Net changes in operating assets and liabilities | | |
| Decrease in financial assets at fair value through profit or loss | 20,951,695 | 126,245,865 |
| Increase in financial assets at fair value through other comprehensive income | (143,298,093) | (207,650,135) |
| Decrease (increase) in financial assets measured at amortized cost | 10,389,108 | (42,235,337) |
| Decrease in financial assets for hedging | 129,520 | 289,035 |
| Decrease in notes receivable | 68,838 | 56,192 |
| Decrease in other receivables | 6,334,756 | 8,674,022 |
| Decrease (increase) in prepaid expenses and other prepayments | 421,686 | (237,556) |
| Increase in guarantee deposits paid | (806,271) | (938,341) |
| (Increase) decrease in reinsurance assets | (175,274) | 172,266 |
| (Increase) decrease in other assets | (99,071) | 664,815 |
| Decrease in financial liabilities at fair value through profit or loss | (55,213,493) | (55,161,450) |
| Decrease in financial liabilities for hedging | (422,801) | - |

(Continued)

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| Decrease in notes payable | $ (154,943) | $ (151,243) |
| Increase (decrease) in claims payable | 20,101 | (32,932) |
| Increase in other payables | 18,814,844 | 4,159,383 |
| Increase in due to reinsurers and ceding companies | 185,373 | 121,004 |
| Decrease in commissions payable | (896,948) | (2,655,445) |
| Increase in advance receipts | 66,390 | 15,545 |
| Decrease in guarantee deposits received | (6,111,817) | (3,034,229) |
| Decrease in provisions | - | (177,626) |
| Decrease in deferred fee income | (1,676) | (1,598) |
| (Decrease) increase in other liabilities | (1,043,584) | 1,657,440 |
| Cash used in operations | (125,661,145) | (95,876,762) |
| Interest received | 114,972,927 | 117,327,282 |
| Dividends received | 19,132,383 | 17,024,789 |
| Interest paid | (1,626,347) | (1,671,383) |
| Income tax paid | (24,619,798) | (768,224) |
| Net cash (used in) generated from operating activities | (17,801,980) | 36,035,702 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investments accounted for using the equity method | (324,500) | (450,185) |
| Proceeds from disposal of investments accounted for using the equity method | 216,718 | - |
| Proceeds from return of capital on reduction of investments accounted for using the equity method | - | - |
| Net cash outflow on acquisition of subsidiaries (after deducting cash and cash equivalents acquired) | - | (152,501) |
| Acquisition of property and equipment | (1,071,203) | (641,910) |
| Proceeds from disposal of property and equipment | 27 | 4 |
| Acquisition of intangible assets | (205,804) | (132,312) |
| Decrease in loans | 2,636,480 | 31,837,245 |
| Acquisition of investment property | (9,936,039) | (3,444,165) |
| Proceeds from disposal of investment property | - | 149,708 |
| Net cash (used in) generated from investing activities | (8,684,321) | 27,165,884 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of the principal portion of lease liabilities | (560,706) | (544,614) |
| Acquisition of additional interests in subsidiaries | (605,519) | - |
| Changes in non-controlling interests | (204,982) | (583,516) |
| Net cash used in financing activities | (1,371,207) | (1,128,130) |

(Continued)

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | $ 742,549 | $ 390,228 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (27,114,959) | 62,463,684 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 515,120,301 | 402,051,684 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 488,005,342 | $ 464,515,368 |

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

## 1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China (ROC) and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company's registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C.

The Company participated in and won the bid for assets, liabilities and operations of Global Life Insurance Co., Ltd. ("Global Life") and Singfor Life Insurance Co., Ltd. ("Singfor Life"), which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life and Singfor Life except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started its operations on August 5, 2015 after receiving the business license for its offshore insurance unit.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on November 9, 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 applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the 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 are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

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

- IFRS 17 “Insurance Contracts” and its amendments

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

  <u>Level of aggregation</u>

  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.

  <u>Recognition</u>

  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.

  <u>Measurement on initial recognition</u>

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

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

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

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

    a) Any assets for insurance acquisition cash flows;

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

Subsequent measurement

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

Onerous contracts

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

Premium Allocation Approach (PAA)

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

1) The Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced by applying the general measurement model; or

2) The coverage period of each contract in the group is one year or less.

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

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

1) The premiums received at initial recognition;

2) Minus any insurance acquisition cash flows at that date; and

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

    a) Any asset for insurance acquisition cash flows; and

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 11, Table 1 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

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

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Investments in associates

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

g. Property and equipment

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

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

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

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

h. Investment properties

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

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

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

k. Impairment of property and equipment, right-of-use assets, and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 39.

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

i) The financial assets are held in respect of activities related to IFRS 4;

ii) The financial assets are measured at FVTPL under IFRS 9, but would not have been measured at FVTPL under IAS 39; and

iii) The financial assets are designated to apply overlay approach at the first application of IFRS 9, in the initial recognition of a new financial asset or when a financial asset starts to meet the conditions.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in debt instruments at FVTOCI

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

i) The debt instrument is held within a business model which is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

i. The sum of 0.5% of the First category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the Second category loan assets, 10% of the Third category loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.

ii. 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.

iii. Total unsecured portion of non-performing loans and non-accrual loans.

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

c) Derecognition of financial assets

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

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

d) Offsetting of financial instruments

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 39.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

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

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

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

5) Modification of financial instruments

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

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

m. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

n. Separate account insurance products

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

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

o. Insurance liabilities

1) The Company

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No. 10704504821. Provision of reserve for the other insurance liabilities is as follows:

a) Unearned premium reserve

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

b) Loss reserve

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

c) Policy reserve

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

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

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

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

d) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of Revenue and Expenses related to Participating/Nonparticipating Policy reported to the authority, the Company is required to set aside a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, 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.

e) Premium deficiency reserve

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

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

f) Other reserve

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

g) Liability adequacy reserve

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

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

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

3) Cathay Life Insurance (Vietnam) Co., Ltd. ("Cathay Life (Vietnam)")

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

p. Liability adequacy test

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

q. Reserve for insurance contract with the nature of financial products

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

r. Reserve for foreign exchange valuation

The Company provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.

s. Recognition of insurance premium income and expenses

1) The Company

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

t. Classification of insurance products

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

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

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

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

1) Additional payments may be a significant portion of total contractual benefits.

2) The amounts or timing for additional payments are contractually at the Group's discretion.

3) Additional payments are contractually based on one of the following matters:

    a) The performance on a specified combination of contracts or a specified type of contract.

    b) The investment returns on a specified combination of assets held by the Group.

    c) The profit or loss of the Group, funds, or other entities.

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

u. Reinsurance

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

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

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

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

v. Provisions

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

w. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 4 h. for the accounting policies for investment properties.

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

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

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

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

x. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

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

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

y. 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.

1) Current tax

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

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

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

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

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

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 39.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 39.

c. Valuation of policy reserve and liability adequacy test

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

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

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

## 6. CASH AND CASH EQUIVALENTS

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Cash on hand | $ 26,406 | $ 263,287 | $ 295,659 |
| Cash in banks | 206,662,013 | 188,316,842 | 241,529,993 |
| Time deposits | 225,041,630 | 244,915,895 | 180,992,679 |
| Cash equivalents | 56,658,032 | 81,624,277 | 41,854,196 |
| | $ 488,388,081 | $ 515,120,301 | $ 464,672,527 |

## 7. RECEIVABLES

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Notes receivable | $ 205,812 | $ 274,650 | $ 219,036 |
| Other receivables | 69,848,917 | 68,909,465 | 63,995,951 |
| Overdue receivables | 16,032 | 4,982 | 5,033 |
| | 70,070,761 | 69,189,097 | 64,220,020 |
| Less: Loss allowance | (23,434) | (10,854) | (7,887) |
| | $ 70,047,327 | $ 69,178,243 | $ 64,212,133 |

The movements in the loss allowance are as follows:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 10,854 | $ 14,732 |
| Provision for the current period | 15,342 | 2,140 |
| Amounts written off | (2,974) | (8,997) |
| Foreign exchange differences | 212 | 12 |
| Ending balance | $ 23,434 | $ 7,887 |

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| Domestic stocks | $ 315,326,317 | $ 296,934,408 | $ 260,906,234 |
| Beneficiary certificates | 670,128,459 | 649,221,409 | 648,032,118 |
| Financial debentures | 11,694,223 | 10,361,868 | 9,390,573 |
| Overseas stocks | 212,537,429 | 221,380,016 | 184,444,104 |
| Real estate investment trust | 21,483,694 | 25,103,815 | 24,534,184 |
| Overseas bonds | 249,425,461 | 148,053,159 | 176,309,233 |
| Structured time deposits | 4,600,402 | 18,027,331 | 21,101,333 |
| Derivative financial assets (not under hedge accounting) | | | |
| Currency swap contracts (“SWAP”) | 10,913,373 | 23,730,446 | 19,329,062 |
| Foreign exchange forward contacts (“Forward”) | 848,015 | 3,704,505 | 4,182,263 |
| Cross currency swap contracts (“CCS”) | 750,709 | 594,443 | 413,438 |
| Options | - | - | 8,265 |
| Call warrants | 21,902 | 24,109 | 26,998 |
| | $ 1,497,729,984 | $ 1,397,135,509 | $ 1,348,677,805 |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities (not under hedge accounting) | | | |
| SWAP | $ 3,019,072 | $ 3,537,918 | $ 1,053,989 |
| Forward | 4,248,221 | 8,095,543 | 770,903 |
| CCS | 205,688 | 53,606 | - |
| | $ 7,472,981 | $ 11,687,067 | $ 1,824,892 |

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Financial assets mandatorily classified as at FVTPL | | | |
| Domestic stocks | $ 311,190,325 | $ 296,934,408 | $ 260,906,234 |
| Beneficiary certificates | 645,378,731 | 605,836,995 | 608,426,435 |
| Financial debentures | 11,694,223 | 10,361,868 | 9,390,573 |
| Overseas stocks | 212,465,702 | 220,372,150 | 183,595,514 |
| Real estate investment trust | 21,483,694 | 25,103,815 | 24,534,184 |
| Overseas bonds | 248,773,358 | 147,576,634 | 175,770,032 |
| Structured time deposits | 4,600,402 | 18,027,331 | 21,101,333 |
| | $ 1,455,586,435 | $ 1,324,213,201 | $ 1,283,724,305 |

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months and nine months ended September 30, 2021 and 2020 is as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (Loss) gain due to application of IFRS 9 to profit or loss | $ (4,605,927) | $ 47,433,574 | $ 71,620,264 | $ 88,513,212 |
| Gain if applying IAS 39 to profit or loss | (35,975,269) | (38,947,698) | (129,025,435) | (91,135,143) |
| (Gain) loss reclassified due to application of overlay approach | $ (40,581,196) | $ 8,485,876 | $ (57,405,171) | $ (2,621,931) |

Due to the application of the overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months and nine months ended September 30, 2021 and 2020 had increased from loss of $14,665,602 thousand to gain of $25,915,594 thousand, decreased from gain of $72,868,438 thousand to gain of $64,382,562 thousand, increased from gain of $83,460,945 thousand to gain of $140,866,116 thousand and increased from gain of $102,541,152 thousand to gain of $105,163,083 thousand, respectively.

b. As of September 30, 2021, December 31, 2020 and September 30, 2020, structured notes which were accounted for as financial assets at FVTPL amounted to $120,282,727 thousand, $29,048,344 thousand and $60,608,216 thousand, respectively.

c. The financial assets at FVTPL held by the Group were not pledged as collateral.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Investments in equity instruments at FVTOCI | | | |
| Domestic stocks | $ 120,822,317 | $ 91,718,232 | $ 73,675,684 |
| Overseas stocks | 10,135,374 | 7,706,479 | 5,728,529 |
| | 130,957,691 | 99,424,711 | 79,404,213 |
| Investments in debt instruments at FVTOCI | | | |
| Corporate bonds | 2,210,144 | 2,206,288 | 2,200,073 |
| Government bonds | 43,234,928 | 43,699,940 | 47,712,300 |
| Overseas bonds | 1,140,211,564 | 1,078,517,070 | 968,014,968 |
| Less: Litigation deposits | (45,530) | (46,761) | (46,624) |
| Less: Deposits to Central Bank | (1,092,190) | (1,114,990) | (1,110,547) |
| | 1,184,518,916 | 1,123,261,547 | 1,016,770,170 |
| | $ 1,315,476,607 | $ 1,222,686,258 | $ 1,096,174,383 |

a. These investments in equity instruments are not held for trading, and thus were designated as financial assets at FVTOCI.

b. Dividend income recognized relating to investments in equity instruments at FVTOCI held by the Group on the balance sheet date for the three months and nine months ended September 30, 2021 and 2020 were $4,377,826 thousand, $2,516,195 thousand, $4,902,388 thousand and $2,933,701 thousand, respectively. Those related to investments derecognized for the three months and nine months ended September 30, 2021 and 2020 were $130,108 thousand, $4,276 thousand, $140,128 thousand and $4,276 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instruments at FVTOCI at fair values of $3,848,635 thousand and $4,884,554 thousand at the time of sale, and transferred unrealized gain of $112,342 thousand and loss of $46,746 thousand from other equity to retained earnings for the nine months ended September 30, 2021 and 2020, respectively.

d. Refer to Note 37 for the financial assets at FVTOCI that were pledged as collateral.

e. Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

## 10. HEDGING INSTRUMENTS

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Financial assets for hedging | | | |
| Interest rate swap contracts ("IRS") | $ 113,216 | $ 146,959 | $ 167,772 |
| CCS | 106,332 | - | 219,155 |
| Forward | 24,687 | - | - |
| | $ 244,235 | $ 146,959 | $ 386,927 |

(Continued)

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Financial liabilities for hedging | | | |
| IRS | $ 28,746 | $ 48,887 | $ 57,171 |
| CCS | - | 90,971 | - |
| Forward | 14,090 | - | - |
| | $ 42,836 | $ 139,858 | $ 57,171 |

(Concluded)

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

## 11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| | | | Ownership Interest (%) | | | |
|---|---|---|---|---|---|---|
| Investors | Investees | Business | September 30, 2021 | December 31, 2020 | September 30, 2020 | Notes |
| The Company | Cathay Lujiazui Life | Life insurance | 50.00 | 50.00 | 50.00 | |
| The Company | Cathay Life (Vietnam) | Life insurance | 100.00 | 100.00 | 100.00 | |
| The Company | Lin Yuan (Shanghai) Real Estate Co., Ltd. | Office leasing | 100.00 | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | 100.00 | |
| The Company | Conning Holdings Limited (“CHL”) | Holding company | 100.00 | 100.00 | 100.00 | |
| The Company | Cathay Industrial Research and Design Center Co., Ltd. (“Cathay Industrial R&D Center”) | Real estate investment and management | 99.00 | - | - | Note 1 |
| CHL | Conning U.S. Holdings, Inc. | Holding company | 100.00 | 100.00 | 100.00 | |
| CHL | Conning Asset Management Ltd. | Asset management services | 100.00 | 100.00 | 100.00 | |
| CHL | Conning (Germany) GmbH | Risk management software services | 100.00 | 100.00 | 100.00 | |
| CHL | Conning Asia Pacific Ltd. | Asset management services | 82.85 | 82.85 | 82.85 | |
| CHL | Conning Japan Ltd. | Asset management services | 100.00 | 100.00 | 100.00 | |
| CHL | Global Evolution Holding ApS | Holding company | 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 | 86.13 | 85.67 | 85.00 | |
| 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 | |
| Global Evolution Holding ApS | Global Evolution Financial ApS | Asset management services | 99.72 | 99.72 | 99.72 | |
| Global Evolution Financial ApS | Global Evolution Fondsmaeglerselskab A/S | Asset management services | 100.00 | 100.00 | 100.00 | |

(Continued)

| Investors | Investees | Business | Ownership Interest (%) September 30, 2021 | December 31, 2020 | September 30, 2020 | Notes |
|---|---|---|---|---|---|---|
| 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 Fondsmaeglerselskab A/S | Global Evolution USA, LLC | Asset management services | 100.00 | 100.00 | 100.00 | |
| Global Evolution Fondsmaeglerselskab A/S | Global Evolution Fund Management Singapore Pte. Ltd. | Asset management services | 100.00 | 100.00 | 100.00 | |
| Mogambo2 Holding ApS | Global Evolution USA GP, LLC | Asset management services | - | - | 100.00 | Note 3 |

(Concluded)

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

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

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

b. Subsidiaries excluded from the consolidated financial statements

| Investors | Investees | Business | Ownership Interest (%) September 30, 2021 | December 31, 2020 | September 30, 2020 | Notes |
|---|---|---|---|---|---|---|
| The Company | Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting") | Securities investment consulting services | 100.00 | 100.00 | 100.00 | |

The consolidated financial statements did not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Investments in unconsolidated subsidiaries | $ 637,732 | $ 637,478 | $ 571,124 |
| Investments in associates | 28,450,510 | 28,743,039 | 28,765,192 |
| | $ 29,088,242 | $ 29,380,517 | $ 29,336,316 |

Refer to Table 1 and Table 4 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Cathay Securities Investment Consulting | $ 637,732 | $ 637,478 | $ 571,124 |

b. Investments in associates

Aggregate information of associates that are not individually material

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| The Group' share of: | | | | |
| Net income (loss) | $ 343,436 | $ 478,005 | $ 1,197,000 | $ (12,654,404) |
| Other comprehensive (loss) income | (263,521) | 289,920 | (755,498) | 225,114 |
| Total comprehensive income (loss) for the period | $ 79,915 | $ 767,925 | $ 441,502 | $ (12,429,290) |

As the individual associates are not significant, the related financial information is aggregately disclosed. Except for Cathay Venture Inc., the amount of the share of profit or loss and other comprehensive income of associates were recognized on the basis of the financial statements which have not been reviewed by an independent auditor.

The investments in associates were not pledged as collateral.

PT Bank Mayapada Internasional Tbk, the Group's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, the Group recognized a loss on investment in associate accounted for using the equity method of $13,980,277 thousand for the nine months ended September 30, 2020.

## 13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Time deposits | $ 7,315,085 | $ 3,621,636 | $ 5,147,088 |
| Financial debentures | 29,123,538 | 41,434,737 | 45,138,468 |
| Corporate bonds | 27,497,025 | 29,096,122 | 28,295,824 |
| Government bonds | 40,384,260 | 40,464,412 | 40,491,304 |
| Overseas bonds | 2,582,044,313 | 2,549,889,678 | 2,583,798,029 |
| Asset-backed securities | 445,000 | 445,000 | 445,000 |
| Less: Litigation deposits | (1,437,846) | (1,353,429) | (1,352,699) |
| Less: Deposits to Central Bank | (8,035,230) | (8,039,298) | (8,040,664) |
| Less: Loss allowance (Note) | (791,856) | (2,573,415) | (2,663,845) |
| | $ 2,676,544,289 | $ 2,652,985,443 | $ 2,691,258,505 |

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of September 30, 2021, December 31, 2020 and September 30, 2020, the amounts were $308 thousand, $1,258 thousand and $1,371 thousand, respectively.

a. For the three months and nine months ended September 30, 2021 and 2020, the Group disposed of bonds before the maturity due to increases in credit risk, which resulted in gains on disposal of $970,820 thousand, gains on disposal of $681,148 thousand, gains on disposal of $4,172,705 thousand and losses on disposal of $627,220 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 $3,127,515 thousand, $9,335,391 thousand, $25,410,283 thousand and $33,772,861 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gain on disposal of $1,220,582 thousand, $635,543 thousand, $2,616,675 thousand and $873,364 thousand, respectively.

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

c. Refer to Note 39 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

## 14. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

| | Investment Property | | | Investment Property Under Construction | Prepayments for Buildings and Land - Investments |
|---|---|---|---|---|---|
| | Land | Buildings | Total | | |
| Balance at January 1, 2020 | $ 367,408,105 | $ 116,463,612 | $ 483,871,717 | $ 4,546,717 | $ 1,152,363 |
| Additions | - | - | - | 2,242,088 | 1,202,077 |
| Disposals | (129,794) | (525,529) | (655,323) | - | - |
| Reclassification | 2,477,108 | 4,640,657 | 7,117,765 | (4,546,803) | (2,028,491) |
| (Loss) gain on changes in fair value of investment property | (17,793) | 2,397,397 | 2,379,604 | - | - |
| Foreign exchange | (713,135) | (1,204,805) | (1,917,940) | - | - |
| Balance at September 30, 2020 | $ 369,024,491 | $ 121,771,332 | $ 490,795,823 | $ 2,242,002 | $ 325,949 |
| Balance at January 1, 2021 | $ 372,342,140 | $ 123,820,881 | $ 496,163,021 | $ 1,528,547 | $ 3,131,915 |
| Additions | 1,675,410 | - | 1,675,410 | 2,092,739 | 7,593,300 |
| Reclassification | 7,134,515 | 3,174,889 | 10,309,404 | (761,766) | (10,567,064) |
| Gain on changes in fair value of investment property | 80,948 | 1,113,595 | 1,194,543 | - | - |
| Foreign exchange | (452,142) | (784,786) | (1,236,928) | - | - |
| Balance at September 30, 2021 | $ 380,780,871 | $ 127,324,579 | $ 508,105,450 | $ 2,859,520 | $ 158,151 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Rental income from investment properties | $ 2,673,737 | $ 3,021,477 | $ 8,530,687 | $ 9,187,086 |
| Direct operating expenses of investment properties that generate rental income | (154,793) | (129,520) | (523,108) | (501,233) |
| Direct operating expenses of investment properties that do not generate rental income | (77,557) | (32,327) | (153,690) | (99,213) |
| | $ 2,441,387 | $ 2,859,630 | $ 7,853,889 | $ 8,586,640 |

a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.

b. As of September 30, 2021, the investment properties of the Company amounted to $471,357,526 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

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

d. Valuation of the investment property of Cathay Life and its subsidiaries had been carried out by the appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C (see table below); and the valuation dates are June 30, 2021, December 31, 2020 and June 30, 2020. After consultation with the appraisers regarding the validity of the valuations, they are found to be still valid at September 30, 2021 and 2020.

Due to the significant changes in cash flows caused by the increase or decrease of lease contracts of certain buildings as well as the completion or acquisition of investment properties, the appraisers re-evaluated their fair values and re-issued the formal reports as of September 30, 2021.

| Name of Appraiser Firm | September 30, 2021 | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---|---|---|---|
| DTZ Real Estate Appraiser Firm | - | Gen-yuan, Li;<br>Jia-he, Tsai;<br>Chun-chun, Hu | Gen-yuan, Li;<br>Jia-he, Tsai;<br>Chun-chun, Hu | Chang-da, Yang;<br>Gen-yuan, Li;<br>Jia-he, Tsai;<br>Chun-chun, Hu |
| Savills plc Real Estate Appraiser Firm | - | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang | Gunag-ping, Dai;<br>Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang;<br>Jia-xian, Liao |
| REPro KnightFrank Real Estate Appraiser Firm | - | Hong-xu, Wu;<br>Yu-hsiang, Tsai;<br>Hsiang-Yi, Hsu | Hong-xu, Wu;<br>Yu-hsiang, Tsai;<br>Hsiang-Yi, Hsu | Hong-xu, Wu;<br>Yu-hsiang, Tsai;<br>Hsiang-Yi, Hsu;<br>Wei-ru, Li |
| V-LAND Real Estate Appraiser Firm | - | You-qi, Liang;<br>Jun-han, Lin | You-qi, Liang;<br>Yu-zhi, Gao;<br>Jun-han, Lin | You-qi, Liang;<br>Yu-zhi, Gao;<br>Jun-han, Lin |
| Shang-shang Real Estate Appraiser Firm | Hong-yuan, Wang | Hong-yuan, Wang | Hong-yuan, Wang | Hong-yuan, Wang;<br>Jian-hao, Huang |
| Sinyi Real Estate Appraiser Firm | - | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang |
| Elite Real Estate Appraiser Firm | Yu-lin, Chen;<br>Yi-hui, Luo | Yu-lin, Chen;<br>Yi-hui, Luo | Yu-lin, Chen;<br>Yi-hui, Luo | Yu-lin, Chen;<br>Yi-hui, Luo |
| CBRE Real Estate Appraiser Firm | - | Fu-xue, Shi;<br>Zhi-wei, Lee | Fu-xue, Shi;<br>Zhi-wei, Lee | Fu-xue, Shi;<br>Zhi-wei, Lee |

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

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

The main inputs used are as follows:

| | **September 30, 2021** | **June 30, 2021** | **December 31, 2020** | **June 30, 2020** |
|---|---|---|---|---|
| Direct capitalization rates (net) | - | 0.68%-5.13% | 0.66%-5.70% | 0.84%-6.48% |
| Discount rates | 2.345%-2.47% | 3.09%-4.26% | 3.09%-4.26% | 3.18%-4.38% |

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

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

Reconciliation of fair value measurements in Level 3 movements is as follows:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 479,767,372 | $ 471,748,733 |
| Amount recognized in profit or loss | | |
| Gain from investment property | 1,194,543 | 2,379,604 |
| Amount recognized in other comprehensive income | | |
| Exchange differences resulting from translation of the financial statements of foreign operations | (1,236,928) | (1,917,940) |
| Disposals | - | (646,500) |
| Transfers from investment property under construction | 761,766 | 4,546,803 |
| Transfers from prepayments for buildings and land | 4,604,042 | 803,611 |
| Ending balance | $ 485,090,795 | $ 476,914,311 |

The above amounts did not include those measured at cost.

e. Refer to Table 3 for the acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital.

## 15. LOANS

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Life insurance policy loans (a) | $ 158,059,823 | $ 155,706,198 | $ 155,262,118 |
| Premium loans (b) | 13,100,006 | 12,622,690 | 12,503,630 |
| Secured loans (c) | 307,956,110 | 314,154,457 | 316,808,304 |
| Non-accrual receivables | 2,643,011 | 2,041,471 | 1,777,360 |
| | 481,758,950 | 484,524,816 | 486,351,412 |
| Less: Loss allowance | (5,114,942) | (4,733,716) | (4,759,278) |
| | $ 476,644,008 | $ 479,791,100 | $ 481,592,134 |

a. Life insurance policy loans were secured by policies issued by the Group.

b. Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the life insurance policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the effective insurance policy. Policyholders may also inform the insurer in writing to terminate the premium loan option prior to the next due date of premium payment.

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans Refer to Note 39 for related information of loss allowance for the nine months ended September 30, 2021 and 2020.

## 16. REINSURANCE ASSETS

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Due from reinsurers and ceding companies | $ 765,685 | $ 590,411 | $ 218,493 |
| Reinsurance reserve assets | | | |
| Ceded unearned premium reserve | 997,900 | 1,113,039 | 942,669 |
| Ceded loss reserve | 98,786 | 71,723 | 40,083 |
| Ceded policy reserve | 396,957 | 425,518 | 414,296 |
| Non-accrual receivables | - | - | 12,816 |
| | 2,259,328 | 2,200,691 | 1,628,357 |
| Less: Loss allowance | - | - | (6,408) |
| | $ 2,259,328 | $ 2,200,691 | $ 1,621,949 |

**CNY Co-reinsurance Business**

Authorized by the FSC under Jin Guan Bao Tsai No. 10302112370, the Group signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Group discloses the ceding information following Article 6 of the Guideline for Reinsurance with Ceded Policy Reserve by Life Insurance Enterprises.

a. Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company's liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to Central Reinsurance Corporation.

b. Reinsurance expense, claims recovered from reinsurers and commission income

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Reinsurance expense | $ - | $ 550 |
| Claims recovered from reinsurers | 32,952 | 30,745 |
| Reinsurance commission income | 1,476 | 3,523 |

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

Net income from reinsurance of $5,432 thousand was recognized for the nine months ended September 30, 2021 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission income of $1,476 thousand + Claims recovered from reinsurers of $32,952 thousand - Net changes in reinsurance reserve assets of $29,603 thousand + Foreign exchange gains of $607 thousand.

d. Reason and effect to income or loss from change of co-reinsurance business or contract: None.

e. Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes reinsurance reserve assets including policy reserve and ceded premium deficiency reserve for ceded co-reinsurance business and provides insurance liabilities as direct business. All reinsurance reserve assets should be derecognized when the co-reinsurance contract ceased.

f. Other notes designated by authorities: None.

## 17. PROPERTY AND EQUIPMENT

| | Land | Buildings and Construction | Computer Equipment | Leasehold Improvement | Transportation Equipment | Other Equipment | Construction in Progress and Prepayment for Real Estate Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2020 | $ 20,354,938 | $ 22,727,235 | $ 3,220,975 | $ 514,339 | $ 11,184 | $ 3,939,219 | $ 181,234 | $ 50,949,124 |
| Additions | - | - | 231,241 | 39,753 | 299 | 119,830 | 250,787 | 641,910 |
| Disposals | - | - | (64,915) | (165) | - | (103,216) | - | (168,296) |
| Reclassification | (451,389) | (320,183) | 19 | 7,368 | - | 2,880 | (3,106) | (764,411) |
| Foreign exchange | - | (20,356) | (30,508) | (10,060) | (39) | (2,470) | - | (63,433) |
| Balance at September 30, 2020 | $ 19,903,549 | $ 22,386,696 | $ 3,356,812 | $ 551,235 | $ 11,444 | $ 3,956,243 | $ 428,915 | $ 50,594,894 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2020 | $ 103,134 | $ 12,428,264 | $ 2,370,985 | $ 300,664 | $ 9,895 | $ 3,464,913 | $ - | $ 18,677,855 |
| Depreciation expenses | - | 308,787 | 109,716 | 37,430 | 448 | 79,693 | - | 536,074 |
| Disposals | - | - | (63,762) | (165) | - | (102,128) | - | (166,055) |
| Reclassification | - | (232,207) | 9 | - | - | 1,019 | - | (231,179) |
| Foreign exchange | - | (2,497) | (8,742) | (4,864) | (25) | (1,015) | - | (17,143) |
| Balance at September 30, 2020 | $ 103,134 | $ 12,502,347 | $ 2,408,206 | $ 333,065 | $ 10,318 | $ 3,442,482 | $ - | $ 18,799,552 |
| Carrying amount at September 30, 2020 | $ 19,800,415 | $ 9,884,349 | $ 948,606 | $ 218,170 | $ 1,126 | $ 513,761 | $ 428,915 | $ 31,795,342 |
| Cost | | | | | | | | |
| Balance at January 1, 2021 | $ 17,428,074 | $ 22,321,979 | $ 3,440,014 | $ 616,432 | $ 11,243 | $ 4,011,666 | $ 611,000 | $ 48,440,408 |
| Additions | - | - | 406,734 | 55,596 | - | 48,547 | 560,326 | 1,071,203 |
| Disposals | - | - | (51,803) | (22) | (3) | (26,294) | - | (78,122) |
| Reclassification | 1,019,426 | 40,623 | 296,345 | - | - | (21,161) | (40,623) | 1,294,610 |
| Foreign exchange | - | (21,349) | (24,482) | (12,460) | (38) | (3,609) | - | (61,938) |
| Balance at September 30, 2021 | $ 18,447,500 | $ 22,341,253 | $ 4,066,808 | $ 659,546 | $ 11,202 | $ 4,009,149 | $ 1,130,703 | $ 50,666,161 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2021 | $ 103,134 | $ 12,564,238 | $ 2,461,500 | $ 353,836 | $ 9,472 | $ 3,494,802 | $ - | $ 18,986,982 |
| Depreciation expenses | - | 291,480 | 127,499 | 44,207 | 468 | 72,165 | - | 535,819 |
| Disposals | - | - | (50,076) | (22) | (2) | (25,809) | - | (75,909) |
| Reclassification | - | - | 285,584 | 4 | - | (10,353) | - | 275,235 |
| Foreign exchange | - | (3,647) | (7,773) | (5,773) | (24) | 6,704 | - | (10,513) |
| Balance at September 30, 2021 | $ 103,134 | $ 12,852,071 | $ 2,816,734 | $ 392,252 | $ 9,914 | $ 3,537,509 | $ - | $ 19,711,614 |
| Carrying amount at December 31, 2020 and January 1, 2021 | $ 17,324,940 | $ 9,757,741 | $ 978,514 | $ 262,596 | $ 1,771 | $ 516,864 | $ 611,000 | $ 29,453,426 |
| Carrying amount at September 30, 2021 | $ 18,344,366 | $ 9,489,182 | $ 1,250,074 | $ 267,294 | $ 1,288 | $ 471,640 | $ 1,130,703 | $ 30,954,547 |

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

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

## 18. LEASE ARRANGEMENTS

a. Right-of-use assets

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Carrying amount | | | |
| Buildings | $ 1,725,850 | $ 1,640,096 | $ 1,596,474 |
| Office equipment | 11,960 | 11,035 | 11,493 |
| Transportation equipment | 27,111 | 24,078 | 25,549 |
| | $ 1,764,921 | $ 1,675,209 | $ 1,633,516 |
| Right-of-use assets presented as investment properties | $ 10,091,177 | $ 8,548,824 | $ 8,665,126 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Additions to right-of-use assets | $ 261,801 | $ 131,189 | $ 436,345 | $ 525,751 |
| Depreciation expense for Right-of-use assets | | | | |
| Buildings | $ 151,165 | $ 142,947 | $ 424,129 | $ 418,641 |
| Office equipment | 2,415 | 1,131 | 7,300 | 3,439 |
| Transportation equipment | 2,532 | 2,819 | 7,419 | 8,351 |
| | $ 156,112 | $ 146,897 | $ 438,848 | $ 430,431 |

b. Lease liabilities

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Carrying amount | $ 12,169,106 | $ 10,522,490 | $ 10,530,195 |

Range of discount rates for lease liabilities is as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Buildings | 1.82%-8.57% | 1.82%-8.57% | 1.82%-8.57% |
| Office equipment | 4.67%-4.76% | 4.67%-4.76% | 4.67%-4.76% |
| Transportation equipment | 2.49%-3.66% | 3.25%-3.66% | 3.25%-3.66% |
| Investment property - right of superficies | 2.82%-4.00% | 2.82%-3.71% | 2.82%-3.71% |

## 19. INTANGIBLE ASSETS

| | Computer Software | Franchises | Trademarks | Customer Relationships | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2020 | $ 2,285,198 | $ 37,659,600 | $ 394,961 | $ 3,548,412 | $ 10,343,445 | $ 209,989 | $ 54,441,605 |
| Acquisition through business combinations (Note 43) | - | - | - | 2,467,576 | 3,587,422 | - | 6,054,998 |
| Additions - acquired separately | 132,312 | - | - | - | - | - | 132,312 |
| Disposals | (33,190) | - | - | - | - | - | (33,190) |
| Foreign exchange | (3,824) | - | (12,857) | (159,933) | (306,287) | (6,835) | (489,736) |
| Balance at September 30, 2020 | $ 2,380,496 | $ 37,659,600 | $ 382,104 | $ 5,856,055 | $ 13,624,580 | $ 203,154 | $ 60,105,989 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2020 | $ 1,976,599 | $ 9,357,224 | $ - | $ 1,583,626 | $ - | $ 177,257 | $ 13,094,706 |
| Amortizations | 82,085 | 1,559,537 | - | 342,046 | - | 14,174 | 1,997,842 |
| Disposals | (33,190) | - | - | - | - | - | (33,190) |
| Foreign exchange | (3,058) | - | - | (59,729) | - | (6,110) | (68,897) |
| Balance at September 30, 2020 | $ 2,022,436 | $ 10,916,761 | $ - | $ 1,865,943 | $ - | $ 185,321 | $ 14,990,461 |
| Carrying amount at September 30, 2020 | $ 358,060 | $ 26,742,839 | $ 382,104 | $ 3,990,112 | $ 13,624,580 | $ 17,833 | $ 45,115,528 |
| Cost | | | | | | | |
| Balance at January 1, 2021 | $ 2,503,514 | $ 37,659,600 | $ 373,996 | $ 5,731,801 | $ 13,278,169 | $ 198,843 | $ 59,745,923 |
| Additions - acquired separately | 205,804 | - | - | - | - | - | 205,804 |
| Others | - | - | - | (172,492) | 368,174 | - | 195,682 |
| Foreign exchange | (3,356) | - | (8,422) | (118,647) | (255,573) | (4,478) | (390,476) |
| Balance at September 30, 2021 | $ 2,705,962 | $ 37,659,600 | $ 365,574 | $ 5,440,662 | $ 13,390,770 | $ 194,365 | $ 59,756,933 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2021 | $ 2,084,579 | $ 11,436,607 | $ - | $ 1,967,996 | $ - | $ 185,903 | $ 15,675,085 |
| Amortizations | 107,437 | 1,559,537 | - | 284,506 | - | 12,742 | 1,964,222 |
| Foreign exchange | (2,741) | - | - | (46,421) | - | (4,280) | (53,442) |
| Balance at September 30, 2021 | $ 2,189,275 | $ 12,996,144 | $ - | $ 2,206,081 | $ - | $ 194,365 | $ 17,585,865 |
| Carrying amount at December 31, 2020 and January 1, 2021 | $ 418,935 | $ 26,222,993 | $ 373,996 | $ 3,763,805 | $ 13,278,169 | $ 12,940 | $ 44,070,838 |
| Carrying amount at September 30, 2021 | $ 516,687 | $ 24,663,456 | $ 365,574 | $ 3,234,581 | $ 13,390,770 | $ - | $ 42,171,068 |

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

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

b. The Group recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) of 100% interest in Conning Holdings Limited on September 18, 2015; (3) of 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) of 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020. As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of goodwill were $13,390,770 thousand, $13,278,169 thousand and $13,624,580 thousand, respectively.

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

## 20. OTHER ASSETS

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Insurance Industry Stability Fund (a) | $ 12,758,169 | $ 12,099,873 | $ 11,802,371 |
| Less: Reserve for Insurance Industry Stability Fund (a) | (12,758,169) | (12,099,873) | (11,802,371) |
| Guarantee deposits paid (b) | 23,643,430 | 24,070,098 | 23,419,976 |
| Deferred acquisition costs (c) | 1,821 | 2,596 | 2,854 |
| Prepayments | 813,681 | 1,297,483 | 374,616 |
| Net defined benefit assets | 6,342,344 | 6,280,228 | 6,568,176 |
| Others | 984,882 | 885,632 | 547,454 |
| | $ 31,786,158 | $ 32,536,037 | $ 30,913,076 |

a. Under Tai-Tsai-Bao No. 811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stabilization Fund starting from January 1, 1993. According to the Standard of Contribution to Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stabilization Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stabilization Fund, is a contra account of the Insurance Industry Stabilization Fund.

b. Guarantee deposits paid are comprised of:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Insurance operation guarantee deposit | $ 11,728,984 | $ 11,783,552 | $ 11,731,071 |
| Deposit for futures and options trading | 7,359,623 | 6,074,070 | 7,651,024 |
| Deposit for derivatives trading | 2,222,992 | 4,044,034 | 1,862,841 |
| Other guarantee deposits | 2,331,831 | 2,168,442 | 2,175,040 |
| | $ 23,643,430 | $ 24,070,098 | $ 23,419,976 |

The Group provided cash, time deposits and government bonds as guarantees. Refer to Note 37 for related information.

c. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 2,596 | $ 3,629 |
| Amortization | (775) | (775) |
| Ending balance | $ 1,821 | $ 2,854 |

## 21. PAYABLES

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Notes payable | $ 904,413 | $ 1,059,356 | $ 1,125,141 |
| Claims payable | 945,873 | 925,772 | 852,506 |
| Commissions payable | 1,785,346 | 2,682,294 | 1,416,676 |
| Due to reinsurers and ceding companies | 1,146,487 | 961,114 | 751,449 |
| Other payables | 37,568,505 | 24,543,011 | 35,256,128 |
| | $ 42,350,624 | $ 30,171,547 | $ 39,401,900 |

## 22. BONDS PAYABLE

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| First perpetual non-cumulative subordinated corporate bonds of 2016 (a) | $ 35,000,000 | $ 35,000,000 | $ 35,000,000 |
| First perpetual non-cumulative subordinated corporate bonds of 2017 (b) | 35,000,000 | 35,000,000 | 35,000,000 |
| First perpetual non-cumulative subordinated corporate bonds of 2019 (c) | 10,000,000 | 10,000,000 | 10,000,000 |
| | $ 80,000,000 | $ 80,000,000 | $ 80,000,000 |

a. Pursuant to Jin Guan Bao Shou No. 10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated corporate bonds on December 13, 2016 through private placement. The key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

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

3) Years to maturity: Perpetual.

4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.

6) Right of early redemption: The Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest. The Company may redeem the bond once a year.

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense of $317,589 thousand, $316,722 thousand, $942,111 thousand and $943,279 thousand was recorded as finance costs for the three months and nine months ended September 30, 2021 and 2020, respectively.

b. Pursuant to Order No. Securities-TPEx-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

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

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year maturity.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $291,095 thousand, $291,095 thousand, $863,870 thousand and $865,900 thousand was recorded as finance costs for the three months and nine months ended September 30, 2021 and 2020, respectively.

c. Pursuant to Order No. Securities-TPEx-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual non-cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:

1) Issue amount: $10,000,000 thousand.

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

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3%.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of \$75,620 thousand, \$75,620 thousand, \$224,390 thousand and \$224,810 thousand was recorded as finance costs for the three months and nine months ended September 30, 2021 and 2020, respectively.

## 23. INSURANCE LIABILITIES

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

a. The Company

1) Unearned premium reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 70,037 | $ - | $ 70,037 | $ 73,271 | $ - | $ 73,271 | $ 77,152 | $ - | $ 77,152 |
| Individual injury insurance | 7,099,020 | - | 7,099,020 | 7,293,363 | - | 7,293,363 | 6,837,838 | - | 6,837,838 |
| Individual health insurance | 9,710,379 | - | 9,710,379 | 9,911,436 | - | 9,911,436 | 9,222,410 | - | 9,222,410 |
| Group insurance | 970,544 | - | 970,544 | 995,234 | - | 995,234 | 1,123,615 | - | 1,123,615 |
| Investment-linked insurance | 116,919 | - | 116,919 | 116,825 | - | 116,825 | 117,080 | - | 117,080 |
| | 17,966,899 | - | 17,966,899 | 18,390,129 | - | 18,390,129 | 17,378,095 | - | 17,378,095 |
| Less ceded unearned premium reserve: | | | | | | | | | |
| Individual life insurance | 791,073 | - | 791,073 | 878,870 | - | 878,870 | 753,770 | - | 753,770 |
| Individual injury insurance | 17,897 | - | 17,897 | 25,638 | - | 25,638 | 23,476 | - | 23,476 |
| Individual health insurance | 188,492 | - | 188,492 | 208,531 | - | 208,531 | 165,064 | - | 165,064 |
| Group insurance | 438 | - | 438 | - | - | - | 359 | - | 359 |
| | 997,900 | - | 997,900 | 1,113,039 | - | 1,113,039 | 942,669 | - | 942,669 |
| | $ 16,968,999 | $ - | $ 16,968,999 | $ 17,277,090 | $ - | $ 17,277,090 | $ 16,435,426 | $ - | $ 16,435,426 |

The changes in unearned premium reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 18,390,129 | $ - | $ 18,390,129 | $ 17,504,877 | $ - | $ 17,504,877 |
| Provision | 17,966,918 | - | 17,966,918 | 17,378,109 | - | 17,378,109 |
| Recovery | (18,390,129) | - | (18,390,129) | (17,504,877) | - | (17,504,877) |
| Foreign exchange | (19) | - | (19) | (14) | - | (14) |
| Ending balance | 17,966,899 | - | 17,966,899 | 17,378,095 | - | 17,378,095 |
| Less ceded unearned premium reserve: | | | | | | |
| Beginning balance | 1,113,039 | - | 1,113,039 | 894,878 | - | 894,878 |
| Increase | - | - | - | 47,791 | - | 47,791 |
| Decrease | (115,139) | - | (115,139) | - | - | - |
| Ending balance | 997,900 | - | 997,900 | 942,669 | - | 942,669 |
| Net ending balance | $ 16,968,999 | $ - | $ 16,968,999 | $ 16,435,426 | $ - | $ 16,435,426 |

2) Loss reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | | | | |
| Filed but not paid | $ 2,631,171 | $ 7,873 | $ 2,639,044 | $ 2,994,498 | $ 35,590 | $ 3,030,088 | $ 2,596,536 | $ 20,354 | $ 2,616,890 |
| Not yet filed | 33,685 | - | 33,685 | 26,374 | - | 26,374 | 35,750 | - | 35,750 |
| Individual injury insurance | | | | | | | | | |
| Filed but not paid | 52,583 | - | 52,583 | 39,709 | - | 39,709 | 36,144 | - | 36,144 |
| Not yet filed | 1,946,338 | - | 1,946,338 | 1,944,744 | - | 1,944,744 | 2,007,602 | - | 2,007,602 |
| Individual health insurance | | | | | | | | | |
| Filed but not paid | 1,481,953 | - | 1,481,953 | 1,636,337 | - | 1,636,337 | 1,387,993 | - | 1,387,993 |
| Not yet filed | 3,361,215 | - | 3,361,215 | 3,212,273 | - | 3,212,273 | 3,246,172 | - | 3,246,172 |
| Group insurance | | | | | | | | | |
| Filed but not paid | 75,231 | - | 75,231 | 62,412 | - | 62,412 | 60,763 | - | 60,763 |
| Not yet filed | 1,102,738 | - | 1,102,738 | 1,487,129 | - | 1,487,129 | 1,703,180 | - | 1,703,180 |
| Investment-linked insurance | | | | | | | | | |
| Filed but not paid | 170,977 | - | 170,977 | 218,021 | - | 218,021 | 156,674 | - | 156,674 |
| Not yet filed | 1,817 | - | 1,817 | 551 | - | 551 | 211 | - | 211 |
| | 10,857,708 | 7,873 | 10,865,581 | 11,622,048 | 35,590 | 11,657,638 | 11,231,025 | 20,354 | 11,251,379 |
| Less ceded loss reserve | | | | | | | | | |
| Individual life insurance | 83,068 | - | 83,068 | 46,636 | - | 46,636 | 28,528 | - | 28,528 |
| Individual health insurance | 4,591 | - | 4,591 | 14,721 | - | 14,721 | 1,214 | - | 1,214 |
| | 87,659 | - | 87,659 | 61,357 | - | 61,357 | 29,742 | - | 29,742 |
| | $ 10,770,049 | $ 7,873 | $ 10,777,922 | $ 11,560,691 | $ 35,590 | $ 11,596,281 | $ 11,201,283 | $ 20,354 | $ 11,221,637 |

The changes of loss reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 11,622,048 | $ 35,590 | $ 11,657,638 | $ 10,533,411 | $ 31,200 | $ 10,564,611 |
| Provision | 10,869,675 | 7,873 | 10,877,548 | 11,239,461 | 20,354 | 11,259,815 |
| Recovery | (11,622,048) | (35,590) | (11,657,638) | (10,533,411) | (31,200) | (10,564,611) |
| Foreign exchange | (11,967) | - | (11,967) | (8,436) | - | (8,436) |
| Ending balance | 10,857,708 | 7,873 | 10,865,581 | 11,231,025 | 20,354 | 11,251,379 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 61,357 | - | 61,357 | 3,732 | - | 3,732 |
| Increase | 26,302 | - | 26,302 | 26,010 | - | 26,010 |
| Ending balance | 87,659 | - | 87,659 | 29,742 | - | 29,742 |
| Net ending balance | $ 10,770,049 | $ 7,873 | $ 10,777,922 | $ 11,201,283 | $ 20,354 | $ 11,221,637 |

3) Policy reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance (Note 1) | $ 5,323,692,403 | $ 3,672 | $ 5,323,696,075 | $ 5,144,987,292 | $ 3,810 | $ 5,144,991,102 | $ 5,060,833,810 | $ 3,720 | $ 5,060,837,530 |
| Injury insurance | 7,478,089 | - | 7,478,089 | 7,058,104 | - | 7,058,104 | 7,111,286 | - | 7,111,286 |
| Health insurance | 846,907,254 | - | 846,907,254 | 793,400,966 | - | 793,400,966 | 776,414,398 | - | 776,414,398 |
| Annuity insurance | 1,344,131 | 11,414,787 | 12,758,918 | 1,381,226 | 14,175,381 | 15,556,607 | 1,393,186 | 15,057,430 | 16,450,616 |
| Investment-linked insurance | 825,630 | - | 825,630 | 515,821 | - | 515,821 | 504,831 | - | 504,831 |
| Total (Note 2) | 6,180,247,507 | 11,418,459 | 6,191,665,966 | 5,947,343,409 | 14,179,191 | 5,961,522,600 | 5,846,257,511 | 15,061,150 | 5,861,318,661 |
| Less ceded policy reserve | | | | | | | | | |
| Life insurance | 374,983 | - | 374,983 | 403,979 | - | 403,979 | 396,571 | - | 396,571 |
| | $ 6,179,872,524 | $ 11,418,459 | $ 6,191,290,983 | $ 5,946,939,430 | $ 14,179,191 | $ 5,961,118,621 | $ 5,845,860,940 | $ 15,061,150 | $ 5,860,922,090 |

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to $6,192,123,911 thousand, $5,961,980,645 thousand and $5,861,766,702 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

The changes of policy reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 5,947,343,409 | $ 14,179,191 | $ 5,961,522,600 | $ 5,546,639,427 | $ 20,479,782 | $ 5,567,119,209 |
| Provision | 426,346,297 | 64,575 | 426,410,872 | 484,429,933 | 134,722 | 484,564,655 |
| Recovery | (157,266,442) | (2,825,169) | (160,091,611) | (144,670,606) | (5,553,327) | (150,223,933) |
| Foreign exchange | (36,175,757) | (138) | (36,175,895) | (40,141,243) | (27) | (40,141,270) |
| Ending balance | 6,180,247,507 | 11,418,459 | 6,191,665,966 | 5,846,257,511 | 15,061,150 | 5,861,318,661 |
| Less ceded policy reserve | | | | | | |
| Beginning balance | 403,979 | - | 403,979 | 421,465 | - | 421,465 |
| Decrease | (22,293) | - | (22,293) | (19,856) | - | (19,856) |
| Foreign exchange | (6,703) | - | (6,703) | (5,038) | - | (5,038) |
| Ending balance | 374,983 | - | 374,983 | 396,571 | - | 396,571 |
| Net ending balance | $ 6,179,872,524 | $ 11,418,459 | $ 6,191,290,983 | $ 5,845,860,940 | $ 15,061,150 | $ 5,860,922,090 |

## 4) Special reserve

| | September 30, 2021 | | | | December 31, 2020 | | | | September 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Participating policies dividends reserve | $ (48,635) | $ - | $ - | $ (48,635) | $ (53,476) | $ - | $ - | $ (53,476) | $ (60,288) | $ - | $ - | $ (60,288) |
| Dividend risk reserve | 50,188 | - | - | 50,188 | 54,928 | - | - | 54,928 | 61,588 | - | - | 61,588 |
| Special reserve for revaluation increments of property | - | - | 11,083,324 | 11,083,324 | - | - | 11,083,324 | 11,083,324 | - | - | 11,083,324 | 11,083,324 |
| | $ 1,553 | $ - | $ 11,083,324 | $ 11,084,877 | $ 1,452 | $ - | $ 11,083,324 | $ 11,084,776 | $ 1,300 | $ - | $ 11,083,324 | $ 11,084,624 |

The changes of special reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | 2020 | | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Beginning balance | $ 1,452 | $ - | $ 11,083,324 | $ 11,084,776 | $ 1,300 | $ - | $ 11,083,324 | $ 11,084,624 |
| Provision for participating policies dividends reserve | 15,554 | - | - | 15,554 | 7,882 | - | - | 7,882 |
| Recovery of participating policies dividends reserve | (10,713) | - | - | (10,713) | (11,270) | - | - | (11,270) |
| Provision for dividend risk reserve | - | - | - | - | 3,388 | - | - | 3,388 |
| Recovery of dividend risk reserve | (4,740) | - | - | (4,740) | - | - | - | - |
| Ending balance | $ 1,553 | $ - | $ 11,083,324 | $ 11,084,877 | $ 1,300 | $ - | $ 11,083,324 | $ 11,084,624 |

5) Premium deficiency reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 10,039,079 | $ - | $ 10,039,079 | $ 12,569,742 | $ - | $ 12,569,742 | $ 14,781,148 | $ - | $ 14,781,148 |
| Individual injury insurance | 805 | - | 805 | 934 | - | 934 | 954 | - | 954 |
| Individual health insurance | 1,205,376 | - | 1,205,376 | 1,225,954 | - | 1,225,954 | 1,239,188 | - | 1,239,188 |
| Group insurance | 84,530 | - | 84,530 | 5,713 | - | 5,713 | 133,163 | - | 133,163 |
| | $ 11,329,790 | $ - | $ 11,329,790 | $ 13,802,343 | $ - | $ 13,802,343 | $ 16,154,453 | $ - | $ 16,154,453 |

The changes of premium deficiency reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 13,802,343 | $ - | $ 13,802,343 | $ 19,679,457 | $ - | $ 19,679,457 |
| Provision | 84,456 | - | 84,456 | 133,333 | - | 133,333 |
| Recovery | (2,441,334) | - | (2,441,334) | (3,515,795) | - | (3,515,795) |
| Foreign exchange | (115,675) | - | (115,675) | (142,542) | - | (142,542) |
| Ending balance | $ 11,329,790 | $ - | $ 11,329,790 | $ 16,154,453 | $ - | $ 16,154,453 |

6) Other reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Other | $ 1,867,925 | $ - | $ 1,867,925 | $ 1,876,925 | $ - | $ 1,876,925 | $ 1,855,141 | $ - | $ 1,855,141 |

The changes of other reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 1,876,925 | $ - | $ 1,876,925 | $ 1,873,141 | $ - | $ 1,873,141 |
| Recovery | (9,000) | - | (9,000) | (18,000) | - | (18,000) |
| Ending balance | $ 1,867,925 | $ - | $ 1,867,925 | $ 1,855,141 | $ - | $ 1,855,141 |

7) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | | |
|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| Unearned premium reserve | $ 17,966,899 | $ 18,390,129 | $ 17,378,095 |
| Policy reserve | 6,192,123,911 | 5,961,980,645 | 5,861,766,702 |
| Premium deficiency reserve | 11,329,790 | 13,802,343 | 16,154,453 |
| Other reserve | 1,867,925 | 1,876,925 | 1,855,141 |
| Book value of insurance liabilities | $ 6,223,288,525 | $ 5,996,050,042 | $ 5,897,154,391 |
| Estimated present value of cash flows | $ 5,487,624,492 | $ 5,195,570,713 | $ 5,120,272,321 |
| Balance of liability adequacy reserve | $ - | $ - | $ - |

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

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

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

Liability adequacy testing methodology is listed as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Test method | Gross premium valuation method (GPV) | Gross premium valuation method (GPV) | Gross premium valuation method (GPV) |
| Groups | Integrated testing | Integrated testing | Integrated testing |
| Significant assumptions | | | |
| a) Information of policies | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. |

(Continued)

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| b) Discount rate | Under assets allocation plan on June 30, 2021, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with neutral assumption for discount rates after 30 years. | Under assets allocation plan on September 30, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years. | Under assets allocation plan on June 30, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years. |

(Concluded)

b. Cathay Lujiazui Life

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

1) Unearned premium reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 5,163 | $ - | $ 5,163 | $ 5,362 | $ - | $ 5,362 | $ 5,547 | $ - | $ 5,547 |
| Individual health insurance | 32,024 | - | 32,024 | 33,821 | - | 33,821 | 32,522 | - | 32,522 |
| Group insurance | 375,054 | - | 375,054 | 310,876 | - | 310,876 | 340,736 | - | 340,736 |
| | $ 412,241 | $ - | $ 412,241 | $ 350,059 | $ - | $ 350,059 | $ 378,805 | $ - | $ 378,805 |

The changes of unearned premium reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 350,059 | $ - | $ 350,059 | $ 301,808 | $ - | $ 301,808 |
| Provision | 332,218 | - | 332,218 | 310,458 | - | 310,458 |
| Recovery | (265,815) | - | (265,815) | (256,261) | - | (256,261) |
| Reclassification | - | - | - | 25,762 | - | 25,762 |
| Foreign exchange | (4,221) | - | (4,221) | (2,962) | - | (2,962) |
| Ending balance | $ 412,241 | $ - | $ 412,241 | $ 378,805 | $ - | $ 378,805 |

2) Loss reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | | | | |
| Filed but not paid | $ 360 | $ - | $ 360 | $ 4,512 | $ - | $ 4,512 | $ 2,214 | $ - | $ 2,214 |
| Not yet filed | 20,080 | - | 20,080 | 12,433 | - | 12,433 | 9,537 | - | 9,537 |
| Individual injury insurance | | | | | | | | | |
| Filed but not paid | 276 | - | 276 | 112 | - | 112 | 4 | - | 4 |
| Not yet filed | 5,601 | - | 5,601 | 5,518 | - | 5,518 | 1,554 | - | 1,554 |
| Individual health insurance | | | | | | | | | |
| Filed but not paid | 22,203 | - | 22,203 | 16,011 | - | 16,011 | 7,859 | - | 7,859 |
| Not yet filed | 71,197 | - | 71,197 | 65,990 | - | 65,990 | 63,012 | - | 63,012 |
| Group insurance | | | | | | | | | |
| Filed but not paid | 14,795 | - | 14,795 | 6,679 | - | 6,679 | 6,779 | - | 6,779 |
| Not yet filed | 419,134 | - | 419,134 | 375,879 | - | 375,879 | 299,551 | - | 299,551 |
| | 553,646 | - | 553,646 | 487,134 | - | 487,134 | 390,510 | - | 390,510 |
| Less ceded loss reserve | | | | | | | | | |
| Individual injury insurance | 36 | - | 36 | 29 | - | 29 | 34 | - | 34 |
| Individual health insurance | 7,591 | - | 7,591 | 7,193 | - | 7,193 | 6,023 | - | 6,023 |
| Group insurance | 3,500 | - | 3,500 | 3,144 | - | 3,144 | 4,284 | - | 4,284 |
| | 11,127 | - | 11,127 | 10,366 | - | 10,366 | 10,341 | - | 10,341 |
| | $ 542,519 | $ - | $ 542,519 | $ 476,768 | $ - | $ 476,768 | $ 380,169 | $ - | $ 380,169 |

The changes of loss reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 487,134 | $ - | $ 487,134 | $ 466,011 | $ - | $ 466,011 |
| Provision | 477,671 | - | 477,671 | 287,049 | - | 287,049 |
| Recovery | (405,412) | - | (405,412) | (357,523) | - | (357,523) |
| Foreign exchange | (5,747) | - | (5,747) | (5,027) | - | (5,027) |
| Ending balance | 553,646 | - | 553,646 | 390,510 | - | 390,510 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 10,366 | - | 10,366 | 20,282 | - | 20,282 |
| Increase | 35,837 | - | 35,837 | 41,556 | - | 41,556 |
| Decrease | (34,957) | - | (34,957) | (51,173) | - | (51,173) |
| Foreign exchange | (119) | - | (119) | (324) | - | (324) |
| Ending balance | 11,127 | - | 11,127 | 10,341 | - | 10,341 |
| Net ending balance | $ 542,519 | $ - | $ 542,519 | $ 380,169 | $ - | $ 380,169 |

3) Policy reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 33,863,711 | $ - | $ 33,863,711 | $ 27,482,482 | $ - | $ 27,482,482 | $ 24,811,782 | $ - | $ 24,811,782 |
| Health insurance | 4,033,410 | - | 4,033,410 | 3,115,884 | - | 3,115,884 | 2,635,477 | - | 2,635,477 |
| Investment-linked insurance | 731 | - | 731 | 787 | - | 787 | 3,018 | - | 3,018 |
| | 37,897,852 | - | 37,897,852 | 30,599,153 | - | 30,599,153 | 27,450,277 | - | 27,450,277 |
| Less ceded loss reserve | | | | | | | | | |
| Individual life insurance | 1,385 | - | 1,385 | 2,074 | - | 2,074 | 812 | - | 812 |
| Health insurance | 20,589 | - | 20,589 | 19,465 | - | 19,465 | 16,913 | - | 16,913 |
| | 21,974 | - | 21,974 | 21,539 | - | 21,539 | 17,725 | - | 17,725 |
| | $ 37,875,878 | $ - | $ 37,875,878 | $ 30,577,614 | $ - | $ 30,577,614 | $ 27,432,552 | $ - | $ 27,432,552 |

The changes of policy reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 30,599,153 | $ - | $ 30,599,153 | $ 21,152,145 | $ - | $ 21,152,145 |
| Provision | 8,665,066 | - | 8,665,066 | 7,171,557 | - | 7,171,557 |
| Recovery | (991,592) | - | (991,592) | (752,105) | - | (752,105) |
| Reclassification | 6,265 | - | 6,265 | 84,174 | - | 84,174 |
| Foreign exchange | (381,040) | - | (381,040) | (205,494) | - | (205,494) |
| Ending balance | 37,897,852 | - | 37,897,852 | 27,450,277 | - | 27,450,277 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 21,538 | - | 21,538 | - | - | - |
| Increase | 61,467 | - | 61,467 | 67,549 | - | 67,549 |
| Decrease | (60,793) | - | (60,793) | (49,953) | - | (49,953) |
| Foreign exchange | (238) | - | (238) | 129 | - | 129 |
| Ending balance | 21,974 | - | 21,974 | 17,725 | - | 17,725 |
| Ending balance | $ 37,875,878 | $ - | $ 37,875,878 | $ 27,432,552 | $ - | $ 27,432,552 |

4) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | | |
|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| Unearned premium reserve | $ 412,241 | $ 350,059 | $ 378,805 |
| Policy reserve | 37,897,852 | 30,599,153 | 27,450,277 |
| Book value of insurance liabilities | $ 38,310,093 | $ 30,949,212 | $ 27,829,082 |
| Estimated present value of cash flows | $ 30,648,074 | $ 24,759,370 | $ 22,263,266 |
| Balance of liability adequacy reserve | $ - | $ - | $ - |

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

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

Note 3: There is no merger or transfer of insurance contract for Cathay Lujiazui Life. Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Test method: | Gross premium valuation method (GPV) | Gross premium valuation method (GPV) | Gross premium valuation method (GPV) |
| Groups: | Integrated testing | Integrated testing | Integrated testing |
| Significant assumptions | | | |
| a) Information of policies | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. | Include insurance contracts and financial instruments with discretionary participation feature as of valuation date. |
| b) Discount rate | Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with neutral assumption for discount rates after 30 years. | Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years. | Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years. |

c. Cathay Life (Vietnam)

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

1) Unearned premium reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 17,972 | $ - | $ 17,972 | $ 14,935 | $ - | $ 14,935 | $ 15,449 | $ - | $ 15,449 |
| Individual health insurance | 35,509 | - | 35,509 | 20,826 | - | 20,826 | 17,673 | - | 17,673 |
| | $ 53,481 | $ - | $ 53,481 | $ 35,761 | $ - | $ 35,761 | $ 33,122 | $ - | $ 33,122 |

The changes of unearned premium reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 35,761 | $ - | $ 35,761 | $ 25,518 | $ - | $ 25,518 |
| Provision | 17,995 | - | 17,995 | 8,630 | - | 8,630 |
| Foreign exchange | (275) | - | (275) | (1,026) | - | (1,026) |
| Ending balance | $ 53,481 | $ - | $ 53,481 | $ 33,122 | $ - | $ 33,122 |

2) Loss reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | | | | |
| Filed but not paid | $ 6,607 | $ - | $ 6,607 | $ 3,895 | $ - | $ 3,895 | $ 1,751 | $ - | $ 1,751 |
| Individual injury insurance | | | | | | | | | |
| Filed but not paid | 1,518 | - | 1,518 | 991 | - | 991 | 767 | - | 767 |
| Not yet filed | 2,695 | - | 2,695 | 1,952 | - | 1,952 | 1,769 | - | 1,769 |
| Individual health insurance | | | | | | | | | |
| Filed but not paid | 10,203 | - | 10,203 | 2,052 | - | 2,052 | 3,055 | - | 3,055 |
| Not yet filed | 11,183 | - | 11,183 | 6,349 | - | 6,349 | 5,287 | - | 5,287 |
| Investment-linked insurance | | | | | | | | | |
| Filed but not paid | 11,751 | - | 11,751 | 3,842 | - | 3,842 | 1,772 | - | 1,772 |
| | $ 43,957 | $ - | $ 43,957 | $ 19,081 | $ - | $ 19,081 | $ 14,401 | $ - | $ 14,401 |

The changes of loss reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 19,081 | $ - | $ 19,081 | $ 11,990 | $ - | $ 11,990 |
| Provision | 24,985 | - | 24,985 | 2,869 | - | 2,869 |
| Foreign exchange | (109) | - | (109) | (458) | - | (458) |
| Ending balance | $ 43,957 | $ - | $ 43,957 | $ 14,401 | $ - | $ 14,401 |

3) Policy reserve

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 7,564,528 | $ - | $ 7,564,528 | $ 6,278,493 | $ - | $ 6,278,493 | $ 5,649,304 | $ - | $ 5,649,304 |
| Investment-linked insurance | 695,149 | - | 695,149 | 419,412 | - | 419,412 | 337,379 | - | 337,379 |
| | $ 8,259,677 | $ - | $ 8,259,677 | $ 6,697,905 | $ - | $ 6,697,905 | $ 5,986,683 | $ - | $ 5,986,683 |

The changes of policy reserve are summarized below:

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 6,697,905 | $ - | $ 6,697,905 | $ 4,234,620 | $ - | $ 4,234,620 |
| Provision | 1,617,456 | - | 1,617,456 | 1,932,917 | - | 1,932,917 |
| Foreign exchange | (55,684) | - | (55,684) | (180,854) | - | (180,854) |
| Ending balance | $ 8,259,677 | $ - | $ 8,259,677 | $ 5,986,683 | $ - | $ 5,986,683 |

4) Liability adequacy reserve

| | **Insurance Contracts and Financial Instruments with Discretionary Participation Feature** | | |
|---|---|---|---|
| | **September 30, 2021** | **December 31, 2020** | **September 30, 2020** |
| Unearned premium reserve | $ 53,481 | $ 35,761 | $ 33,122 |
| Policy reserve | 8,259,677 | 6,697,905 | 5,986,683 |
| Book value of insurance liabilities | $ 8,313,158 | $ 6,733,666 | $ 6,019,805 |
| Estimated present value of cash flows | $ 6,132,849 | $ 5,387,856 | $ 4,551,626 |
| Balance of liability adequacy reserve | $ - | $ - | $ - |

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

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

Note 3: There is no merger or transfer of insurance contract for Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

| | **September 30, 2021** | **December 31, 2020** | **September 30, 2020** |
|---|---|---|---|
| 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. |

## 24. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of September 30, 2021, December 31, 2020 and September 30, 2020, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Life insurance | $ 73,688 | $ 72,080 | $ 72,330 |
| Investment-linked insurance | 1,066,309 | 938,076 | 938,399 |
| | $ 1,139,997 | $ 1,010,156 | $ 1,010,729 |

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 1,010,156 | $ 1,001,991 |
| Claims and payments | (222,937) | (193,081) |
| Net provision of statutory reserve | 358,311 | 209,518 |
| Foreign exchange | (5,533) | (7,699) |
| Ending balance | $ 1,139,997 | $ 1,010,729 |

b. Cathay Lujiazui Life

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Life insurance | $ 13,606,851 | $ 12,721,352 | $ 12,065,411 |

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 12,721,352 | $ 9,930,017 |
| Premiums received | 3,087,548 | 4,129,986 |
| Claims and payments | (2,476,276) | (2,256,299) |
| Net reserve of statutory reserve | 418,836 | 360,099 |
| Foreign exchange | (144,609) | (98,392) |
| Ending balance | $ 13,606,851 | $ 12,065,411 |

## 25. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedging strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 14,820,865 | $ 18,000,877 |
| Provision | | |
| Compulsory reserve | 5,531,551 | 6,325,428 |
| Additional reserve | 560,436 | 7,735,097 |
| | 6,091,987 | 14,060,525 |
| Recovery | (12,869,898) | (21,848,834) |
| Ending balance | $ 8,042,954 | $ 10,212,568 |

c. Effects due to reserve for foreign exchange valuation

| Items | For the Nine Months Ended September 30, 2021 | | |
|---|---|---|---|
| | Inapplicable Amount (1) | Applicable Amount (2) | Effects (2) - (1) |
| Net income attributable to owners of the Company | $ 94,249,638 | $ 99,671,966 | $ 5,422,328 |
| Earnings per share | 16.11 | 17.03 | 0.92 |
| Reserve for foreign exchange valuation | - | 8,042,954 | 8,042,954 |
| Equity attributable to owners of the Company | 699,954,634 | 697,123,167 | (2,831,467) |

| Items | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Inapplicable Amount (1) | Applicable Amount (2) | Effects (2) - (1) |
| Net income attributable to owners of the Company | $ 37,873,084 | $ 44,103,731 | $ 6,230,647 |
| Earnings per share | 6.47 | 7.54 | 1.07 |
| Reserve for foreign exchange valuation | - | 10,212,568 | 10,212,568 |
| Equity attributable to owners of the Company | 645,784,644 | 641,217,487 | (4,567,157) |

## 26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

### a. Retained earned premium

#### 1) The Company

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 103,535,792 | $ 21,750 | $ 103,557,542 | $ 123,504,416 | $ 36,212 | $ 123,540,628 |
| Reinsurance premium | 29,935 | - | 29,935 | 25,183 | - | 25,183 |
| Premium income | 103,565,727 | 21,750 | 103,587,477 | 123,529,599 | 36,212 | 123,565,811 |
| Less: Reinsurance expenses | (666,580) | - | (666,580) | (602,536) | - | (602,536) |
| Net changes in unearned premium reserve | 152,167 | - | 152,167 | 70,681 | - | 70,681 |
| Retained earned premium | $ 103,051,314 | $ 21,750 | $ 103,073,064 | $ 122,997,744 | $ 36,212 | $ 123,033,956 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 345,305,938 | $ 67,974 | $ 345,373,912 | $ 411,369,684 | $ 141,812 | $ 411,511,496 |
| Reinsurance premium | 86,109 | - | 86,109 | 83,712 | - | 83,712 |
| Premium income | 345,392,047 | 67,974 | 345,460,021 | 411,453,396 | 141,812 | 411,595,208 |
| Less: Reinsurance expenses | (1,688,657) | - | (1,688,657) | (1,607,514) | - | (1,607,514) |
| Net changes in unearned premium reserve | 308,072 | - | 308,072 | 174,559 | - | 174,559 |
| Retained earned premium | $ 344,011,462 | $ 67,974 | $ 344,079,436 | $ 410,020,441 | $ 141,812 | $ 410,162,253 |

#### 2) Cathay Lujiazui Life

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 3,153,373 | $ - | $ 3,153,373 | $ 3,044,708 | $ - | $ 3,044,708 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 3,153,373 | - | 3,153,373 | 3,044,708 | - | 3,044,708 |
| Less: Reinsurance expenses | (44,119) | - | (44,119) | (39,882) | - | (39,882) |
| Net changes in unearned premium reserve | (124,835) | - | (124,835) | (102,896) | - | (102,896) |
| Retained earned premium | $ 2,984,419 | $ - | $ 2,984,419 | $ 2,901,930 | $ - | $ 2,901,930 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 10,633,611 | $ - | $ 10,633,611 | $ 9,230,301 | $ - | $ 9,230,301 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 10,633,611 | - | 10,633,611 | 9,230,301 | - | 9,230,301 |
| Less: Reinsurance expenses | (129,693) | - | (129,693) | (118,332) | - | (118,332) |
| Net changes in unearned premium reserve | (66,403) | - | (66,403) | (54,197) | - | (54,197) |
| Retained earned premium | $ 10,437,515 | $ - | $ 10,437,515 | $ 9,057,772 | $ - | $ 9,057,772 |

### 3) Cathay Life (Vietnam)

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 688,290 | $ - | $ 688,290 | $ 558,227 | $ - | $ 558,227 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 688,290 | - | 688,290 | 558,227 | - | 558,227 |
| Less: Reinsurance expenses | (9,146) | - | (9,146) | (130) | - | (130) |
| Net changes in unearned premium reserve | (8,647) | - | (8,647) | (6,093) | - | (6,093) |
| Retained earned premium | $ 670,497 | $ - | $ 670,497 | $ 552,004 | $ - | $ 552,004 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 2,054,175 | $ - | $ 2,054,175 | $ 1,502,849 | $ - | $ 1,502,849 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 2,054,175 | - | 2,054,175 | 1,502,849 | - | 1,502,849 |
| Less: Reinsurance expenses | (13,046) | - | (13,046) | (357) | - | (357) |
| Net changes in unearned premium reserve | (17,995) | - | (17,995) | (8,630) | - | (8,630) |
| Retained earned premium | $ 2,023,134 | $ - | $ 2,023,134 | $ 1,493,862 | $ - | $ 1,493,862 |

## b. Retained claim payments

### 1) The Company

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 73,184,594 | $ 1,013,317 | $ 74,197,911 | $ 66,657,173 | $ 2,056,376 | $ 68,713,549 |
| Reinsurance claim payments | 21,500 | - | 21,500 | 13,751 | - | 13,751 |
| Insurance claim payments | 73,206,094 | 1,013,317 | 74,219,411 | 66,670,924 | 2,056,376 | 68,727,300 |
| Less: Claims recovered from reinsures | (446,012) | - | (446,012) | (385,364) | - | (385,364) |
| Retained claim payments | $ 72,760,082 | $ 1,013,317 | $ 73,773,399 | $ 66,285,560 | $ 2,056,376 | $ 68,341,936 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 203,868,024 | $ 2,913,068 | $ 206,781,092 | $ 191,014,733 | $ 5,784,708 | $ 196,799,441 |
| Reinsurance claim payments | 50,389 | - | 50,389 | 35,345 | - | 35,345 |
| Insurance claim payments | 203,918,413 | 2,913,068 | 206,831,481 | 191,050,078 | 5,784,708 | 196,834,786 |
| Less: Claims recovered from reinsures | (1,399,300) | - | (1,399,300) | (1,011,754) | - | (1,011,754) |
| Retained claim payments | $ 202,519,113 | $ 2,913,068 | $ 205,432,181 | $ 190,038,324 | $ 5,784,708 | $ 195,823,032 |

## 2) Cathay Lujiazui Life

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 500,902 | $ - | $ 500,902 | $ 549,236 | $ - | $ 549,236 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 500,902 | - | 500,902 | 549,236 | - | 549,236 |
| Less: Claims recovered from reinsures | (33,000) | - | (33,000) | (29,048) | - | (29,048) |
| Retained claim payments | $ 467,902 | $ - | $ 467,902 | $ 520,188 | $ - | $ 520,188 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 1,722,745 | $ - | $ 1,722,745 | $ 1,361,912 | $ - | $ 1,361,912 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 1,722,745 | - | 1,722,745 | 1,361,912 | - | 1,361,912 |
| Less: Claims recovered from reinsures | (95,368) | - | (95,368) | (73,941) | - | (73,941) |
| Retained claim payments | $ 1,627,377 | $ - | $ 1,627,377 | $ 1,287,971 | $ - | $ 1,287,971 |

## 3) Cathay Life (Vietnam)

| | For the Three Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 55,756 | $ - | $ 55,756 | $ 49,018 | $ - | $ 49,018 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 55,756 | - | 55,756 | 49,018 | - | 49,018 |
| Less: Claims recovered from reinsures | - | - | - | - | - | - |
| Retained claim payments | $ 55,756 | $ - | $ 55,756 | $ 49,018 | $ - | $ 49,018 |

| | For the Nine Months Ended September 30 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 176,703 | $ - | $ 176,703 | $ 171,451 | $ - | $ 171,451 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 176,703 | - | 176,703 | 171,451 | - | 171,451 |
| Less: Claims recovered from reinsures | - | - | - | - | - | - |
| Retained claim payments | $ 176,703 | $ - | $ 176,703 | $ 171,451 | $ - | $ 171,451 |

## 27. PROVISIONS

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 56,245 | $ 233,871 |
| Provision | - | 2,984 |
| Reversal | - | (179,038) |
| Foreign exchange differences | - | (1,572) |
| Ending balance | $ 56,245 | $ 56,245 |

## 28. OTHER LIABILITIES

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Advance receipts | $ 408,125 | $ 341,735 | $ 471,756 |
| Deferred fee income | 3,872 | 5,548 | 5,612 |
| Guarantee deposits received | 8,121,391 | 14,233,208 | 10,281,538 |
| Others (Note) | 9,626,427 | 11,301,064 | 7,895,951 |
| | $ 18,159,815 | $ 25,881,555 | $ 18,654,857 |

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to $2,735,735 thousand and $3,802,965 thousand as of September 30, 2021 and December 31, 2020, respectively.

Deferred fee income

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred fee income related to investment management services of such contracts are summarized below:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 5,548 | $ 7,210 |
| Amortization | (1,335) | (1,276) |
| Foreign exchange | (341) | (322) |
| Ending balance | $ 3,872 | $ 5,612 |

## 29. RETIREMENT BENEFIT PLANS

The pension expense of defined benefit plans was calculated based on the recognized pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively, and recognized as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| General expenses | $ 57,357 | $ 57,882 | $ 172,071 | $ 173,648 |

## 30. EQUITY

a. Share capital

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 10,000,000 | 10,000,000 | 10,000,000 |
| Shares authorized | $ 100,000,000 | $ 100,000,000 | $ 100,000,000 |
| Number of shares issued and fully paid (in thousands) | 5,851,527 | 5,851,527 | 5,851,527 |
| Shares issued | $ 58,515,274 | $ 58,515,274 | $ 58,515,274 |

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

b. Capital surplus

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Additional paid-in capital | $ 59,550,000 | $ 59,550,000 | $ 59,550,000 |
| Differences between share price and book value from acquisition or disposal of subsidiaries | 29,142 | 29,142 | 29,142 |
| Changes in amount of associates accounted for using the equity method | 836,109 | 844,792 | 843,995 |
| Share-based payments granted by the parent company to the Company’s employees | 182,599 | 182,599 | 182,599 |
| | $ 60,597,850 | $ 60,606,533 | $ 60,605,736 |

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus). According to Jin Guan Bao Tsai No. 10202501991 issued by the FSC on February 8, 2013, if a life insurance enterprise intends to distribute its capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders’ meeting.

The capital surplus arising from investments accounted for using the equity method and share-based payments granted by the parent company to the Company’s employees may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 32 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. Pursuant to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders' meeting.

According to Jin Guan Bao Tsai No. 10202501992, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2020 and 2019 had been approved by the board of directors (on behalf of the shareholders) on April 28, 2021 and April 29, 2020, respectively. The appropriations and dividends per share were as follows:

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

The Company's board of directors (on behalf of the shareholders) resolved to offset the deficit by legal reserve of $1,676,041 thousand and special reserve of $23,690,492 thousand on April 28, 2021. In addition, the board of directors (on behalf of the shareholders) resolved to offset the deficits by legal reserve of $31,181,609 thousand on April 29, 2020.

d. Special reserves

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Special reserve for catastrophic events and fluctuation of risks (1) | $ 14,908,281 | $ 14,908,281 | $ 14,552,237 |
| Special reserve for the foreign exchange valuation reserve (2) | 23,277,194 | 33,677,108 | 33,677,108 |
| Special reserve appropriated at the first-time adoption of IFRSs (3) | 47,327,860 | 47,327,860 | 47,327,860 |
| Special reserve for investment properties at fair value model in subsequent measurement (4) | 149,344,667 | 148,125,659 | 148,125,659 |
| Special reserve for gains or losses on disposal of immature debt instruments (5) | 67,293,218 | 25,491,229 | 25,491,229 |
| Others (6) | 86,449,379 | 77,790,075 | 76,415,368 |
| | $ 388,600,599 | $ 347,320,212 | $ 345,589,461 |

1) Special reserve for catastrophic events and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for catastrophic events and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for catastrophic events and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for catastrophic events

All types of insurance should follow the reserve rates for catastrophic events set by the authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of $30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with IAS 12 “Income Taxes” can be recorded in the special capital reserve for catastrophic events under equity.

b) Special reserve for fluctuation of risks

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of write-down or recovery determined in accordance with the IAS 12 “Income Taxes” can be recorded in the special capital reserve for fluctuation of risks under equity.

For the abovementioned special reserves, the annual provision should be recorded in special reserve under equity, net of tax in accordance with IAS 12 “Income Taxes”.

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, life insurance enterprises should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from the implementation. The abovementioned special reserve includes the reduced recover amounts of special reserve for catastrophic events and special reserve for fluctuation of risks, which are calculated in accordance with the Articles 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Jin Guan Bao Tsai No. 09802513192, the revised Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise, issued on December 28, 2009, the provision for special reserve for catastrophic events and for fluctuation of risks is recognized at the end of the year and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

| | September 30, 2021 | | |
|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | $ 114,248 | $ - | $ 114,248 |
| Injury insurance | 4,829,191 | - | 4,829,191 |
| Health insurance | 5,498,542 | - | 5,498,542 |
| Group insurance | 4,466,300 | - | 4,466,300 |
| | $ 14,908,281 | $ - | $ 14,908,281 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | $ 114,248 | $ - | $ 114,248 |
| Injury insurance | 4,829,191 | - | 4,829,191 |
| Health insurance | 5,498,542 | - | 5,498,542 |
| Group insurance | 4,466,300 | - | 4,466,300 |
| | $ 14,908,281 | $ - | $ 14,908,281 |

| | September 30, 2020 | | |
|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | $ 113,087 | $ - | $ 113,087 |
| Injury insurance | 4,800,448 | - | 4,800,448 |
| Health insurance | 5,324,076 | - | 5,324,076 |
| Group insurance | 4,314,626 | - | 4,314,626 |
| | $ 14,552,237 | $ - | $ 14,552,237 |

2) Special reserve for foreign exchange valuation reserve

According to Jin Guan Bao Tsai No. 10102501551 issued on February 7, 2012 and Article 9 of the Direction for Reserve for Foreign Exchange Reserve, the Company should appropriate a special reserve of 10% of the profit after tax in order to strengthen the foreign exchange reserve and capital.

According to Jin Guan Bao Tsai No. 10102501551 issued on February 7, 2012 and Jin Guan Bao Tsai No. 10402026901 issued on May 8, 2015 and Article 8 of the Direction for Reserve for Foreign Exchange Reserve, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should be set aside in later years if there are no sufficient earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects at the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. According to Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to $2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861.

In accordance with Jin Guan Bao Tsai No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is $10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Jin Guan Bao Tsai No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes of relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

5) Special reserve from gains or losses on disposal of immature debt instruments

According to Jin Guan Bao Tsai No. 10804501381 starting from January 1, 2019, a life insurance enterprise should make a special reserve from gains or losses after a tax of 20% on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

a) Financial assets not measured at fair value

b) Financial assets measured at FVTOCI

c) Financial assets measured at FVTPL using overlay approach

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

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

e. Other equity

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

| | **For the Nine Months Ended September 30** | |
|---|---|---|
| | **2021** | **2020** |
| Beginning balance | $ (12,934,112) | $ (11,187,030) |
| Recognized for the period | (1,440,378) | (2,329,114) |
| Share of associates accounted for using the equity method | (874,393) | (107,156) |
| Tax effects | 171,514 | 4,496 |
| Other comprehensive loss recognized for the period | (2,143,257) | (2,431,774) |
| Ending balance | $ (15,077,369) | $ (13,618,804) |

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| Beginning balance | $ 92,536,203 | $ 57,531,736 |
| Recognized for the period | (50,855,934) | 34,549,386 |
| Share of associates accounted for using the equity method | 132,923 | 343,582 |
| Reclassification adjustment | | |
| Disposal of investments in debt instruments | (21,125,991) | (20,081,800) |
| Tax effects | 13,891,243 | (2,032,124) |
| Other comprehensive (loss) income recognized for the period | (57,957,759) | 12,779,044 |
| Cumulative unrealized (income) loss of equity instruments transferred to retained earnings due to disposal | (112,342) | 46,746 |
| Ending balance | $ 34,466,102 | $ 70,357,526 |

3) Gain (loss) on hedging instruments

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| Beginning balance | $ 347,871 | $ 331,929 |
| Recognized for the period | (87,429) | 153,902 |
| Reclassification adjustment | | |
| Hedged item that affects profit or loss | (11,554) | (53,966) |
| Tax effects | 22,781 | (15,621) |
| Other comprehensive (loss) income recognized for the period | (76,202) | 84,315 |
| Ending balance | $ 271,669 | $ 416,244 |

4) Remeasurement of defined benefit plans

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| Beginning balance | $ 226,758 | $ 447,694 |
| Share of associates accounted for using the equity method | (12,464) | (10,864) |
| Tax effects | 2,493 | 2,173 |
| Other comprehensive loss recognized for the period | (9,971) | (8,691) |
| Ending balance | $ 216,787 | $ 439,003 |

5) Property revaluation surplus

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | **2021** | **2020** |
| Beginning balance | $ 187,503 | $ 187,503 |
| Changes in the period | - | - |
| Ending balance | $ 187,503 | $ 187,503 |

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 102,093,109 | $ 57,760,564 |
| Recognized for the period | 39,573,319 | 55,813,421 |
| Reclassification adjustment | | |
| Disposal of investments in financial instruments | (97,043,579) | (58,366,842) |
| Tax effects | 1,258,195 | 627,220 |
| Other comprehensive loss recognized for the period | (56,212,065) | (1,926,201) |
| Ending balance | $ 45,881,044 | $ 55,834,363 |

7) Other equity - other

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ (3,944,303) | $ - |
| Actual execution of put options on subsidiaries' share | 731,017 | - |
| Others | (11,103) | - |
| Ending balance | $ (3,224,389) | $ - |

f. Non-controlling interests

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 7,399,117 | $ 5,899,205 |
| Net income attributed to non-controlling interests | | |
| Net profit for the period | 577,673 | 743,915 |
| Other comprehensive (loss) income for the period | | |
| Exchange differences on translation of the financial statements of foreign operations | (121,155) | (111,178) |
| Other comprehensive income (loss) reclassified using overlay approach | 65,089 | (68,510) |
| Acquisition of non-controlling interests in subsidiaries (Note 43) | - | 1,302,994 |
| Actual acquisition of interests in subsidiaries | (176,506) | - |
| Others | (514,009) | (583,516) |
| Ending balance | $ 7,230,209 | $ 7,182,910 |

## 31. EARNINGS PER SHARE

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Basic earnings per share | $ 3.84 | $ 4.21 | $ 17.03 | $ 7.54 |

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

**Net Profit for the Period**

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Earnings used in the computation of basic earnings per share | $ 22,465,257 | $ 24,637,967 | $ 99,671,966 | $ 44,103,731 |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 5,851,527 | 5,851,527 | 5,851,527 | 5,851,527 |

If reserve for foreign exchange valuation was not applicable, earnings per share would be $3.68, $4.70, $16.11 and $6.47 for the three months and nine months ended September 30, 2021 and 2020, respectively.

## 32. NET PROFIT FOR THE PERIOD

a. Interest income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Financial assets at FVTOCI | $ 9,715,775 | $ 7,921,026 | $ 28,745,240 | $ 22,823,177 |
| Financial assets measured at amortized cost | 25,650,629 | 27,170,907 | 77,161,053 | 81,959,758 |
| Loans | 3,501,327 | 3,585,450 | 10,389,207 | 11,026,179 |
| Others | 506,107 | 474,258 | 1,461,090 | 2,145,339 |
| | $ 39,373,838 | $ 39,151,641 | $ 117,756,590 | $ 117,954,453 |

b. Expected credit impairment losses and gains on reversal

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Operating revenues - expected credit impairment losses and gains on reversal from investments | | | | |
| Debt instrument investments at FVTOCI | $ 30,165 | $ (30,329) | $ 348,303 | $ (353,248) |
| Financial assets measured at amortized cost | 143,265 | 108,346 | 1,782,507 | (1,467,303) |
| Loans | (421,228) | (223,336) | (510,611) | 48,838 |
| | (247,798) | (145,319) | 1,620,199 | (1,771,713) |
| Operating expenses - expected credit impairment losses from non-investments | | | | |
| Receivables | (6,807) | 1,873 | (15,342) | (2,140) |
| Reinsurance assets | - | - | - | (6,408) |
| | (6,807) | 1,873 | (15,342) | (8,548) |
| | $ (254,605) | $ (143,446) | $ 1,604,857 | $ (1,780,261) |

c. Employee benefits expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Short-term benefits | | | | |
| Salaries | $ 8,602,644 | $ 8,747,714 | $ 26,528,425 | $ 27,150,303 |
| Labor and health insurance expenses | 703,811 | 710,879 | 2,320,563 | 2,305,188 |
| Post-employment benefits | | | | |
| Defined contribution plans | 255,183 | 293,311 | 833,413 | 943,413 |
| Defined benefit plans (Note 29) | 57,357 | 57,882 | 172,071 | 173,648 |
| Remuneration of directors | 25,084 | 36,225 | 71,316 | 49,738 |
| Other employee benefits | 199,020 | 252,021 | 641,321 | 898,688 |
| | $ 9,843,099 | $ 10,098,032 | $ 30,567,109 | $ 31,520,978 |
| An analysis of employee benefits expense by function | | | | |
| Operating costs | $ 6,751,582 | $ 7,124,720 | $ 21,108,229 | $ 22,734,553 |
| Operating expenses | 3,091,517 | 2,973,312 | 9,458,880 | 8,786,425 |
| | $ 9,843,099 | $ 10,098,032 | $ 30,567,109 | $ 31,520,978 |

As of September 30, 2021 and 2020, the total numbers of the Group’s employees were 41,625 and 41,740, including 21 and 15 non-executive directors, respectively.

d. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration of directors and supervisors. However, the Company has to first cover accumulated losses, if any. Compensation of employees shall be paid in cash or in shares and resolved by the board of directors in their meeting. The distribution is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. The resolution shall be reported to the shareholders' meeting.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the three months and nine months ended September 30, 2021 and 2020, respectively, as follows:

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Employees' compensation | $ 2,380 | $ 1,681 | $ 10,994 | $ 4,419 |
| Remuneration of directors and supervisors | 1,350 | 1,350 | 4,050 | 4,050 |

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

The compensation and remuneration of directors and supervisors for the years ended 2020 and 2019, which were resolved by the board of directors on March 10, 2021 and March 11, 2020, respectively, are as follows:

| | **2020** | **2019** |
|---|---|---|
| Employees' compensation | $ 4,996 | $ 3,961 |
| Remuneration of directors and supervisors | 5,400 | 5,700 |

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

e. Depreciation and amortization

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Property and equipment | $ 189,851 | $ 177,181 | $ 535,819 | $ 536,074 |
| Right-of-use assets | 156,112 | 146,897 | 438,848 | 430,431 |
| Intangible assets | 654,637 | 699,684 | 1,964,222 | 1,997,842 |
| | $ 1,000,600 | $ 1,023,762 | $ 2,938,889 | $ 2,964,347 |

(Continued)

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| An analysis of depreciation by function | | | | |
| Operating expenses | $ 345,963 | $ 324,078 | $ 974,667 | $ 966,505 |
| An analysis of amortization by function | | | | |
| Operating expenses | $ 654,637 | $ 699,684 | $ 1,964,222 | $ 1,997,842 |

(Concluded)

f. Non-operating income and expenses

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Loss on disposal of property and equipment | $ (579) | $ (196) | $ (2,186) | $ (2,237) |
| Others | 333,027 | 347,930 | 1,144,632 | 1,199,119 |
| | $ 332,448 | $ 347,734 | $ 1,142,446 | $ 1,196,882 |

## 33. INCOME TAXES

a. Income tax recognized in profit or loss

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax | | | | |
| In respect of the current period | $ 365,357 | $ 6,578,907 | $ 11,088,890 | $ 17,901,619 |
| Adjustments for prior years | - | 16,295 | (47,902) | (128,307) |
| Deferred tax | | | | |
| In respect of the current period | (205,036) | (5,714,937) | (3,086,301) | (17,163,446) |
| Adjustments for prior years | - | - | 91,464 | (122) |
| Other | | | | |
| Additional income tax under Alternative Minimum Tax Act | 1,675,395 | - | 3,740,834 | - |
| Tax effect under integrated income tax system | (195,214) | - | (861,973) | - |
| Income tax expense recognized in profit or loss | $ 1,640,502 | $ 880,265 | $ 10,925,012 | $ 609,744 |

Foreign withholding taxes in the amounts of $274,316 thousand, $306,583 thousand, $706,152 thousand and $763,362 thousand were recognized in current tax expense for the three months and nine months ended September 30, 2021 and 2020, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax | | | | |
| Derecognition of equity instruments at FVTOCI | $ 64,143 | $ 7,585 | $ 94,254 | $ 20,955 |
| Deferred tax | | | | |
| Derecognition of equity instruments at FVTOCI | (64,143) | (7,585) | (94,254) | (20,955) |
| Capital surplus | (1,292) | - | (1,235) | - |
| Retained earnings | (6,726) | - | (6,726) | - |
| Total income tax recognized directly in equity | $ (8,018) | $ - | $ (7,961) | $ - |

c. Income tax recognized in other comprehensive income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Deferred tax | | | | |
| Recognized in other comprehensive income | | | | |
| Exchange differences on translation of the financial statements of foreign operations | $ 77,172 | $ (22,238) | $ 171,514 | $ 4,496 |
| (Gains) losses on hedging instruments | 2,503 | 10,576 | 22,781 | (15,621) |
| Unrealized losses on equity instruments at FVTOCI | 231,273 | 148,306 | 367,032 | 617,695 |
| Unrealized (gains) losses on debt instruments at FVTOCI | 2,634,892 | (199,591) | 13,533,563 | (2,679,965) |
| Share of other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method | 12,200 | 8,813 | (6,859) | 32,319 |
| Other comprehensive income (loss) reclassified using overlay approach | 1,615,944 | (2,055,920) | 1,258,195 | 627,220 |
| Total income tax recognized in other comprehensive income | $ 4,573,984 | $ (2,110,054) | $ 15,346,226 | $ (1,413,856) |

d. Income tax assessments

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

## 34. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Cathay Financial Holdings | The Company's parent company |
| Cathay Securities Investment Consulting | Subsidiary |
| Cathay Lujiazui Life | Subsidiary |
| Cathay Life (Vietnam) | Subsidiary |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Subsidiary |
| Cathay Woolgate Exchange Holding 1 Limited | Subsidiary |
| Cathay Woolgate Exchange Holding 2 Limited | Subsidiary |
| Cathay Walbrook Holding 1 Limited | Subsidiary |
| Cathay Walbrook Holding 2 Limited | Subsidiary |
| CHL | Subsidiary |
| Cathay Industrial Research and Design Center Co., Ltd. | Subsidiary |
| Global Evolution Holding ApS | Subsidiary (subsidiary's associate before June 2020) |
| Symphox Information Co., Ltd. | Associate |
| PSS Co., Ltd. | Associate |
| TaiYang Solar Power Co., Ltd. | Associate |
| Lin Yuan Property Management Co., Ltd. | Associate (other related party before May 2020) |
| CM Energy Co., Ltd. | Associate |
| Seaward Card Co., Ltd. | Subsidiary of associate |
| ThinkPower Information Co., Ltd. | Subsidiary of associate |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | Subsidiary of associate |
| Hong-Sui Co., Ltd. | Subsidiary of associate |
| Cathay United Bank Co., Ltd. | Fellow subsidiary |
| Cathay Century Insurance Co., Ltd. | Fellow subsidiary |
| Cathay Securities Corporation | Fellow subsidiary |
| Cathay Securities Investment Trust Co., Ltd. | Fellow subsidiary |
| Cathay Venture Inc. | Fellow subsidiary |
| Cathay Insurance (Vietnam) Co., Ltd. | Subsidiary of fellow subsidiary |
| Indovina Bank Limited | Subsidiary of fellow subsidiary |
| Cathay Futures Co., Ltd. | Subsidiary of fellow subsidiary |
| Cathay Securities (Hong Kong) Limited | Subsidiary of fellow subsidiary |
| Funds managed by Cathay Securities Investment Trust Co., Ltd. | Other related party |
| Private Equity Fund managed by Cathay Private Equity | Other related party |
| Funds managed by Global Evolution Holdings ApS | Other related party |
| Funds managed by Octagon Credit Investors, LLC | Other related party |

(Continued)

| Related Party Name | Related Party Category |
|---|---|
| Bonds managed by Octagon Credit Investors, LLC | Other related party |
| Ally Logistic Property Co., Ltd. | Other related party (subsidiary of associate before January 2020) |
| Cathay Real Estate Development Co., Ltd. | Other related party |
| Cathay Healthcare Management Co., Ltd. | Other related party |
| Cathay Medical Care Corp. | Other related party |
| Cathay Hospitality Management Co., Ltd. | Other related party |
| San Ching Engineering Co., Ltd. | Other related party |
| Cathay Hospitality Consulting Co., Ltd. | Other related party |
| Cymlin Co., Ltd. | Other related party |
| Cymder Co., Ltd. | Other related party |
| Retail Forest Co., Ltd. | Other related party |
| Cathay United Bank Foundation | Other related party |
| Hsin Chung Co., Ltd. | Other related party |
| Yi Ru Capital Co., Ltd. | Other related party |
| Daiwa - Cathay Capital Markets Co., Ltd. | Other related party |
| CDIB & PARTNERS Investment Holding Corporation | Other related party |
| Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship) | Other related party |

(Concluded)

b. Significant transactions with related parties:

1) Property transactions

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

a) Significant transactions from undertaking contracted projects with related parties are listed below:

| | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Name | Items | Amount | Items | Amount |
| Associate and its subsidiary | | | | |
| Lin Yuan Property Management Co., Ltd. | Cathay headquarters building, etc. | $ 6,130 | International Tower | $ 6,310 |
| Other related party | | | | |
| San Ching Engineering Co., Ltd. | Tucheng East Building, etc. | 907,911 | THSR Taoyuan Commercial Park, etc. | 916,201 |
| Ally Logistic Property Co., Ltd. | Rueifang Logistics Park, etc. | 664,620 | Yangmei Logistics Park, etc. | 696,057 |
| | | 1,572,531 | | 1,612,258 |
| | | $ 1,578,661 | | $ 1,618,568 |

As of September 30, 2021, December 31, 2020 and September 30, 2020, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were $2,607,361 thousand, $2,569,290 thousand and $2,569,290 thousand, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were $7,324,009 thousand, $7,393,657 thousand and $4,463,999 thousand, respectively.

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

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Parent company | | | | |
| Cathay Financial Holdings | $ 37,548 | $ 32,121 | $ 104,819 | $ 90,834 |
| Subsidiary | | | | |
| Cathay Securities Investment Consulting | 2,447 | 2,464 | 7,342 | 7,292 |
| Associate and its subsidiary | | | | |
| Symphox Information Co., Ltd. | 8,220 | 7,401 | 24,640 | 31,522 |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | 7,221 | 2,322 | 24,640 | 11,072 |
| Hong-Sui Co., Ltd. | 6,759 | 6,955 | 21,373 | 19,932 |
| Lin Yuan Property Management Co., Ltd. | 4,261 | 5,498 | 15,119 | 13,604 |
| | 26,461 | 22,176 | 85,772 | 76,130 |
| Fellow subsidiary and its subsidiary | | | | |
| Cathay United Bank Co., Ltd. | 192,678 | 194,155 | 540,248 | 539,491 |
| Cathay Century Insurance Co., Ltd. | 27,704 | 27,634 | 82,511 | 82,570 |
| Cathay Securities Investment Trust Co., Ltd. | 14,406 | 12,977 | 42,705 | 39,455 |
| Cathay Securities Co., Ltd. | 13,344 | 11,773 | 39,835 | 35,935 |
| Cathay Futures Co., Ltd. | 1,731 | 1,843 | 5,192 | 5,646 |
| Cathay Venture Inc. | 1,394 | 1,394 | 4,181 | 4,181 |
| | 251,257 | 249,776 | 714,672 | 707,278 |
| Other related party | | | | |
| Ally Logistic Property Co., Ltd. | 195,969 | 184,379 | 587,676 | 559,347 |
| Cathay Medical Care Corp. | 45,583 | 46,339 | 141,566 | 141,967 |
| Cathay Hospitality Consulting Co., Ltd. | 19,990 | 33,535 | 105,159 | 78,715 |
| Cathay Hospitality Management Co., Ltd. | 15,311 | 42,605 | 102,513 | 133,300 |
| Cathay Healthcare Management Co., Ltd. | 13,807 | 17,479 | 48,981 | 52,414 |
| Cathay Real Estate Development Co., Ltd. | 4,617 | 4,590 | 13,742 | 14,389 |
| Cymder Co., Ltd. | 2,076 | - | 5,535 | - |
| San Ching Engineering Co., Ltd. | 1,628 | 1,495 | 4,845 | 4,414 |
| Cathay United Bank Foundation | 1,312 | 1,312 | 3,937 | 3,937 |
| Hsin Chung Co., Ltd. | 1,076 | 1,559 | 7,527 | 7,118 |
| Retail Forest Co., Ltd. | - | 3,650 | 2,028 | 4,750 |
| | 301,369 | 336,943 | 1,023,509 | 1,000,351 |
| | $ 619,082 | $ 643,480 | $ 1,936,114 | $ 1,881,885 |

| Name | Guarantee Deposits Received | | |
|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| Parent company | | | |
| Cathay Financial Holdings | $ 33,301 | $ 29,781 | $ 29,392 |
| Associate and its subsidiary | | | |
| Symphox Information Co., Ltd. | 8,000 | 8,000 | 13,199 |
| Hong-Sui Co., Ltd. | 4,740 | 5,145 | 5,145 |
| Yua-Yang Marketing (Taiwan) Co., Ltd. | 4,552 | 3,487 | 3,486 |
| | 17,292 | 16,632 | 21,830 |
| Fellow subsidiary | | | |
| Cathay United Bank Co., Ltd. | 187,202 | 186,446 | 186,446 |
| Cathay Century Insurance Co., Ltd. | 26,732 | 26,580 | 26,580 |
| Cathay Securities Investment Trust Co., Ltd. | 14,080 | 11,873 | 11,873 |
| Cathay Securities Corporation | 12,617 | 11,750 | 11,562 |
| | 240,631 | 236,649 | 236,461 |
| Other related party | | | |
| Cathay Hospitality Management Co., Ltd. | 188,248 | 186,584 | 186,445 |
| Cathay Hospitality Consulting Co., Ltd. | 181,185 | 180,473 | 179,392 |
| Ally Logistic Property Co., Ltd. | 143,270 | 142,869 | 127,445 |
| Cathay Healthcare Management Co., Ltd. | 21,113 | 20,384 | 20,384 |
| Cathay Medical Care Corp. | 11,435 | 11,435 | 11,435 |
| Retail Forest Co., Ltd. | 5,745 | 5,745 | 3,663 |
| Cathay Real Estate Development Co., Ltd. | 4,090 | 4,090 | 4,090 |
| Cymlin Co., Ltd. | 4,081 | 4,081 | 4,081 |
| Hsin Chung Co., Ltd. | 3,072 | 3,072 | 3,072 |
| | 562,239 | 558,733 | 540,007 |
| | $ 853,463 | $ 841,795 | $ 827,690 |

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

c) Lease arrangements

| Name | Acquisition of Right-of-use Assets | | | |
|---|---|---|---|---|
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Fellow subsidiary | | | | |
| Cathay United Bank Co., Ltd. | $ - | $ - | $ - | $ 58,426 |
| Other related party | | | | |
| Cathay Real Estate Development Co., Ltd. | - | - | - | 20,565 |
| Yi Ru Capital Co., Ltd. | - | - | 8,402 | - |
| | - | - | 8,402 | 20,565 |
| | $ - | $ - | $ 8,402 | $ 78,991 |

| Name | Lease Liabilities | | |
|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| Fellow subsidiary | | | |
| Cathay United Bank Co., Ltd. | $ 14,829 | $ 42,437 | $ 53,686 |
| Other related party | | | |
| Cathay Real Estate Development Co., Ltd. | 11,000 | 16,478 | 17,309 |
| Yi Ru Capital Co., Ltd. | 6,311 | - | - |
| | 17,311 | 16,478 | 17,309 |
| | $ 32,140 | $ 58,915 | $ 70,995 |

| Name | Guarantee Deposits Paid | | |
|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| Fellow subsidiaries | | | |
| Cathay United Bank Co., Ltd. | $ 10,144 | $ 12,019 | $ 12,019 |

2) Shares transactions

a) Acquisition of shares issued by the related parties

| Name | Nature of Transaction | For the Nine Months Ended September 30 2021 | For the Nine Months Ended September 30 2020 |
|---|---|---|---|
| Subsidiary | | | |
| Cathay Securities Investment Consulting | Ordinary shares | $ - | $ 230,000 |
| Associate | | | |
| TaiYang Solar Power Co., Ltd. | Ordinary shares | 189,500 | 118,150 |
| CM Energy Co., Ltd. | Ordinary shares | 135,000 | - |
| PSS Co., Ltd. | Ordinary shares | - | 51,386 |
| Lin Yuan Property Management Co., Ltd. | Ordinary shares | - | 50,649 |
| | | 324,500 | 220,185 |
| | | $ 324,500 | $ 450,185 |

b) Balance of shares issued by the related parties

| Name | Nature of Transaction | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Other related party | | | | |
| Cathay Real Estate Development Co., Ltd. | Ordinary shares | $ 1,321,447 | $ 1,436,792 | $ 1,387,034 |
| Daiwa - Cathay Capital Market Co., Ltd. | Ordinary shares | 143,000 | 139,200 | 137,400 |
| CDIB & PARTNERS Investment | Ordinary shares | 898,020 | 827,820 | 777,600 |
| | | $ 2,362,467 | $ 2,403,812 | $ 2,302,034 |

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

3) Cash in banks

| Name | Nature of Transaction | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Fellow subsidiary | | | | |
| Cathay United Bank Co., Ltd. | Time deposit | $ 1,270,814 | $ 1,068,004 | $ 1,047,767 |
| | Demand deposit | 27,926,847 | 23,114,154 | 19,841,778 |
| | Checking deposit | 266,177 | 349,239 | 224,977 |
| | Security deposit | 6 | 6 | 6 |
| | | 29,463,844 | 24,531,403 | 21,114,528 |
| Subsidiary of fellow subsidiary | | | | |
| Indovina Bank Limited | Time deposit | 2,236,738 | 815,802 | 1,127,009 |
| | Demand deposit | 48,550 | 19,863 | 12,174 |
| | | 2,285,288 | 835,665 | 1,139,183 |
| | | $ 31,749,132 | $ 25,367,068 | $ 22,253,711 |

For the three months and nine months ended September 30, 2021 and 2020, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to $10,938 thousand, $1,052 thousand, $32,713 thousand and $13,718 thousand, respectively.

For the three months and nine months ended September 30, 2021 and 2020, the interest income earned from above bank deposits in Indovina Bank Limited were $44,168 thousand, $14,178 thousand, $102,233 thousand and $28,206 thousand, respectively.

4) Loans

| Name | For the Nine Months Ended September 30, 2021 | | |
|---|---|---|---|
| | Maximum | Rate | Ending Balance |
| Other related party | $ 995,118 | 0.75%-3.17% | $ 846,504 |

| Name | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| | Maximum | Rate | Ending Balance |
| Other related party | $ 950,932 | 0.75%-3.17% | $ 898,706 |

For the three months and nine months ended September 30, 2021 and 2020, the interest income earned from above loans to other related party amounted to $2,774 thousand, $3,541 thousand, $8,265 thousand and $9,432 thousand, respectively.

5) Balance of bonds managed by related parties

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Other related party | | | |
| Bonds managed by Octagon Credit Investors, LLC | $ 4,916,343 | $ 5,006,641 | $ 5,072,904 |

6) Balance of funds managed by related parties

| Name | Item | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Other related party | | | | |
| Funds managed by Octagon Credit Investors, LLC | Market value | $ 2,076,089 | $ 870,939 | $ 836,238 |
| | Cost | $ 2,047,162 | $ 894,337 | $ 908,300 |
| Funds managed by Global Evolution Holding ApS | Market value | $ 2,847,402 | $ 2,864,685 | $ 2,746,603 |
| | Cost | $ 2,483,060 | $ 2,606,653 | $ 2,607,948 |
| Funds managed by Cathay Securities Investment Trust Co., Ltd. | Market value | $ 63,251,915 | $ 68,737,375 | $ 68,151,466 |
| | Cost | $ 63,349,333 | $ 65,853,768 | $ 66,119,393 |
| Private Equity Fund managed by Cathay Private Equity | Market value | $ 1,034,695 | $ 1,034,236 | $ 856,044 |
| | Cost | $ 989,445 | $ 989,445 | $ 840,089 |

7) Balance of discretionary management investments

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 325,713,557 | $ 312,835,430 | $ 277,500,263 |

8) Other receivables

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Parent company | | | |
| Cathay Financial Holdings (Note) | $ 4,503,559 | $ - | $ - |
| Fellow subsidiary and its subsidiary | | | |
| Cathay Century Insurance Co., Ltd. | 76,108 | 58,764 | 81,638 |
| Cathay Securities Investment Trust Co., Ltd. | 63,741 | 57,735 | 47,513 |
| Cathay United Bank Co., Ltd. | 49,231 | 64,684 | 30,124 |
| Indovina Bank Limited | 73,768 | 21,574 | 19,333 |
| | 262,848 | 202,757 | 178,608 |
| | $ 4,766,407 | $ 202,757 | $ 178,608 |

Note: Income tax refund receivables under the integrated income tax system.

9) Guarantee deposits paid (for future transactions)

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Subsidiary of fellow subsidiary | | | |
| Cathay Futures Co., Ltd. | $ 2,484,626 | $ 1,897,019 | $ 2,593,919 |

10) Guarantee deposits received

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Associate and its subsidiary | | | |
| Lin Yuan Property Management Co., Ltd. | $ 5,000 | $ 5,000 | $ 5,000 |
| Other related party | | | |
| San Ching Engineering Co., Ltd. | 963,569 | 979,284 | 674,714 |
| Ally Logistic Property Co., Ltd. | 340,323 | 293,285 | 375,275 |
| | 1,303,892 | 1,272,569 | 1,049,989 |
| | $ 1,308,892 | $ 1,277,569 | $ 1,054,989 |

11) Other payables

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Parent company | | | |
| Cathay Financial Holdings (Note) | $ 1,008,000 | $ 6,206,423 | $ 7,971,894 |
| Subsidiary | | | |
| Cathay Securities Investment Consulting | 31,286 | 30,788 | 31,312 |
| Associate | | | |
| Lin Yuan Property Management Co., Ltd. | 56,364 | 17 | 45,788 |
| Symphox Information Co., Ltd. | 18,642 | 2,961 | 15,006 |
| | 75,006 | 2,978 | 60,794 |
| Fellow subsidiary | | | |
| Cathay United Bank Co., Ltd. | 557,612 | 350,640 | 268,188 |
| Cathay Securities Investment Trust Co., Ltd. | 18,183 | 17,516 | 15,738 |
| Cathay Century Insurance Co., Ltd. | 5,246 | 1,667 | 517 |
| | 581,041 | 369,823 | 284,443 |
| | $ 1,695,333 | $ 6,610,012 | $ 8,348,443 |

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

12) Bonds payable

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Parent company | | | |
| Cathay Financial Holdings | $ 35,000,000 | $ 35,000,000 | $ 35,000,000 |

13) Premium income

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Parent company | | | | |
| Cathay Financial Holdings | $ 1,446 | $ 991 | $ 3,468 | $ 3,877 |
| Fellow subsidiaries | | | | |
| Cathay United Bank Co., Ltd. | 36,881 | 28,790 | 68,100 | 50,470 |
| Cathay Century Insurance Co., Ltd. | 6,968 | 6,641 | 18,445 | 17,845 |
| Cathay Securities Corporation | 2,571 | 2,899 | 9,816 | 7,965 |
| Cathay Securities Investment Trust Co., Ltd. | 1,570 | 780 | 3,545 | 3,057 |
| | 47,990 | 39,110 | 99,906 | 79,337 |
| Other related party | | | | |
| Cathay Medical Care Corp. | 20,195 | 13,007 | 38,134 | 37,224 |
| Other | 133,062 | 182,045 | 264,582 | 392,816 |
| | 153,257 | 195,052 | 302,716 | 430,040 |
| | $ 202,693 | $ 235,153 | $ 406,090 | $ 513,254 |

14) Fee income

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Fellow subsidiary | | | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 19,268 | $ 14,710 | $ 55,538 | $ 46,683 |

15) Insurance expenses

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Fellow subsidiary | | | | |
| Cathay Century Insurance Co., Ltd. | $ 6,404 | $ 4,927 | $ 104,821 | $ 110,070 |

16) Indemnity income

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Fellow subsidiary | | | | |
| Cathay Century Insurance Co., Ltd. | $ - | $ 7,652 | $ 9 | $ 7,652 |

17) Other operating revenue

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Fellow subsidiary | | | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 43,700 | $ 41,108 | $ 127,975 | $ 111,868 |

18) Other operating costs

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Subsidiary's associate | | | | |
| Global Evolution Holding ApS | $ - | $ - | $ - | $ 14,163 |
| Fellow subsidiary | | | | |
| Cathay United Bank Co., Ltd. | 280,523 | 259,430 | 837,819 | 835,137 |
| Cathay Securities Investment Trust Co., Ltd. | 117,312 | 75,487 | 349,877 | 210,711 |
| | 397,835 | 334,917 | 1,187,696 | 1,045,848 |
| | $ 397,835 | $ 334,917 | $ 1,187,696 | $ 1,060,011 |

19) Finance costs

| Name | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Parent company | | | | |
| Cathay Financial Holdings | $ 317,589 | $ 316,722 | $ 942,411 | $ 943,279 |

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

20) Operating expenses

| Name | For the Three Months Ended September 30 2021 | For the Three Months Ended September 30 2020 | For the Nine Months Ended September 30 2021 | For the Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Subsidiary | | | | |
| Cathay Securities Investment Consulting | $ 31,378 | $ 31,789 | $ 92,233 | $ 93,124 |
| Associate and its subsidiary | | | | |
| Lin Yuan Property Management Co., Ltd. | 209,591 | 191,189 | 595,967 | 591,444 |
| Symphox Information Co., Ltd. | 38,066 | 44,850 | 121,031 | 155,058 |
| Seaward Card Co., Ltd. | 22,808 | 17,068 | 51,889 | 47,140 |
| ThinkPower Information Co., Ltd. | 4,558 | 1,321 | 9,987 | 8,169 |
| | 275,023 | 254,428 | 778,874 | 801,811 |
| Fellow subsidiary and its subsidiary | | | | |
| Cathay United Bank Co., Ltd. | 1,881,637 | 1,327,684 | 4,925,699 | 4,277,325 |
| Cathay Securities (Hong Kong) Limited | 934 | 1,492 | 3,788 | 4,535 |
| Cathay Futures Co., Ltd. | 518 | 935 | 1,513 | 3,268 |
| | 1,883,089 | 1,330,111 | 4,931,000 | 4,285,128 |
| Other related party | | | | |
| Cathay Medical Care Corp. | 2,641 | 670 | 9,413 | 2,004 |
| Cathay Real Estate Development Co., Ltd. | 2,319 | 1,209 | 4,061 | 2,955 |
| San Ching Engineering | 1,594 | 975 | 3,562 | 2,925 |
| Cathay Healthcare Management Co., Ltd. | 726 | 5,055 | 4,579 | 14,901 |
| | 7,280 | 7,909 | 21,615 | 22,785 |
| | $ 2,196,770 | $ 1,624,237 | $ 5,823,722 | $ 5,202,848 |

21) Non-operating income

| Name | For the Three Months Ended September 30 2021 | For the Three Months Ended September 30 2020 | For the Nine Months Ended September 30 2021 | For the Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Parent company | | | | |
| Cathay Financial Holdings | $ 2,438 | $ 1,498 | $ 7,759 | $ 6,738 |
| Fellow subsidiary and its subsidiary | | | | |
| Cathay Century Insurance Co., Ltd. | 166,822 | 150,121 | 489,452 | 477,738 |
| Cathay United Bank Co., Ltd. | 31,827 | 46,387 | 133,110 | 131,109 |
| Cathay Securities Corporation | 17,231 | 13,448 | 55,382 | 31,497 |
| Cathay Securities Investment Trust Co., Ltd. | 6,435 | 5,364 | 19,401 | 15,388 |
| Cathay Insurance (Vietnam) Co., Ltd. | 1,575 | 2,164 | 2,843 | 5,958 |
| | 223,890 | 217,484 | 700,188 | 661,690 |
| Other related party | | | | |
| Cathay Healthcare Management Co., Ltd. | 923 | 923 | 3,691 | 3,691 |
| | $ 227,251 | $ 219,905 | $ 711,638 | $ 672,119 |

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

22) Others

As of September 30, 2021, December 31, 2020 and September 30, 2020, the nominal amounts of the financial instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

| Name | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| SWAP | US$ 2,185,000 | US$ 3,498,000 | US$ 3,495,000 |
| CCS | NT$ 100,000 | NT$ - | NT$ - |

c. Remuneration of key management personnel

| | For the Three Months Ended September 30 2021 | For the Three Months Ended September 30 2020 | For the Nine Months Ended September 30 2021 | For the Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Short-term employee benefits | $ 15,382 | $ 13,771 | $ 54,352 | $ 51,263 |
| Post-employment benefits | 668 | 597 | 1,993 | 1,871 |
| | $ 16,050 | $ 14,368 | $ 56,345 | $ 53,134 |

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

## 35. SEPARATE ACCOUNT INSURANCE PRODUCTS

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Separate account insurance product assets | | | |
| Cash in bank | $ 518,231 | $ 447,744 | $ 471,310 |
| Financial assets at FVTPL | 689,648,106 | 632,843,466 | 583,731,009 |
| Other receivables | 7,442,326 | 8,264,484 | 7,702,305 |
| | $ 697,608,663 | $ 641,555,694 | $ 591,904,624 |
| Separate account insurance product liabilities | | | |
| Other payables | $ 388,943 | $ 701,555 | $ 296,030 |
| Reserve for separate account - insurance contracts | 299,064,216 | 277,388,301 | 247,854,190 |
| Reserve for separate account - investment contracts | 398,155,504 | 363,465,838 | 343,754,404 |
| | $ 697,608,663 | $ 641,555,694 | $ 591,904,624 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Separate account insurance product income | | | | |
| Premium income | $ 11,321,283 | $ 15,017,050 | $ 50,954,806 | $ 41,561,344 |
| Interest income | 4 | 251 | 1,385 | 1,317 |
| (Losses) gains from financial assets at FVTPL | (4,581,342) | 10,711,560 | 12,557,212 | (1,319,895) |
| Foreign exchange losses | (398,423) | (3,196,695) | (3,754,050) | (7,052,030) |
| | $ 6,341,522 | $ 22,532,166 | $ 59,759,353 | $ 33,190,736 |
| Separate account insurance product expenses | | | | |
| Claims and payments | $ 3,653,461 | $ 2,079,252 | $ 9,706,855 | $ 6,830,762 |
| Cash surrender value | 6,787,630 | 7,301,659 | 23,614,676 | 19,497,225 |
| (Recovery) provision of separate account reserve | (5,254,607) | 12,168,056 | 23,012,450 | 4,073,702 |
| Administrative expenses | 1,195,744 | 1,019,950 | 3,535,665 | 2,894,599 |
| Non-operating income and expenses | (40,706) | (36,751) | (110,293) | (105,552) |
| | $ 6,341,522 | $ 22,532,166 | $ 59,759,353 | $ 33,190,736 |

For the three months and nine months ended September 30, 2021 and 2020, the rebates earned from counterparties due to the business of separate account insurance products amounted to $205,917 thousand, $183,951 thousand, $618,432 thousand and $613,922 thousand, respectively, which were recorded under fee income.

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

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Separate account insurance product assets | | | |
| Cash in bank | $ 32,086 | $ 4,845 | $ 4,017 |
| Financial assets at FVTPL | 83,764 | 123,985 | 126,886 |
| Other | 51 | 44 | 38 |
| | $ 115,901 | $ 128,874 | $ 130,941 |
| Separate account insurance product liabilities | | | |
| Other payables | $ - | $ 1,723 | $ 1,356 |
| Reserve for separate account | 115,901 | 127,151 | 129,585 |
| | $ 115,901 | $ 128,874 | $ 130,941 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Separate account insurance product income | | | | |
| Premium income | $ 13 | $ 37 | $ 38 | $ 138 |
| (Losses) gains from financial assets at FVTPL | (5,922) | 10,543 | 2,122 | 24,082 |
| Interest income | (2) | 15 | 9 | 44 |
| | $ (5,911) | $ 10,595 | $ 2,169 | $ 24,264 |
| Separate account insurance product expenses | | | | |
| Cash surrender value | $ - | $ 2,387 | $ - | $ 8,652 |
| (Recovery) provision of separate account reserve | (5,212) | 7,096 | 1,979 | 12,967 |
| Other | (699) | 1,112 | 190 | 2,645 |
| | $ (5,911) | $ 10,595 | $ 2,169 | $ 24,264 |

## 36. THE ALLOCATION OF REVENUE AND EXPENSES ARISING FROM BUSINESS TRANSACTIONS, PROMOTION ACTIVITIES AND INFORMATION SHARING BETWEEN PARENT COMPANY AND OTHER SUBSIDIARIES

To elaborate the benefits of economic scale, Cathay Financial Holdings and its subsidiaries cooperate to launch promotion activities, and the related expenses are allocated to each subsidiary directly by the nature of business or on other reasonable basis.

## 37. PLEDGED ASSETS

a. The Company

The Company provided cash, time deposits and government bonds as collateral for the renting of real estate and as guarantee to the courts for litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Guarantee deposits paid - government bonds | $ 10,543,820 | $ 10,553,220 | $ 10,549,163 |
| Guarantee deposits paid - time deposits | 455,667 | 458,667 | 458,667 |
| Guarantee deposits paid - others | 36,482 | 30,754 | 35,280 |
| | $ 11,035,969 | $ 11,042,641 | $ 11,043,110 |

b. Cathay Lujiazui Life

According to the requirement by the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. Details are as follows (in thousands of CNY):

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Guarantee deposits paid - time deposits | CNY 600,000 | CNY 600,000 | CNY 600,000 |

c. Cathay Life (Vietnam)

According to the requirement by the Ministry of Finance of Vietnam, the guaranteed deposit is 2% of the legal capital. Details are as follows (in thousands of VND):

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Guarantee deposits paid - time deposits | VND12,000,000 | VND12,000,000 | VND12,000,000 |

## 38. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.

b. As of September 30, 2021, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT$1,078,600 thousand, US$5,110,162 thousand, EUR486,119 thousand and GBP1,550 thousand.

## 39. FINANCIAL INSTRUMENTS

a. Valuation technique and assumptions used in determining the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

1) The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short maturities.

2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

3) Fair value of equity instruments without an active market (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and P/B ratio of similar entities).

4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).

5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determine their credit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates their debit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.

b. Financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

September 30, 2021

| | Carrying Amount | Fair Values Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 2,686,017,057 | $ 16,736,884 | $ 2,894,135,213 | $ - | $ 2,910,872,097 |

December 31, 2020

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

September 30, 2020

| | Carrying Amount | Fair Values Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 2,700,650,497 | $ 116,027,550 | $ 2,915,973,186 | $ - | $ 3,032,000,736 |

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

c. Fair value of financial instruments that are measured at fair value - on a recurring basis

1) Fair value hierarchy

| Items | September 30, 2021 | | | | December 31, 2020 | | | | September 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Non-derivative instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | | | | | |
| Stocks | $ 527,863,746 | $ 511,241,015 | $ 13,034,071 | $ 3,588,660 | $ 518,314,424 | $ 493,695,475 | $ 20,099,118 | $ 4,519,831 | $ 445,350,338 | $ 412,327,381 | $ 27,547,931 | $ 5,475,026 |
| Bonds | 261,119,684 | 2,352,691 | 255,905,571 | 2,861,422 | 158,415,027 | 2,509,970 | 153,149,957 | 2,755,100 | 185,699,806 | 1,732,527 | 181,698,287 | 2,268,992 |
| Other | 696,212,555 | 503,927,248 | 24,393,356 | 167,891,951 | 692,352,555 | 533,713,444 | 38,923,646 | 119,715,465 | 693,667,635 | 540,222,453 | 43,717,686 | 109,727,496 |
| Financial assets at FVTOCI | | | | | | | | | | | | |
| Stocks | 130,957,691 | 126,200,287 | - | 4,757,404 | 99,424,711 | 94,681,296 | - | 4,743,415 | 79,404,213 | 74,793,369 | - | 4,610,844 |
| Bonds (Note) | 1,185,656,636 | 7,690,784 | 1,177,965,852 | - | 1,124,423,298 | 62,139,588 | 1,062,283,710 | - | 1,017,927,341 | 59,246,546 | 958,680,795 | - |
| Derivative instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Financial assets at FVTPL | 12,533,999 | 21,902 | 12,512,097 | - | 28,053,503 | 24,109 | 28,029,394 | - | 23,960,026 | 35,263 | 23,924,763 | - |
| Financial assets for hedging | 244,235 | - | 244,235 | - | 146,959 | - | 146,959 | - | 386,927 | - | 386,927 | - |
| Liabilities | | | | | | | | | | | | |
| Financial liabilities at FVTPL | 7,472,981 | - | 7,472,981 | - | 11,687,067 | - | 11,687,067 | - | 1,824,892 | - | 1,824,892 | - |
| Financial liabilities for hedging | 42,836 | - | 42,836 | - | 139,858 | - | 139,858 | - | 57,171 | - | 57,171 | - |

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the nine months ended September 30, 2021 and 2020, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

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

| | For the Nine Months Ended September 30, 2021 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 126,990,396 | $ 4,743,415 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 32,900,371 | - |
| Losses reclassified using overlay approach | (23,061,972) | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | (32,532) | (115) |
| Other comprehensive income reclassified using overlay approach | 23,061,972 | - |
| Gains on equity instruments at FVTOCI | - | 126,363 |
| Purchases | 36,258,100 | 100,200 |
| Disposals | (20,768,456) | (212,459) |
| Transfers out of Level 3 | (1,005,846) | - |
| Ending balance | $ 174,342,033 | $ 4,757,404 |

| | For the Nine Months Ended September 30, 2020 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 100,490,349 | $ 5,323,974 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 996,866 | - |
| Gains reclassified using overlay approach | 3,340,256 | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | (70,240) | (175) |
| Other comprehensive losses reclassified using overlay approach | (3,340,256) | - |
| Losses on equity instruments at FVTOCI | - | (757,601) |
| Purchases | 28,045,257 | 81,700 |
| Disposals | (11,960,868) | (27,172) |
| Transfers out of Level 3 | (29,850) | (9,882) |
| Ending balance | $ 117,471,514 | $ 4,610,844 |

Regarding the above amounts recognized in profit or loss for the nine months ended September 30, 2021 and 2020, unrealized gains of $1,646,115 thousand and unrealized losses of $441,361 thousand, respectively, were related to financial assets held at the end of the period.

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

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

| | September 30, 2021 | | | |
|---|---|---|---|---|
| **Items** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Interval (Weighted-average)** | **Relationship Between Inputs and Fair Value** |
| Financial assets at FVTPL and financial assets at FVTOCI | Equity approach | Discount for lack of liquidity | 0%-3% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Market approach | Discount for lack of liquidity | 12%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity discount for minority interest etc. | 17%-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%)-552% | The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates |
| | | Dividend payout ratio | 60%-140% | The higher the dividend payout ratio, the higher the fair value estimates |

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

| Items | September 30, 2020 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 | 2%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity, discount for minority interest, etc. | 20%-30% | The higher the discount for lack of liquidity and control, the lower the fair value estimates |
| | | Growth rate of net profit after tax | (48%)-32% | The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates |
| | | Dividend payout ratio | 85%-140% | The higher the dividend payout ratio, the higher the fair value estimates |

4) Valuation process for Level 3 fair value measurement

The Group' risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Group's accounting policies.

d. Categories of financial instruments

| Items | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Financial assets | | | |
| Financial assets at FVTPL | $ 1,497,729,984 | $ 1,397,135,509 | $ 1,348,677,805 |
| Financial assets at FVTOCI | 1,315,476,607 | 1,222,686,258 | 1,096,174,383 |
| Measured at amortized cost | | | |
| Cash and cash equivalents (Note 1) | 488,361,675 | 514,857,014 | 464,376,868 |
| Receivables (Note 2) | 65,537,133 | 69,178,243 | 64,212,133 |
| Financial assets measured at amortized cost | 2,676,544,289 | 2,652,985,443 | 2,691,258,505 |
| Loans | 476,644,008 | 479,791,100 | 481,592,134 |
| Guarantee deposits paid | 23,643,430 | 24,070,098 | 23,419,976 |
| Financial assets for hedging | 244,235 | 146,959 | 386,927 |
| Financial liabilities | | | |
| Financial liabilities at FVTPL | 7,472,981 | 11,687,067 | 1,824,892 |
| Financial liabilities at amortized cost | | | |
| Payables (Note 2) | 42,350,624 | 23,904,883 | 32,438,897 |
| Bonds payable | 80,000,000 | 80,000,000 | 80,000,000 |
| Lease liabilities | 12,169,106 | 10,522,490 | 10,530,195 |
| Guarantee deposits received | 8,121,391 | 14,233,208 | 10,281,538 |
| Financial liabilities for hedging | 42,836 | 139,858 | 57,171 |

Note 1: Cash on hand was excluded.

Note 2: Income tax refundable and payable under the integrated tax system were excluded.

e. Financial risk management objectives and policies

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

1) Sources of market risk

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

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

a) Value at Risk

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

b) Stress testing

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

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

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

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

ii) Hypothetical scenario

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

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

**Table of Stress Testing**

| Risk Factor | Variable (+/-) | For the Nine Months Ended September 30 2021 | For the Nine Months Ended September 30 2020 |
|---|---|---|---|
| Equity risk (stock price index) | -10% | $ (61,131,877) | $ (48,704,147) |
| Interest rate risk (yield curve) | +100bps | (180,501,696) | (136,694,732) |
| Foreign currency risk (foreign exchange rate) | Appreciation of NTD to all foreign currencies by 1% | (12,598,922) | (10,448,027) |

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

Note 2: Effects of hedging were considered.

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

c) Sensitivity analysis

**Summary of Sensitivity Analysis**

| Risk Factor | For the Nine Months Ended September 30, 2021 Variable (+/-) | Change in Profit or Loss | Change in Equity |
|---|---|---|---|
| Foreign currency risk | Appreciation of USD/NTD by1% | $ 7,139,701 | $ 5,278,882 |
| | Appreciation of CNY/USD by1% | 341,131 | 308,074 |
| | Appreciation of HKD/USD by1% | 3,703 | 255,955 |
| | Appreciation of EUR/USD by1% | (60,242) | 262,677 |
| | Appreciation of GBP/USD by1% | 24,143 | 270,611 |
| Interest rate risk | Upward parallel shift of the yield curve (USD) by 1bp | - | (1,477,193) |
| | Upward parallel shift of the yield curve (CNY) by 1bp | - | (44,690) |
| | Upward parallel shift of the yield curve (EUR) by 1bp | - | (5,009) |
| | Upward parallel shift of the yield curve (GBP) by 1bp | - | (3,518) |
| | Upward parallel shift of the yield curve (NTD) by 1bp | - | (385,924) |
| Equity price risk | Increase in equity price by 1% | (114,728) | 6,257,433 |

| | For the Nine Months Ended September 30, 2020 | | |
|---|---|---|---|
| **Risk Factor** | **Variable (+/-)** | **Change in Profit or Loss** | **Change in Equity** |
| Foreign currency risk | Appreciation of USD/NTD by1% | $ 5,890,793 | $ 4,661,714 |
| | Appreciation of CNY/USD by1% | 213,382 | 267,941 |
| | Appreciation of HKD/USD by1% | 5,164 | 242,680 |
| | Appreciation of EUR/USD by1% | (41,912) | 192,069 |
| | Appreciation of GBP/USD by1% | (13,489) | 277,100 |
| Interest rate risk | Upward parallel shift of the yield curve (USD) by 1bp | 1,041 | (1,150,760) |
| | Upward parallel shift of the yield curve (CNY) by 1bp | - | (16,643) |
| | Upward parallel shift of the yield curve (EUR) by 1bp | 1,011 | (4,982) |
| | Upward parallel shift of the yield curve (GBP) by 1bp | - | (6,246) |
| | Upward parallel shift of the yield curve (NTD) by 1bp | - | (326,674) |
| Equity price risk | Increase in equity price by 1% | (95,701) | 4,990,610 |

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

Note 2: Effects of hedging were considered.

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

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

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

d) Effect of interest rate benchmark reform

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

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

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

i. Interest rate basis risk

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

ii. Hedge accounting

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

iii. Operation risk

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

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

As at September 30, 2021, the Group's financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

| | **Carrying Amount** | |
|---|---|---|
| | **USD LIBOR** | **Other Interest Rate Benchmarks** |
| Financial assets | | |
| Bonds | $ 242,307,525 | $ 911,720 |
| Loans | 1,609,874 | 12,923,790 |

2) Credit risk

a) Sources of credit risk

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

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

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

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

b) Concentration of credit risk

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

| | September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| **Financial Assets** | **Taiwan** | **Asia** | **Europe** | **North America** | **Emerging Markets and Others** | **Total** |
| Cash and cash equivalents | $ 346,428,611 | $ 9,198,899 | $ 184,019 | $ 86,986,410 | $ 26,600,000 | $ 469,397,939 |
| Financial assets at FVTPL | 36,567,608 | 14,728,876 | 93,747,455 | 73,791,056 | 24,797,048 | 243,632,043 |
| Financial assets at FVTOCI | 44,307,353 | 46,739,022 | 163,555,038 | 468,525,088 | 461,392,415 | 1,184,518,916 |
| Financial assets for hedging | 58,044 | - | 110,582 | 75,609 | - | 244,235 |
| Financial assets measured at amortized cost | 136,747,215 | 183,391,050 | 443,426,880 | 1,297,665,216 | 608,065,510 | 2,669,295,871 |
| | $ 564,108,831 | $ 254,057,847 | $ 701,023,974 | $ 1,927,043,379 | $ 1,120,854,973 | $ 4,567,089,004 |
| Proportion | 12.4% | 5.6% | 15.3% | 42.2% | 24.5% | 100.0% |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Financial Assets** | **Taiwan** | **Asia** | **Europe** | **North America** | **Emerging Markets and Others** | **Total** |
| Cash and cash equivalents | $ 390,017,117 | $ 11,072,417 | $ 173,264 | $ 83,058,513 | $ 19,456,840 | $ 503,778,151 |
| Financial assets at FVTPL | 55,583,687 | 22,875,926 | 49,567,018 | 28,446,882 | 27,752,478 | 184,225,991 |
| Financial assets at FVTOCI | 44,744,477 | 45,223,287 | 163,314,323 | 489,450,958 | 380,528,502 | 1,123,261,547 |
| Financial assets for hedging | 74,724 | - | - | 72,235 | - | 146,959 |
| Financial assets measured at amortized cost | 152,627,614 | 180,749,168 | 427,807,550 | 1,224,717,193 | 663,462,282 | 2,649,363,807 |
| | $ 643,047,619 | $ 259,920,798 | $ 640,862,155 | $ 1,825,745,781 | $ 1,091,200,102 | $ 4,460,776,455 |
| Proportion | 14.4% | 5.8% | 14.4% | 40.9% | 24.5% | 100% |

| | September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Financial Assets** | **Taiwan** | **Asia** | **Europe** | **North America** | **Emerging Markets and Others** | **Total** |
| Cash and cash equivalents | $ 302,682,752 | $ 13,226,760 | $ 60,065 | $ 119,169,569 | $ 20,512,603 | $ 455,651,749 |
| Financial assets at FVTPL | 56,484,077 | 24,663,570 | 76,142,540 | 30,330,178 | 35,856,576 | 223,476,941 |
| Financial assets at FVTOCI | 48,755,202 | 42,662,704 | 158,134,286 | 456,343,060 | 310,874,918 | 1,016,770,170 |
| Financial assets for hedging | 83,688 | - | 219,155 | 84,084 | - | 386,927 |
| Financial assets measured at amortized cost | 156,507,709 | 178,558,025 | 433,383,255 | 1,241,934,198 | 676,103,230 | 2,686,486,417 |
| | $ 564,513,428 | $ 259,111,059 | $ 667,939,301 | $ 1,847,861,089 | $ 1,043,347,327 | $ 4,382,772,204 |
| Proportion | 12.9% | 5.9% | 15.2% | 42.2% | 23.8% | 100% |

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

| Location of Collateral | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | Northern and Eastern Areas | Central Area | Southern Area | Overseas | Total |
| Secured loans | $ 204,403,874 | $ 42,361,181 | $ 58,965,941 | $ 2,225,114 | $ 307,956,110 |
| Non-accrual receivables | 597,632 | 22,522 | 33,491 | 1,989,366 | 2,643,011 |
| | $ 205,001,506 | $ 42,383,703 | $ 58,999,432 | $ 4,214,480 | $ 310,599,121 |
| Proportion | 66.0% | 13.6% | 19.0% | 1.4% | 100% |

| Location of Collateral | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Northern and Eastern Areas | Central Area | Southern Area | Overseas | Total |
| Secured loans | $ 210,393,088 | $ 41,501,050 | $ 59,563,296 | $ 2,697,023 | $ 314,154,457 |
| Non-accrual receivables | 163,381 | 30,890 | 47,059 | 1,800,141 | 2,041,471 |
| | $ 210,556,469 | $ 41,531,940 | $ 59,610,355 | $ 4,497,164 | $ 316,195,928 |
| Proportion | 66.6% | 13.1% | 18.9% | 1.4% | 100% |

| Location of Collateral | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Northern and Eastern Areas | Central Area | Southern Area | Overseas | Total |
| Secured loans | $ 213,297,034 | $ 40,743,437 | $ 59,611,696 | $ 3,156,137 | $ 316,808,304 |
| Non-accrual receivables | 194,574 | 36,054 | 55,511 | 1,491,221 | 1,777,360 |
| | $ 213,491,608 | $ 40,779,491 | $ 59,667,207 | $ 4,647,358 | $ 318,585,664 |
| Proportion | 67.0% | 12.8% | 18.7% | 1.5% | 100% |

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.

ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.

iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.

iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

i) The Company assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, the Company considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii) If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

i) Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

ii) Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:

- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.

- The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.

- The collateral of the borrowers had been provisionally seized or enforced.

- The borrowers claim for a change of credit conditions due to financial difficulties.

iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

i) The methodology and assumptions applied

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

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default ("PD") of issuers, guarantee agencies or borrowers multiplied by loss given default ("LGD") and exposure at default ("EAD"), in consideration of time value of money.

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

ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

| | September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 1,161,622,049 | $ - | $ - | $ - | $ - | $ 1,161,622,049 |
| Financial assets measured at amortized cost | 2,654,951,713 | - | - | - | (619,113) | 2,654,332,600 |
| Non-investment grade | | | | | | |
| Debt instruments at FVTOCI | 22,896,867 | - | - | - | - | 22,896,867 |
| Financial assets measured at amortized cost | 12,502,260 | 2,633,754 | - | - | (172,743) | 14,963,271 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 1,119,207,518 | $ - | $ - | $ - | $ - | $ 1,119,207,518 |
| Financial assets measured at amortized cost | 2,635,142,149 | - | - | - | (1,726,558) | 2,633,415,591 |
| Non-investment grade | | | | | | |
| Debt instruments at FVTOCI | 3,995,777 | 58,252 | - | - | - | 4,054,029 |
| Financial assets measured at amortized cost | 13,064,695 | 3,730,378 | - | - | (846,857) | 15,948,216 |

| | September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | | |
| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 1,012,820,317 | $ - | $ - | $ - | $ - | $ 1,012,820,317 |
| Financial assets measured at amortized cost | 2,670,941,847 | - | - | - | (1,839,555) | 2,669,102,292 |
| Non-investment grade | | | | | | |
| Debt instruments at FVTOCI | 3,764,905 | 184,948 | - | - | - | 3,949,853 |
| Financial assets measured at amortized cost | 14,144,697 | 4,063,718 | - | - | (824,290) | 17,384,125 |

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

ii) Secured loans and overdue receivables of the Company

| | September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | | | |
| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 302,000,211 | $ 1,806,080 | $ 6,792,830 | $ - | $ (773,425) | $ (4,341,517) | $ 305,484,179 |

| | December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | | | |
| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 308,159,666 | $ 46,631 | $ 7,989,631 | $ - | $ (640,289) | $ (4,093,427) | $ 311,462,212 |

| | September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | | | |
| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 311,005,891 | $ 86,326 | $ 7,493,447 | $ - | $ (1,848,361) | $ (2,910,917) | $ 313,826,386 |

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 2021 | $ 690,084 | $ 3,063 | $ - | $ - | $ 693,147 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| Transferred to lifetime expected credit losses | 130 | (130) | - | - | - |
| New financial assets originated or purchased | 350,259 | - | - | - | 350,259 |
| Financial assets that have been derecognized during the period | (175,530) | (2,852) | - | - | (178,382) |
| Changes in models/risk parameters | (507,764) | (69) | - | - | (507,833) |
| Foreign exchange and other movements | (12,344) | (12) | - | - | (12,356) |
| September 30, 2021 | $ 344,835 | $ - | $ - | $ - | $ 344,835 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 2020 | $ 337,078 | $ 9,666 | $ - | $ - | $ 346,744 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| Transferred to lifetime expected credit losses | (1,691) | 1,691 | - | - | - |
| New financial assets originated or purchased | 288,577 | - | - | - | 288,577 |
| Financial assets that have been derecognized during the period | (200,477) | (289,638) | - | - | (490,115) |
| Changes in models/risk parameters | 247,890 | 330,596 | - | - | 578,486 |
| Foreign exchange and other movements | (17,845) | (5,855) | - | - | (23,700) |
| September 30, 2020 | $ 653,532 | $ 46,460 | $ - | $ - | $ 699,992 |

ii) Financial assets measured at amortized cost

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: 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 | 144,807 | - | - | - | 144,807 |
| Financial assets that have been derecognized during the period | (123,063) | (164,798) | - | - | (287,861) |
| Changes in models/risk parameters | (1,137,375) | (462,895) | - | - | (1,600,270) |
| Foreign exchange and other movements | (28,013) | (10,222) | - | - | (38,235) |
| September 30, 2021 | $ 631,528 | $ 160,328 | $ - | $ - | $ 791,856 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: 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 | 325,816 | - | - | - | 325,816 |
| Financial assets that have been derecognized during the period | (273,932) | (949,045) | - | - | (1,222,977) |
| Changes in models/risk parameters | 859,569 | 1,591,703 | - | - | 2,451,272 |
| Foreign exchange and other movements | (49,340) | (37,947) | - | - | (87,287) |
| September 30, 2020 | $ 1,897,173 | $ 766,672 | $ - | $ - | $ 2,663,845 |

iii) Secured loans and non-accrual receivables

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 | Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2021 | $ 33,284 | $ 32 | $ 606,973 | $ - | $ 640,289 | $ 4,093,427 | $ 4,733,716 |
| Changes due to financial instruments recognized as at January 1 | | | | | | | |
| Transferred to lifetime expected credit losses | (3,154 ) | 68,512 | (65,358 ) | - | - | - | - |
| Transferred to credit-impaired financial assets | (38 ) | (1 ) | 39 | - | - | - | - |
| Transferred to 12-month expected credit losses | 1,069 | (24 ) | (1,045 ) | - | - | - | - |
| New financial assets originated or purchased | 1,698 | - | 3,372 | - | 5,070 | - | 5,070 |
| Financial assets that have been derecognized during the period | (2,180 ) | (4 ) | (33,266 ) | - | (35,450 ) | - | (35,450 ) |
| Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets | - | - | - | - | - | 248,090 | 248,090 |
| Changes in models/risk parameters | (9,465 ) | (64,579 ) | 237,560 | - | 163,516 | - | 163,516 |
| September 30, 2021 | $ 21,214 | $ 3,936 | $ 748,275 | $ - | $ 773,425 | $ 4,341,517 | $ 5,114,942 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 | Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
|---|---|---|---|---|---|---|---|
| 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 | (18 ) | 18 | - | - | - | - | - |
| Transferred to credit-impaired financial assets | (1,432 ) | (69 ) | 1,501 | - | - | - | - |
| Transferred to 12-month expected credit losses | 485 | (89 ) | (396 ) | - | - | - | - |
| New financial assets originated or purchased | 92,655 | - | 32,448 | - | 125,103 | - | 125,103 |
| Financial assets that have been derecognized during the period | (37,174 ) | (121 ) | (275,878 ) | - | (313,173 ) | - | (313,173 ) |
| Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets | - | - | - | - | - | (683,012 ) | (683,012 ) |
| Changes in models/risk parameters | 180,289 | 1,011 | 623,084 | - | 804,384 | - | 804,384 |
| September 30, 2020 | $ 319,614 | $ 1,049 | $ 1,527,698 | $ - | $ 1,848,361 | $ 2,910,917 | $ 4,759,278 |

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

ix. Exposure to credit risk and loss allowance of receivables

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

| | Aging of Receivables Recognized | | | | |
|---|---|---|---|---|---|
| | **Not Yet Due/within 1 Month** | **1-3 Months** | **3-6 Months** | **Over 6 Months** | **Total** |
| September 30, 2021 | | | | | |
| Gross carrying amount (Note) | $ 19,341,675 | $ 56,940 | $ 300 | $ - | $ 19,398,915 |
| Loss rate | 0% | 2% | 10% | 50% | |
| Lifetime expected credit losses | - | 1,139 | 30 | - | 1,169 |

Note: Notes receivable of $7,787 thousand and other receivables of $19,391,128 thousand were included.

| | Aging of Receivables Recognized | | | | |
|---|---|---|---|---|---|
| | **Not Yet Due/within 1 Month** | **1-3 Months** | **3-6 Months** | **Over 6 Months** | **Total** |
| December 31, 2020 | | | | | |
| 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** |
| September 30, 2020 | | | | | |
| Gross carrying amount (Note) | $ 18,578,183 | $ 55,551 | $ 6,431 | $ - | $ 18,640,165 |
| Loss rate | 0% | 2% | 10% | 50% | - |
| Lifetime expected credit losses | - | 1,111 | 643 | - | 1,754 |

Note: Notes receivable of $19,933 thousand and other receivables of $18,620,232 thousand were included.

The loss allowance was reconciled as follows:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 1,611 | $ 1,541 |
| (Reversal) provision for the period | (442) | 213 |
| Ending balance | $ 1,169 | $ 1,754 |

3) Liquidity risk analysis

a) Sources of liquidity risk

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

b) Liquidity risk management

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

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

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

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

| | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | Less than 6 Months | Due in 6-12 Months | Due in 1-2 Years | Due in 2-5 Years | Over 5 Years |
| Non-derivative financial liabilities | | | | | |
| Payables (Note 1) | $ 40,413,790 | $ 758,598 | $ 966,342 | $ 211,894 | $ - |
| Bonds payable (Note 2) | 252,000 | 926,160 | 2,715,000 | 8,145,000 | 83,315,000 |
| Lease liabilities (Note 3) | 542,277 | 228,775 | 755,961 | 1,588,025 | 20,877,262 |
| Derivative financial liabilities | | | | | |
| SWAP | 2,398,864 | 944,035 | - | - | - |
| Forward | 4,721,716 | 2,466,687 | 213,050 | - | - |
| CCS | - | - | 188,490 | 17,198 | - |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 6 Months | Due in 6-12 Months | Due in 1-2 Years | Due in 2-5 Years | Over 5 Years |
| Non-derivative financial liabilities | | | | | |
| 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 |
| Derivative financial liabilities | | | | | |
| SWAP | 2,664,438 | 1,258,529 | - | - | - |
| Forward | 13,569,120 | 224,100 | - | - | - |
| CCS | - | - | 10,673 | 42,933 | 90,971 |

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 6 Months | Due in 6-12 Months | Due in 1-2 Years | Due in 2-5 Years | Over 5 Years |
| Non-derivative financial liabilities | | | | | |
| Payables (Note 1) | $ 30,100,822 | $ 903,404 | $ 436,166 | $ 996,589 | $ 1,915 |
| Bonds payable (Note 2) | 252,000 | 926,160 | 2,715,000 | 8,145,000 | 86,030,000 |
| Lease liabilities (Note 3) | 435,284 | 225,841 | 647,646 | 1,391,835 | 18,198,220 |
| Derivative financial liabilities | | | | | |
| SWAP | 869,931 | 242,090 | 141,580 | - | - |
| Forward | 1,742,538 | - | - | - | - |

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

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

Note 3: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 43 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bond investments held by the Group may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Group held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

| | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument - Assets | Carrying Amount of the Hedging Instrument - Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period |
| IRS | $ 4,000,000 | $ 113,216 | $ - | Financial assets for hedging | $ 2,277 |
| IRS | 923,061 | - | 28,746 | Financial liabilities for hedging | 15,350 |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the 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) |

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period |
| | | Assets | Liabilities | | |
| IRS | $ 6,200,000 | $ 167,772 | $ - | Financial assets for hedging | $ 36,538 |
| IRS | 1,155,938 | - | 57,171 | Financial liabilities for hedging | (27,950) |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| September 30, 2021 | | | | | |
| IRS | | | | | |
| Nominal principal | $ - | $ - | $ 208,995 | $ 4,714,066 | $ - |
| Average fixed rate | - | - | 2.5% | 1.7%-2.5% | - |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| September 30, 2020 | | | | | |
| IRS | | | | | |
| Nominal principal | $ - | $ 2,200,000 | $ 136,528 | $ 5,019,410 | $ - |
| Average fixed rate | - | 1.5% | 2.5% | 1.7%-2.5% | - |

3) Hedged items

| | For the Nine Months Ended September 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 | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ (2,277) | $ 113,216 | N/A | $ 2,277 | $ - | $ - | $ (36,020) | Finance costs |
| Payables | (15,350) | (28,746) | N/A | 15,350 | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | (239) | N/A | N/A | N/A | 6 | Finance costs |

| | For the Nine Months Ended September 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 | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ (36,538) | $ 167,772 | N/A | $ 36,538 | $ - | $ - | $ (53,973) | Finance costs |
| Payables | 27,950 | (57,171) | N/A | (27,950) | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | (259) | N/A | N/A | N/A | 7 | Finance costs |

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | $ 74,960 | $ 116,268 |
| Gross amount recognized in other comprehensive income | | |
| Changes in the values of the hedging instruments recognized in other comprehensive income | 17,634 | 8,596 |
| Amount reclassified from cash flow hedge reserve to profit or loss | (36,014) | (53,966) |
| Tax effect | 6,661 | 13,440 |
| Ending balance | $ 63,241 | $ 84,338 |

Fair value hedges

The book value of the foreign currency denominated assets held by the Company may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, the Company held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

1) Hedging instruments

| | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period |
| Hedging Instrument | | Assets | Liabilities | | |
| CCS | $ 4,717,017 | $ 106,332 | $ - | Financial assets for hedging | $ 298,562 |
| Forward | 10,756,850 | 24,687 | 14,090 | Financial assets for hedging/financial liabilities for hedging | 14,400 |

| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period |
|---|---|---|---|---|---|
| | December 31, 2020 | | | | |
| | | Assets | Liabilities | | |
| CCS | $ 4,825,692 | $ - | $ 90,971 | Financial liabilities for hedging | $ (525,402) |

| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period |
|---|---|---|---|---|---|
| | September 30, 2020 | | | | |
| | | Assets | Liabilities | | |
| CCS | $ 4,930,304 | $ 219,155 | $ - | Financial assets for hedging | $ (289,019) |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| September 30, 2021 | | | | | |
| CCS | | | | | |
| Nominal principal | $ - | $ - | $ - | $ - | $ 4,717,017 |
| Interest rate | - | - | - | - | 2.39% |
| Exchange rate (EUR/USD) | - | - | - | - | 1.1285 |
| Forward | | | | | |
| Nominal principal | - | - | - | 10,756,850 | - |
| Exchange rate (USD/TWD) | - | - | - | 26.8921 | - |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| September 30, 2020 | | | | | |
| CCS | | | | | |
| Nominal principal | $ - | $ - | $ - | $ - | $ 4,930,304 |
| Interest rate | - | - | - | - | 2.39% |
| Exchange rate (EUR/USD) | - | - | - | - | 1.1285 |

3) Hedged items

| | For the Nine Months Ended September 30, 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Oversea bonds | $ 15,473,867 | $ - | $ (312,962) | $ - | Financial assets measured at amortized cost | $ (312,962) | $ - | $ - |

| | For the Nine Months Ended September 30, 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Oversea bonds | $ 4,930,304 | $ - | $ 289,019 | $ - | Financial assets measured at amortized cost | $ 289,019 | $ - | $ - |

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

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2021 | 2020 |
| Foreign currency basis-related period | | |
| Beginning balance | $ 272,911 | $ 215,661 |
| Gross amount recognized in other comprehensive income | | |
| Changes in the values of the hedging instruments recognized in other comprehensive income | (105,063) | 145,306 |
| Amount reclassified to profit or loss | 24,460 | - |
| Tax effects | 16,120 | (29,061) |
| Ending balance | $ 208,428 | $ 331,906 |

g. Offsetting of financial assets and financial liabilities

The Group engages in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

September 30, 2021

**Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement**

| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Received | |
| Derivative financial instruments | $ 12,756,332 | $ - | $ 12,756,332 | $ 6,047,158 | $ 5,591,608 | $ 1,117,566 |

**Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement**

| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Paid | |
| Derivative financial instruments | $ 7,487,071 | $ - | $ 7,487,071 | $ 6,047,158 | $ 1,455,720 | $ (15,807) |

December 31, 2020

**Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement**

| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Received | |
| Derivative financial instruments | $ 28,176,353 | $ - | $ 28,176,353 | $ 10,405,202 | $ 12,169,879 | $ 5,601,272 |

**Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement**

| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Paid | |
| Derivative financial instruments | $ 11,778,038 | $ - | $ 11,778,038 | $ 10,405,202 | $ 270,595 | $ 1,102,241 |

September 30, 2020

**Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement**

| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Received | |
| Derivative financial instruments | $ 24,311,690 | $ - | $ 24,311,690 | $ 1,824,892 | $ 7,779,730 | $ 14,707,068 |

| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral Paid | |
| Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
| Derivative financial instruments | $ 1,824,892 | $ - | $ 1,824,892 | $ 1,824,892 | $ - | $ - |

## 40. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

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

2) Framework, organizational structure and responsibilities of risk management

a) The board of directors

i. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly, and allocate resources in the most effective manner.

ii. The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of the Company as well as operational strategies and operations management.

iii. The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

iv. The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

b) Risk management committee

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

ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.

iii. The committee should assist and monitor the risk management activities.

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

v. The committee should enhance cross-department interaction and communication.

c) Chief risk officer

i. The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of the Company.

ii. The chief risk officer should be able to access any business information which may have an impact on risk overview of the Company.

iii. The chief risk officer should be in charge of overall risk management of the Company.

iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

d) Risk management department

i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.

ii. The department should perform the following functions with regard to different business activities:

i) Propose and execute the risk management policies set by the board of directors.

ii) Propose the risk limits based on risk appetite.

iii) Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.

iv) Regularly present risk management reports.

v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) Business units

i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii. The duties of the risk management include the following:

i) Identify and measure risks and report risk exposures and potential impacts on time.

ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.

iii) Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

v) Assist to collect data related to operational risk.

vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.

vii) Manager of a business unit should supervise the unit to summit risk management information regularly to the risk management department.

f) Audit department

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

g) Subsidiary

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

3) Range and nature of risk assessment or risk reporting

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

a) Market risk

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

b) Credit risk

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

c) Country risk

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

d) Liquidity risk

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

e) Operational risk

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

f) Insurance risk

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

g) Asset and liability matching risk

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

h) Capital adequacy

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

i) Risk of information security and personal data management

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

j) Emerging risks

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

k) ESG and climate risks

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

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii. Establish methods to evaluate insurance risks.

iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.

iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

5) The scope of insurance risk assessment and management from a company-wide perspective

a) Insurance risk assessment covers the following risks:

i. Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

ii. Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.

iii. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.

iv. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating or solvency.

v. Claim risk: This risk arises from mishandling claims.

vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

b) The scope of management of insurance risk

i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.

ii. Establish the Company's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.

iii. Develop related response in consideration of the Company's growth strategy and changes in the domestic and global economic and financial environments.

iv. Determine methods to measure insurance risks.

v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

vi. Other insurance risk management issues.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.

b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.

c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio and equity ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and equity ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.

ii. Regularly provide the analysis report to the risk management committee.

iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.

iv. Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, the Company is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

| For the Nine Months Ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|
| | **Scenarios** | **Changes in Income Before Tax** | | **Changes in Equity** | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 2,279,020 | Decrease (increase) | $ 1,823,216 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 2,320,065 | Decrease (increase) | 1,856,052 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 154,961 | Increase (decrease) | 123,969 |
| Rate of return | +0.1% | Increase | 4,933,486 | Increase | 3,946,789 |
| Rate of return | -0.1% | Decrease | 4,937,114 | Decrease | 3,949,691 |

| For the Nine Months Ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|
| | **Scenarios** | **Changes in Income Before Tax** | | **Changes in Equity** | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 2,176,105 | Decrease (increase) | $ 1,740,884 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 2,256,684 | Decrease (increase) | 1,805,347 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 303,219 | Increase (decrease) | 242,575 |
| Rate of return | +0.1% | Increase | 4,652,954 | Increase | 3,722,363 |
| Rate of return | -0.1% | Decrease | 4,656,390 | Decrease | 3,725,112 |

b) Cathay Lujiazui Life

| For the Nine Months Ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|
| | Scenarios | Changes in Income Before Tax | | Changes in Equity | |
| Life table/morbidity | ×1.10 (×0.90) | Decrease (increase) | $ 116,709 | Decrease (increase) | $ 87,532 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 71,201 | Decrease (increase) | 53,401 |
| Surrender rate | ×1.10 (×0.90) | Increase (decrease) | 56,461 | Increase (decrease) | 42,346 |
| Rate of return | +0.25% | Increase | 150,423 | Increase | 112,817 |
| Rate of return | -0.25% | Decrease | 150,791 | Decrease | 113,093 |

| For the Nine Months Ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|
| | Scenarios | Changes in Income Before Tax | | Changes in Equity | |
| Life table/morbidity | ×1.10 (×0.90) | Decrease (increase) | $ 112,496 | Decrease (increase) | $ 84,372 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 65,101 | Decrease (increase) | 48,826 |
| Surrender rate | ×1.10 (×0.90) | Increase (decrease) | 60,369 | Increase (decrease) | 45,277 |
| Rate of return | +0.25% | Increase | 115,669 | Increase | 86,752 |
| Rate of return | -0.25% | Decrease | 115,950 | Decrease | 86,962 |

c) Cathay Life (Vietnam)

| For the Nine Months Ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|
| | Scenarios | Changes in Income Before Tax | | Changes in Equity | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 2,343 | Decrease (increase) | $ 1,875 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 53,747 | Decrease (increase) | 42,998 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 11,450 | Increase (decrease) | 9,160 |
| Rate of return | +0.1% | Increase | 17,373 | Increase | 13,898 |
| Rate of return | -0.1% | Decrease | 17,386 | Decrease | 13,908 |

| For the Nine Months Ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|
| | Scenarios | Changes in Income Before Tax | | Changes in Equity | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 1,430 | Decrease (increase) | $ 1,144 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 43,006 | Decrease (increase) | 34,405 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 7,832 | Increase (decrease) | 6,266 |
| Rate of return | +0.1% | Increase | 11,562 | Increase | 9,250 |
| Rate of return | -0.1% | Decrease | 11,570 | Decrease | 9,256 |

i. Changes in income before tax listed above referred to the effects of income before tax for the nine months ended September 30, 2021 and 2020. The changes in equity of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.

ii. As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii. Sensitivity test

i) Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

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

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

2 × (net investment - finance costs) ÷ (the beginning balance of available funds + the ending balance of available funds - net incomes (losses) on investment + finance costs)

2) Concentration of insurance risks

The Company's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

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

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

3) Claim development trend

a) The Company

i. Direct business development trend

| Accident Year | Development Year | | | | | | | Claims Not Yet Filed | Reserve for Claims Not Yet Filed |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| 2014Q4-2015Q3 | $ 14,692,358 | $ 18,265,362 | $ 18,613,904 | $ 18,701,037 | $ 18,738,383 | $ 18,766,149 | $ 18,778,651 | $ - | $ - |
| 2015Q4-2016Q3 | 15,684,311 | 19,355,665 | 19,691,862 | 19,770,388 | 19,817,396 | 19,843,628 | 19,856,873 | 13,245 | 13,271 |
| 2016Q4-2017Q3 | 16,765,826 | 20,661,210 | 21,052,051 | 21,146,198 | 21,191,807 | 21,221,451 | 21,235,660 | 43,853 | 43,941 |
| 2017Q4-2018Q3 | 18,893,765 | 23,395,979 | 23,834,220 | 23,947,771 | 24,001,900 | 24,034,387 | 24,049,980 | 102,209 | 102,413 |
| 2018Q4-2019Q3 | 20,940,466 | 25,823,425 | 26,285,153 | 26,408,028 | 26,468,133 | 26,503,243 | 26,520,237 | 235,084 | 235,555 |
| 2019Q4-2020Q3 | 21,411,548 | 26,320,580 | 26,811,345 | 26,935,900 | 26,997,031 | 27,033,236 | 27,050,725 | 730,145 | 731,606 |
| 2020Q4-2021Q3 | 19,979,746 | 24,597,037 | 25,038,547 | 25,148,980 | 25,203,272 | 25,238,548 | 25,255,507 | 5,275,761 | 5,286,312 |

| | |
|---|---|
| Expected future payments | $ 6,413,098 |
| Add: Assumed reserve for claims not yet filed | 32,695 |
| Reserve for claims not yet filed | 6,445,793 |
| Add: Claims filed but not yet paid | 4,419,788 |
| Loss reserve balance | $ 10,865,581 |

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 | | |
| 2014Q4-2015Q3 | $ 14,822,271 | $ 18,434,222 | $ 18,785,549 | $ 18,874,208 | $ 18,911,743 | $ 18,939,602 | $ 18,952,184 | $ - | $ - |
| 2015Q4-2016Q3 | 15,804,471 | 19,501,696 | 19,844,120 | 19,923,161 | 19,970,342 | 19,996,715 | 20,010,021 | 13,306 | 13,333 |
| 2016Q4-2017Q3 | 16,845,302 | 20,797,324 | 21,191,027 | 21,285,451 | 21,331,242 | 21,361,006 | 21,375,290 | 44,048 | 44,135 |
| 2017Q4-2018Q3 | 19,016,850 | 23,550,400 | 23,989,761 | 24,103,675 | 24,158,333 | 24,191,167 | 24,206,972 | 103,297 | 103,504 |
| 2018Q4-2019Q3 | 20,986,589 | 25,877,600 | 26,340,682 | 26,464,207 | 26,524,788 | 26,560,211 | 26,577,395 | 236,713 | 237,186 |
| 2019Q4-2020Q3 | 21,442,280 | 26,362,120 | 26,854,578 | 26,979,658 | 27,041,175 | 27,077,635 | 27,095,280 | 733,160 | 734,627 |
| 2020Q4-2021Q3 | 20,024,519 | 24,663,596 | 25,107,831 | 25,219,108 | 25,274,025 | 25,309,712 | 25,326,922 | 5,302,403 | 5,313,008 |

| | |
|---|---|
| Expected future payments | $ 6,445,793 |
| Add: Claims filed but not yet paid | 4,332,129 |
| Retained loss reserve balance | $ 10,777,922 |

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

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

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

b) Cathay Lujiazui Life

i. Direct business development trend

| Accident Year | Development Year | | | | | | | Expected Future Payment |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2014Q4-2015Q3 | $ 206,214 | $ 385,953 | $ 413,049 | $ 417,950 | $ 417,950 | $ 417,950 | $ 417,950 | $ - |
| 2015Q4-2016Q3 | 244,698 | 435,380 | 466,150 | 497,164 | 497,164 | 497,164 | 497,164 | - |
| 2016Q4-2017Q3 | 251,746 | 447,921 | 487,656 | 487,656 | 487,656 | 487,656 | 487,656 | - |
| 2017Q4-2018Q3 | 300,002 | 339,921 | 377,690 | 377,690 | 377,690 | 377,690 | 377,690 | - |
| 2018Q4-2019Q3 | 379,841 | 538,108 | 689,882 | 704,084 | 704,084 | 704,084 | 704,084 | 14,202 |
| 2019Q4-2020Q3 | 431,781 | 611,690 | 693,488 | 707,764 | 707,764 | 707,764 | 707,764 | 96,074 |
| 2020Q4-2021Q3 | 536,992 | 816,602 | 925,801 | 944,860 | 944,860 | 944,860 | 944,860 | 407,868 |

| | |
|---|---|
| Expected future payments | $ 518,144 |
| Less: Assumed reserve for claims not yet filed | (2,132) |
| Reserve for claims not yet filed | 516,012 |
| Add: Claims filed but not yet paid | 37,634 |
| Loss reserve balance | $ 553,646 |

ii. Retained business development trend

| Accident Year | Development Year 1 | 2 | 3 | 4 | 5 | 6 | 7 | Expected Future Payment |
|---|---|---|---|---|---|---|---|---|
| 2014Q4-2015Q3 | $ 184,803 | $ 364,142 | $ 391,217 | $ 395,913 | $ 395,913 | $ 395,913 | $ 395,913 | $ - |
| 2015Q4-2016Q3 | 234,899 | 417,074 | 447,306 | 478,320 | 478,320 | 478,320 | 478,320 | - |
| 2016Q4-2017Q3 | 240,163 | 433,297 | 466,560 | 466,560 | 466,560 | 466,560 | 466,560 | - |
| 2017Q4-2018Q3 | 286,199 | 313,165 | 355,870 | 355,870 | 355,870 | 355,870 | 355,870 | - |
| 2018Q4-2019Q3 | 360,411 | 510,583 | 663,094 | 677,351 | 677,351 | 677,351 | 677,351 | 14,257 |
| 2019Q4-2020Q3 | 413,849 | 586,286 | 668,490 | 682,862 | 682,862 | 682,862 | 682,862 | 96,576 |
| 2020Q4-2021Q3 | 514,253 | 784,550 | 894,552 | 913,785 | 913,785 | 913,785 | 913,785 | 399,532 |

| | |
|---|---|
| Expected future payments | $ 510,365 |
| Less: Expected claims filed but not yet paid | (2,130) |
| Add: Claims filed but not yet paid | 34,284 |
| Retained loss reserve balance | $ 542,519 |

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

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

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

c) Cathay Life (Vietnam)

i. Direct business development trend

| Accident Year | Development Year 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 2016Q4-2017Q3 | 8,061 | 10,947 | 10,947 | 11,008 | 11,008 |
| 2017Q4-2018Q3 | 39,464 | 45,401 | 45,401 | 45,448 | 45,448 |
| 2018Q4-2019Q3 | 115,354 | 133,400 | 133,400 | 133,635 | 133,635 |
| 2019Q4-2020Q3 | 209,851 | 250,640 | 250,640 | 251,081 | 251,081 |
| 2020Q4-2021Q3 | 312,413 | 369,623 | 369,623 | 370,274 | 370,274 |

ii. Retained business development trend

| Accident Year | Development Year | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2016Q4-2017Q3 | 8,061 | 10,947 | 10,947 | 11,008 | 11,008 |
| 2017Q4-2018Q3 | 39,464 | 45,401 | 45,401 | 45,448 | 45,448 |
| 2018Q4-2019Q3 | 115,354 | 133,400 | 133,400 | 133,635 | 133,635 |
| 2019Q4-2020Q3 | 209,851 | 250,640 | 250,640 | 251,081 | 251,081 |
| 2020Q4-2021Q3 | 312,413 | 369,623 | 369,623 | 370,274 | 370,274 |

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

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

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company's reinsurers are above a certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

**Unit: In 100 of Millions of NTD**

| | Insurance Contracts and Financial Instruments with Discretionary Participation Features | | |
|---|---|---|---|
| | **Within 1 Year** | **1 to 5 Years** | **Over 5 Years** |
| September 30, 2021 | $ 98 | $ 4,850 | $ 175,531 |
| December 31, 2020 | (1,025) | 4,481 | 182,228 |
| September 30, 2020 | (1,189) | 3,836 | 182,853 |

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

## 41. SEGMENT INFORMATION

The Group's life insurance business is operated in accordance with the Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate the resources to the Group as a whole, the Group is considered as a single operating segment.

## 42. CAPITAL MANAGEMENT

a. Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

b. Management policies

In order for sufficient capital to assume all types of risks, the Company applies RBC ratio as the management indicator for capital adequacy. The Company calculates RBC ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as reference for business objectives, asset allocation and dividend policy.

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

a) Admitted owner's equity.

b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

a) Asset risk

b) Insurance risk

c) Interest rate risk

d) Other risk

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

## 43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

| 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 | $ 781,317 |

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

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

| | Global Evolution Holding ApS and Its Subsidiaries |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 628,816 |
| Other | 519,684 |
| Intangible assets - customer relationships | 2,467,576 |
| Non-current assets | 108,021 |
| Current liabilities | (596,864) |
| Non-current liabilities | (233,440) |
| | $ 2,893,793 |

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

| | Global Evolution Holding ApS and Its Subsidiaries |
|---|---|
| Consideration transferred | $ 781,317 |
| Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS) | 1,302,994 |
| Plus: Fair value of 45% share in equity | 4,396,904 |
| | 6,481,215 |
| Less: Fair value of identifiable net assets acquired | (2,893,793) |
| Goodwill recognized on acquisitions | $ 3,587,422 |

e. Net cash outflow on the acquisition of subsidiaries

| | Global Evolution Holding ApS and Its Subsidiaries |
|---|---|
| Consideration paid in cash | $ 781,317 |
| Less: Cash and cash equivalent balance acquired | (628,816) |
| | $ 152,501 |

## 44. OTHERS

a. Impact of the COVID-19 Pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there was no significant impact caused by the pandemic on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

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

| | September 30, 2021 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 136,738,336 | 27.866000 | $ 3,810,350,464 |
| CNY | 26,522,431 | 4.307887 | 114,255,643 |
| AUD | 5,466,698 | 20.087206 | 109,810,686 |
| Non-monetary items | | | |
| USD | 12,209,242 | 27.866000 | 340,222,739 |
| Investments accounted for the using the equity method | | | |
| CNY | 461,673 | 4.311900 | 1,990,688 |
| PHP | 29,133,282 | 0.546100 | 15,909,684 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 1,795,251 | 27.866000 | 50,026,468 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 123,894,660 | 28.508000 | $ 3,531,988,978 |
| CNY | 30,125,259 | 4.381330 | 131,988,703 |
| AUD | 5,080,277 | 21.972541 | 111,626,591 |
| Non-monetary items | | | |
| USD | 10,727,658 | 28.508000 | 305,824,083 |
| Investments accounted for the using the equity method | | | |
| CNY | 425,032 | 4.359200 | 1,852,798 |
| PHP | 27,703,366 | 0.593700 | 16,447,489 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 896,804 | 28.508000 | 25,566,094 |

| | September 30, 2020 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 123,918,849 | 29.126000 | $ 3,609,260,396 |
| CNY | 16,799,968 | 4.273432 | 71,793,513 |
| AUD | 4,853,762 | 20.733343 | 100,634,706 |
| Non-monetary items | | | |
| USD | 10,362,075 | 29.126000 | 301,805,793 |
| Investments accounted for the using the equity method | | | |
| CNY | 414,813 | 4.276600 | 1,773,988 |
| PHP | 27,152,531 | 0.600800 | 16,313,241 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 1,215,993 | 29.126000 | 35,417,023 |

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

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

| Items | September 30, 2021 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Cash and cash equivalents | $ 488,388,081 | $ - | $ 488,388,081 |
| Receivables | 70,042,045 | 5,282 | 70,047,327 |
| Investments | | | |
| Financial assets at FVTPL | 34,996,958 | 1,462,733,026 | 1,497,729,984 |
| Financial assets at FVTOCI | 9,484,468 | 1,305,992,139 | 1,315,476,607 |
| Financial assets measured at amortized cost | 26,700,689 | 2,649,843,600 | 2,676,544,289 |
| Financial assets for hedging | - | 244,235 | 244,235 |
| Investments accounted for using the equity method | - | 29,088,242 | 29,088,242 |
| Investment property | - | 508,105,450 | 508,105,450 |
| Investment property under construction | - | 2,859,520 | 2,859,520 |
| Prepayments for buildings and land - investments | - | 158,151 | 158,151 |
| Loans | 7,170,894 | 469,473,114 | 476,644,008 |
| Total investments | 78,353,009 | 6,428,497,477 | 6,506,850,486 |
| Reinsurance assets | 765,686 | 1,493,642 | 2,259,328 |
| Property and equipment | - | 30,954,547 | 30,954,547 |
| Right-of-use assets | - | 1,764,921 | 1,764,921 |
| Intangible assets | - | 42,171,068 | 42,171,068 |
| Deferred tax assets | - | 59,825,276 | 59,825,276 |
| Other assets | 7,108,257 | 24,677,901 | 31,786,158 |
| Separate account insurance product assets | 7,992,694 | 689,731,870 | 697,724,564 |
| Total assets | $ 652,649,772 | $ 7,279,121,984 | $ 7,931,771,756 |
| Payables | $ 41,179,910 | $ 1,170,714 | $ 42,350,624 |
| Current tax liabilities | 508,688 | - | 508,688 |
| Financial liabilities at FVTPL | 7,267,294 | 205,687 | 7,472,981 |
| Financial liabilities for hedging | - | 42,836 | 42,836 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 18,432,621 | 18,432,621 |
| Loss reserve | - | 11,463,184 | 11,463,184 |
| Policy reserve | - | 6,238,281,440 | 6,238,281,440 |
| Special reserve | - | 11,084,877 | 11,084,877 |
| Premium deficiency reserve | - | 11,329,790 | 11,329,790 |
| Other reserve | - | 1,867,925 | 1,867,925 |
| Total insurance liabilities | - | 6,292,459,837 | 6,292,459,837 |

(Continued)

| Items | September 30, 2021 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Reserve for insurance contracts with the nature of financial products | $ - | $ 14,746,848 | $ 14,746,848 |
| Reserve for foreign exchange valuation | - | 8,042,954 | 8,042,954 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 767,195 | 11,401,911 | 12,169,106 |
| Deferred tax liabilities | - | 53,683,882 | 53,683,882 |
| Other liabilities | 3,019,908 | 15,139,907 | 18,159,815 |
| Separate account insurance product liabilities | 371,968 | 697,352,596 | 697,724,564 |
| Total liabilities | $ 53,114,963 | $ 7,174,303,417 | $ 7,227,418,380 |

(Concluded)

| Items | December 31, 2020 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Cash and cash equivalents | $ 515,120,301 | $ - | $ 515,120,301 |
| Receivables | 69,175,904 | 2,339 | 69,178,243 |
| Investments | | | |
| Financial assets at FVTPL | 61,331,184 | 1,335,804,325 | 1,397,135,509 |
| Financial assets at FVTOCI | 16,333,144 | 1,206,353,114 | 1,222,686,258 |
| Financial assets measured at amortized cost | 33,005,844 | 2,619,979,599 | 2,652,985,443 |
| Financial assets for hedging | - | 146,959 | 146,959 |
| Investments accounted for using the equity method | - | 29,380,517 | 29,380,517 |
| Investment property | - | 496,163,021 | 496,163,021 |
| Investment property under construction | - | 1,528,547 | 1,528,547 |
| Prepayments for buildings and land - investments | - | 3,131,915 | 3,131,915 |
| Loans | 6,593,856 | 473,197,244 | 479,791,100 |
| Total investments | 117,264,028 | 6,165,685,241 | 6,282,949,269 |
| Reinsurance assets | 590,412 | 1,610,279 | 2,200,691 |
| Property and equipment | - | 29,453,426 | 29,453,426 |
| Right-of-use assets | - | 1,675,209 | 1,675,209 |
| Intangible assets | - | 44,070,838 | 44,070,838 |
| Deferred tax assets | - | 56,690,743 | 56,690,743 |
| Other assets | 7,584,854 | 24,951,183 | 32,536,037 |
| Separate account insurance product assets | 8,717,117 | 632,967,451 | 641,684,568 |
| Total assets | $ 718,452,616 | $ 6,957,106,709 | $ 7,675,559,325 |

(Continued)

| Items | December 31, 2020 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Payables | $ 28,767,319 | $ 1,404,228 | $ 30,171,547 |
| Current tax liabilities | 477,145 | - | 477,145 |
| Financial liabilities at FVTPL | 11,633,462 | 53,605 | 11,687,067 |
| Financial liabilities for hedging | - | 139,858 | 139,858 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 18,775,949 | 18,775,949 |
| Loss reserve | - | 12,163,853 | 12,163,853 |
| Policy reserve | - | 5,999,277,703 | 5,999,277,703 |
| Special reserve | - | 11,084,776 | 11,084,776 |
| Premium deficiency reserve | - | 13,802,343 | 13,802,343 |
| Other reserve | - | 1,876,925 | 1,876,925 |
| Total insurance liabilities | - | 6,056,981,549 | 6,056,981,549 |
| Reserve for insurance contracts with the nature of financial products | - | 13,731,508 | 13,731,508 |
| Reserve for foreign exchange valuation | - | 14,820,865 | 14,820,865 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 769,379 | 9,753,111 | 10,522,490 |
| Deferred tax liabilities | - | 68,278,447 | 68,278,447 |
| Other liabilities | 4,427,430 | 21,454,125 | 25,881,555 |
| Separate account insurance product liabilities | 703,278 | 640,981,290 | 641,684,568 |
| Total liabilities | $ 46,778,013 | $ 6,907,654,831 | $ 6,954,432,844 |

(Concluded)

| Items | September 30, 2020 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Cash and cash equivalents | $ 464,672,527 | $ - | $ 464,672,527 |
| Receivables | 64,209,920 | 2,213 | 64,212,133 |
| Investments | | | |
| Financial assets at FVTPL | 59,626,889 | 1,289,050,916 | 1,348,677,805 |
| Financial assets at FVTOCI | 14,075,046 | 1,082,099,337 | 1,096,174,383 |
| Financial assets measured at amortized cost | 31,497,797 | 2,659,760,708 | 2,691,258,505 |
| Financial assets for hedging | 3,086 | 383,841 | 386,927 |
| Investments accounted for using the equity method | - | 29,336,316 | 29,336,316 |
| Investment property | - | 490,795,823 | 490,795,823 |
| Investment property under construction | - | 2,242,002 | 2,242,002 |
| Prepayments for buildings and land - investments | - | 325,949 | 325,949 |
| Loans | 6,164,184 | 475,427,950 | 481,592,134 |
| Total investments | 111,367,002 | 6,029,422,842 | 6,140,789,844 |

(Continued)

| Items | September 30, 2020 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Reinsurance assets | $ 259,375 | $ 1,362,574 | $ 1,621,949 |
| Property and equipment | - | 31,795,342 | 31,795,342 |
| Right-of-use assets | - | 1,633,516 | 1,633,516 |
| Intangible assets | - | 45,115,528 | 45,115,528 |
| Deferred tax assets | - | 53,409,941 | 53,409,941 |
| Other assets | 7,291,962 | 23,621,114 | 30,913,076 |
| Separate account insurance product assets | 8,177,670 | 583,857,895 | 592,035,565 |
| Total assets | $ 655,978,456 | $ 6,770,220,965 | $ 7,426,199,421 |
| Payables | $ 37,967,231 | $ 1,434,669 | $ 39,401,900 |
| Current tax liabilities | 706,217 | - | 706,217 |
| Financial liabilities at FVTPL | 1,736,394 | 88,498 | 1,824,892 |
| Financial liabilities for hedging | - | 57,171 | 57,171 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 17,790,022 | 17,790,022 |
| Loss reserve | - | 11,656,290 | 11,656,290 |
| Policy reserve | - | 5,895,203,662 | 5,895,203,662 |
| Special reserve | - | 11,084,624 | 11,084,624 |
| Premium deficiency reserve | - | 16,154,453 | 16,154,453 |
| Other reserve | - | 1,855,141 | 1,855,141 |
| Total insurance liabilities | - | 5,953,744,192 | 5,953,744,192 |
| Reserve for insurance contracts with the nature of financial products | - | 13,076,140 | 13,076,140 |
| Reserve for foreign exchange valuation | - | 10,212,568 | 10,212,568 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 661,125 | 9,869,070 | 10,530,195 |
| Deferred tax liabilities | - | 57,499,082 | 57,499,082 |
| Other liabilities | 744,018 | 17,910,839 | 18,654,857 |
| Separate account insurance product liabilities | 426,972 | 591,608,593 | 592,035,565 |
| Total liabilities | $ 42,241,957 | $ 6,735,557,067 | $ 6,777,799,024 |

(Concluded)

d. Information on discretionary investments

1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

| Items | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Domestic stocks | $ 183,648,285 | $ 165,441,030 | $ 144,432,033 |
| Overseas stocks | 78,923,241 | 73,520,629 | 59,565,720 |
| Notes and bonds purchased under resale agreements | 19,963,900 | 20,066,000 | 16,745,000 |
| Cash in banks | 42,895,151 | 51,308,069 | 55,799,688 |
| Beneficiary certificates | 66,165 | 1,997,792 | 449,739 |
| Futures and options | 216,815 | 501,910 | 508,083 |
| | $ 325,713,557 | $ 312,835,430 | $ 277,500,263 |

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

2) As of September 30, 2021, December 31, 2020 and September 30, 2020, the discretionary investment limits are as follows (in thousands of each currency):

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Monetary items | | | |
| NTD | $ 100,979,839 | $ 84,358,163 | $ 84,358,163 |
| USD | 1,131,400 | 1,462,200 | 1,312,200 |
| HKD | 2,084 | 74,084 | 74,084 |

e. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

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

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

b) As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

| | **September 30, 2021** | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 167,891,951 | $ 35,068,784 |
| Financial assets at FVTOCI | - | 45,873,634 |
| Financial assets measured at amortized cost | - | 107,536,164 |
| | $ 167,891,951 | $ 188,478,582 |

| | **December 31, 2020** | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 119,715,465 | $ 40,232,961 |
| Financial assets at FVTOCI | - | 66,528,618 |
| Financial assets measured at amortized cost | - | 119,025,227 |
| | $ 119,715,465 | $ 225,786,806 |

| | **September 30, 2020** | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 109,727,496 | $ 40,724,469 |
| Financial assets at FVTOCI | - | 64,314,331 |
| Financial assets measured at amortized cost | - | 128,346,485 |
| | $ 109,727,496 | $ 233,385,285 |

## 45. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

| No. | Description | Explanation |
|---|---|---|
| 1 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 3 |
| 2 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | N/A |
| 3 | Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital. | Note 34 |
| 4 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 6 |
| 5 | Trading in derivative instruments. | Notes 8, 10 and 39 |

b. Information of investees

| No. | Description | Explanation |
|---|---|---|
| 1 | Information on investee, including name, location and etc. | Table 1 |
| 2 | Financing provided to others. | N/A |
| 3 | Endorsements/guarantees provided. | N/A |
| 4 | Marketable securities held. | Table 2 |
| 5 | Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital. | N/A |
| 6 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 3 |
| 7 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | N/A |
| 8 | Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital | Note 34 |
| 9 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 6 |
| 10 | Trading in derivative instruments. | N/A |

c. Information on investments in Mainland China

| No. | Description | Explanation |
|---|---|---|
| 1 | Name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed. | Table 4 |
| 2 | Significant transactions, with investees in mainland China, either directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses. | N/A |
| 3 | Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages. | N/A |
| 4 | The amount of property transactions and the amount of the resulting gains or losses. | N/A |
| 5 | The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds. | N/A |
| 6 | Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. | N/A |

d. The important intercompany transactions among the Group are disclosed in Table 5 following the notes to the consolidated financial statements.

e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A

TABLE 1

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of September 30, 2021 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2021 | December 31, 2020 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Cathay Life Insurance Co., Ltd. | Conning Holdings Limited | UK | Holding company | $ 15,723,539 | $ 15,723,539 | 2,029 | 100.00 | $ 14,177,065 | $ 1,817,925 | $ 1,556,656 | Subsidiary (Note 2) |
| | Cathay Life Insurance (Vietnam) Co., Ltd. | Vietnam | Life insurance | 20,370,930 | 9,090,730 | - | 100.00 | 23,113,562 | 443,423 | 443,423 | Subsidiary (Note 2) |
| | Cathay Woolgate Exchange Holding 1 Limited | Jersey Island | Real estate investment and operation management | 16,654,013 | 16,654,013 | 326,700 | 100.00 | 13,276,562 | 424,518 | 424,518 | Subsidiary (Note 1) |
| | Cathay Woolgate Exchange Holding 2 Limited | Jersey Island | Real estate investment and operation management | 168,222 | 168,222 | 3,300 | 100.00 | 131,812 | 3,773 | 3,773 | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 1 Limited | Jersey Island | Real estate investment and operation management | 10,189,090 | 10,189,090 | 213,750 | 100.00 | 8,364,678 | (175,524) | (175,524) | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 2 Limited | Jersey Island | Real estate investment and operation management | 536,268 | 536,268 | 11,250 | 100.00 | 435,155 | (9,839) | (9,839) | Subsidiary (Note 1) |
| | Cathay Industrial Research and Design Center Co., Ltd. | Taiwan | Real estate leasing | 990,000 | - | 99,000 | 99.00 | 936,291 | (54,251) | (53,709) | Subsidiary (Note 1) |
| | Rizal Commercial Banking Corporation | Philippines | Banking | 15,683,953 | 15,683,953 | 452,019 | 22.19 | 15,909,684 | 2,510,081 | 579,299 | Associate (Note 2) |
| | PT Bank Mayapada Internasional Tbk | Indonesia | Banking | 12,823,689 | 13,317,536 | 2,452,677 | 20.73 | - | 180,569 | - | Associate (Note 2) |
| | Cathay Securities Investment Consulting Co., Ltd. | Taiwan | Securities investment consulting services | 300,000 | 300,000 | 30,000 | 100.00 | 637,732 | 193,117 | 193,117 | Subsidiary (Note 1) |
| | Symphox Information Co., Ltd | Taiwan | Wholesale of information software | 404,432 | 404,432 | 24,511 | 49.12 | 396,510 | (21,921) | (10,767) | Associate (Note 2) |
| | WK Technology Fund VI Co., Ltd. | Taiwan | Venture investment | 54,186 | 108,372 | 5,419 | 21.43 | 4,273 | (184) | (40) | Associate (Note 2) |
| | Dasheng Venture Capital Co., Ltd. | Taiwan | Venture investment | 425,009 | 753,562 | 42,501 | 25.00 | 1,418,884 | 788,182 | 197,046 | Associate (Note 2) |
| | Dasheng IV Venture Capital Co., Ltd. | Taiwan | Venture investment | 712,500 | 712,500 | 71,250 | 21.43 | 1,105,105 | (7,039) | (1,508) | Associate (Note 2) |
| | CMG International One Co., Ltd. | Taiwan | Lease and development of residence and buildings | 675,000 | 675,000 | 67,500 | 45.00 | 671,637 | (7,039) | (3,167) | Associate (Note 2) |
| | CMG International Two Co., Ltd. | Taiwan | Lease and development of residence and buildings | 675,000 | 675,000 | 67,500 | 45.00 | 667,574 | (9,649) | (4,342) | Associate (Note 2) |
| | CM Energy Co., Ltd. | Taiwan | Energy technical services | 450,000 | 315,000 | 45,000 | 45.00 | 483,136 | 70,778 | 31,850 | Associate (Note 2) |
| | Neo Cathay Power Corp. | Taiwan | Energy technical services | 675,000 | 675,000 | 67,500 | 45.00 | 728,410 | 105,070 | 47,281 | Associate (Note 2) |
| | Cathay Power Inc. (former Cathay Sunrise Corporation) | Taiwan | Energy technical services | 675,000 | 675,000 | 67,500 | 45.00 | 723,520 | 118,425 | 53,291 | Associate (Note 2) |
| | DingTeng Co., Ltd. | Taiwan | Sewage treatment | 756,116 | 756,116 | 41,137 | 27.36 | 847,907 | 64,818 | 17,734 | Associate (Note 2) |
| | PSS Co., Ltd. | Taiwan | Parking space management | 832,750 | 832,750 | 14,186 | 35.61 | 929,076 | 60,312 | 21,629 | Associate (Note 2) |
| | Greenhealth Water Resources Co., Ltd. | Taiwan | Sewage treatment | 470,916 | 470,916 | 45,600 | 30.00 | 463,789 | 26,423 | 7,927 | Associate (Note 2) |
| | Cathay Venture Inc. | Taiwan | Venture investment | 1,567,574 | 1,567,574 | 129,543 | 25.00 | 1,736,055 | 278,700 | 69,675 | Associate (Note 1) |
| | Lin Yuan Property Management Co., Ltd. | Taiwan | Property management services | 63,636 | 63,636 | 1,470 | 49.00 | 42,688 | 34,891 | 17,097 | Associate (Note 2) |
| | TaiYang Solar Power Co., Ltd. | Taiwan | Energy technical services | 337,500 | 148,000 | 33,750 | 45.00 | 331,574 | (11,201) | (4,716) | Associate (Note 2) |

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

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

Note 3: Cathay Sunrise Corporation was renamed as Cathay Power Inc. on April 30, 2021.

**TABLE 2**

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

**MARKETABLE SECURITIES HELD**
**SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statements Accounts | September 30, 2021 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | Preference shares | | | | | | | |
| Conning Inc. | Centerprise Services Inc. | N/A | Financial assets at FVTOCI | 400 | $ 4,379 | 1.76 | $ 4,379 | |
| | Stocks | | | | | | | |
| Symphox Information Co., Ltd. | Appworks Fund I Co., Ltd. | N/A | Financial assets at FVTOCI | 24 | 187 | 0.63 | 187 | |
| | Fashionguide Co., Ltd. | N/A | Financial assets at FVTOCI | 1,293 | 26,591 | 7.72 | 26,591 | |
| | Buyforyou Co., Ltd. | N/A | Financial assets at FVTOCI | 117 | - | 10.00 | - | |
| | Seaward Card Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 3,000 | 53,171 | 100.00 | 53,171 | |
| | Thinkpower Information Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 5,975 | 309,366 | 71.08 | 309,366 | |
| | Bowl Cut Entertainment Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 500 | 8,155 | 100.00 | 8,155 | |
| Greenhealth Water Resources Co., Ltd. | Lung Chuan Water Resources Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 152,000 | 1,511,758 | 100.00 | 1,511,758 | |

TABLE 3

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

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars)**

| Buyer | Property | Event Date | Transaction Amount (Note 1) | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| The Company | Land located at Meishi Section, Yangmei District, Taoyuan City | 2021.04.28 | $ 1,458,880 | Payments by installment according to the contract | Loyal Fidelity Aerospace Corp. | Related party | Chen-tech Taiwan Industries, Corp. | None | 2013.08.30 | $ 608,927 | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | None |
| The Company | Land located at Ruixing Section, Daix District, Taichung City | 2021.05.13 | 1,500,000 | Payments by installment according to the contract | Guan Tung Construction Limited Company | Non-related party | - | - | - | - | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | None |
| Cathay Industrial Research and Design Center Co., Ltd. | Land located at No. 205, Sub-section 2, Changchun Section, Zhongshan District, Taipei City | 2021.01.27 | 1,675,410 | Payments by installment according to the contract | ROC. (Managed by National Taipei University) | Non-related party | - | - | - | - | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | 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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Main Business and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021 | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Note 2) | Carrying Amount as of September 30, 2021 | Accumulated Repatriation of Investment Income as of September 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Cathay Lujiazui Life Insurance Co., Ltd. | Life insurance | $ 13,497,155 | a | $ 6,748,578 | $ - | $ - | $ 6,748,578 | $ 633,895 | 50.0 | $ 316,948 (Note 2,b,2) | $ 6,330,464 | $ - |
| Cathay Insurance Company Limited (China) | Property insurance | 12,196,844 | a | 2,943,663 | - | - | 2,943,663 | 729,433 | 24.5 | 178,711 (Note 2,b,3) | 1,990,688 | - |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Office leasing | 7,223,435 | a | 7,223,435 | - | - | 7,223,435 | 138,129 | 100.0 | 102,093 (Note 2,b,2) | 7,650,044 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand) | $17,978,094 (Including the amounts of CNY3,090,000 thousand and US$106,352 thousand) | $418,273,900 |

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

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

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

a. If it is in preparation, there are no investment gains and losses, it should be noted.

b. The recognition basis for investment gain (loss) are as follows:

1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
2) Financial statement is audited by the parent company's CPA firm in Taiwan.
3) Other.

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of September 30, 2021, the Company's remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

(Continued)

On October 17, 2007, MOEAIC authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. On November 26, 2019, MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. As of September 30, 2021, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US$47,000) thousand and CNY500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of September 30, 2021, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % of Total Operating Revenue or Assets (Note 3) |
| 0 | Cathay Life Insurance Co., Ltd. | Cathay Walbrook Holding 1 Limited | a | Other loans | $ 12,277,600 | Equivalent to general conditions of transactions | 0.15 |
| | | Cathay Walbrook Holding 1 Limited | a | Other receivables | 11,978 | Equivalent to general conditions of transactions | - |
| | | Cathay Walbrook Holding 1 Limited | a | Interest income | 283,144 | Equivalent to general conditions of transactions | 0.04 |
| | | Cathay Walbrook Holding 2 Limited | a | Other loans | 646,189 | Equivalent to general conditions of transactions | 0.01 |
| | | Cathay Walbrook Holding 2 Limited | a | Other receivables | 630 | Equivalent to general conditions of transactions | - |
| | | Cathay Walbrook Holding 2 Limited | a | Interest income | 14,902 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Processing fee expense | 975,277 | Equivalent to general conditions of transactions | 0.14 |
| | | Conning Holdings Limited | a | Other payables | 328,151 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Prepaid expense | 2,978 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Administrative expense | 4,442 | Equivalent to general conditions of transactions | - |
| | | Global Evolution Holding ApS | a | Processing fee expense | 57,665 | Equivalent to general conditions of transactions | 0.01 |
| | | Global Evolution Holding ApS | a | Other payable | 19,446 | Equivalent to general conditions of transactions | - |
| 1 | Lin Yuan (Shanghai) Real Estate Co., Ltd. | Cathay Lujiazui Life Insurance Co., Ltd. | c | Guarantee deposits received | 10,321 | Equivalent to general conditions of transactions | - |
| | | Cathay Lujiazui Life Insurance Co., Ltd. | c | Rental income | 20,976 | Equivalent to general conditions of transactions | - |
| | | Cathay Life Insurance Co., Ltd. | b | Guarantee deposits received | 138 | Equivalent to general conditions of transactions | - |
| | | Cathay Life Insurance Co., Ltd. | b | Rental income | 529 | Equivalent to general conditions of transactions | - |

Note 1: Parent is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

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

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

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

TABLE 6

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**SEPTEMBER 30, 2021**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Cathay Life Insurance Co., Ltd. | Cathay Financial Holding Co., Ltd. | Parent Company | $ 4,503,559 (Note 1) | - | $ - | - | $ - | $ - |
| Conning Holdings Limited | Cathay Life Insurance Co., Ltd. | Parent Company | 328,151 (Note 2) | - | - | - | - | - |

Note 1: The ending balance mainly comprises tax refund receivables under the integrated income tax system.

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