

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. and its subsidiaries (collectively, the “Group”) as of 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 Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with 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 Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are 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 FINANCIAL HOLDING 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)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	\$ 476,817,293	4	\$ 536,716,255	5	\$ 494,736,913	5
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	198,499,396	2	129,503,924	1	160,635,656	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7, 28 and 29)	1,795,781,455	16	1,748,081,143	16	1,684,851,058	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 28 and 29)	1,662,374,427	15	1,562,998,457	14	1,428,047,111	13
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 29)	3,240,849,350	28	3,161,044,538	29	3,125,566,149	30
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	244,235	-	146,959	-	386,927	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	76,195,818	1	67,264,342	1	63,619,193	1
RECEIVABLES, NET (Notes 4, 5, 10 and 28)	189,383,985	2	191,916,164	2	167,753,341	2
CURRENT TAX ASSETS	4,328,319	-	4,689,275	-	4,728,086	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 28)	2,277,243,022	20	2,141,276,205	19	2,086,797,598	20
REINSURANCE CONTRACT ASSETS, NET	11,910,262	-	9,646,628	-	8,814,621	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 28)	32,795,562	-	33,036,282	-	32,836,012	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 23)	713,235,519	6	660,547,975	6	608,132,840	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 28 and 29)	429,598,353	4	419,476,228	4	412,290,064	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	99,276,642	1	98,405,132	1	100,978,291	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 28)	4,221,277	-	4,138,543	-	3,847,703	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 38)	52,106,253	-	54,002,407	-	55,079,730	-
DEFERRED TAX ASSETS (Note 4)	64,875,910	1	61,507,384	1	58,436,774	-
OTHER ASSETS, NET (Notes 28 and 29)	<u>54,113,144</u>	<u>-</u>	<u>66,074,603</u>	<u>1</u>	<u>64,481,923</u>	<u>1</u>
TOTAL	\$ 11,383,850,222	100	\$ 10,950,472,444	100	\$ 10,562,019,990	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 82,603,839	1	\$ 66,131,059	1	\$ 67,455,803	1
DUE TO THE CENTRAL BANK AND BANKS	1,076,000	-	1,076,000	-	1,000,000	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	84,999,867	1	140,778,098	1	121,107,668	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	42,836	-	139,858	-	57,171	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	23,767,050	-	12,299,564	-	20,121,182	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	62,669,737	1	39,519,918	1	38,879,972	-
PAYABLES (Note 28)	107,446,145	1	68,696,694	1	69,580,012	1
CURRENT TAX LIABILITIES (Note 4)	7,711,939	-	20,628,900	-	21,536,825	-
DEPOSITS AND REMITTANCES (Notes 19 and 28)	2,816,351,413	25	2,615,799,063	24	2,485,831,901	24
BONDS PAYABLE (Note 20)	141,800,000	1	148,800,000	1	148,800,000	1
OTHER BORROWINGS	1,288,320	-	1,657,576	-	372,779	-
PROVISIONS (Notes 4, 21 and 22)	6,349,029,048	56	6,117,073,219	56	6,007,555,764	57
OTHER FINANCIAL LIABILITIES (Notes 4 and 23)	737,975,535	6	692,760,284	6	649,688,701	6
LEASE LIABILITIES (Notes 4, 16 and 28)	14,663,920	-	13,011,637	-	12,772,008	-
DEFERRED TAX LIABILITIES (Note 4)	52,441,937	-	67,823,378	1	57,085,577	1
OTHER LIABILITIES (Note 28)	<u>29,949,431</u>	<u>-</u>	<u>39,501,515</u>	<u>-</u>	<u>35,544,620</u>	<u>-</u>
Total liabilities	<u>10,513,817,017</u>	<u>92</u>	<u>10,045,696,763</u>	<u>92</u>	<u>9,737,389,983</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)						
Share capital						
Ordinary shares	131,692,102	1	131,692,102	1	131,692,102	1
Preference shares	15,333,000	-	15,333,000	-	15,333,000	-
Capital surplus	177,247,370	2	177,256,053	2	177,255,256	2
Retained earnings						
Legal reserve	59,471,895	1	51,967,688	-	51,967,688	1
Special reserve	150,716,023	1	149,894,910	1	149,894,910	1
Unappropriated earnings	248,138,648	2	169,606,342	2	158,329,889	2
Other equity	<u>76,166,735</u>	<u>1</u>	<u>197,311,121</u>	<u>2</u>	<u>128,782,575</u>	<u>1</u>
Total equity attributable to owners of the Company	858,765,773	8	893,061,216	8	813,255,420	8
NON-CONTROLLING INTERESTS (Notes 4 and 24)	<u>11,267,432</u>	<u>-</u>	<u>11,714,465</u>	<u>-</u>	<u>11,374,587</u>	<u>-</u>
Total equity	<u>870,033,205</u>	<u>8</u>	<u>904,775,681</u>	<u>8</u>	<u>824,630,007</u>	<u>8</u>
TOTAL	\$ 11,383,850,222	100	\$ 10,950,472,444	100	\$ 10,562,019,990	100

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (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	%
INTEREST INCOME (Notes 4 and 28)	\$ 52,081,713	39	\$ 50,761,184	33	\$ 154,940,407	32	\$ 156,720,898	33
INTEREST EXPENSE (Notes 4 and 28)	(3,221,238)	(2)	(3,681,745)	(2)	(9,767,022)	(2)	(13,736,056)	(3)
NET INTEREST INCOME	<u>48,860,475</u>	<u>37</u>	<u>47,079,439</u>	<u>31</u>	<u>145,173,385</u>	<u>30</u>	<u>142,984,842</u>	<u>30</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME								
Net gain on service fee and commission fee (Notes 4, 23, 25 and 28)	3,832,036	3	2,535,932	1	9,308,234	2	5,334,945	1
Net income on insurance operations (Notes 4, 25 and 28)	34,872,822	27	59,331,672	39	155,247,743	33	228,354,107	48
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	(14,501,949)	(11)	74,528,699	49	86,973,370	18	107,709,642	23
Gain on investment properties (Notes 4, 14 and 28)	2,470,622	2	2,753,715	2	8,974,662	2	10,337,716	2
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	8,904,222	7	9,139,709	6	29,720,225	6	27,767,759	6
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	5,197,515	4	10,266,314	7	31,759,336	7	33,653,426	7
Foreign exchange loss (Note 4)	(1,260,126)	(1)	(41,411,999)	(27)	(59,496,247)	(12)	(81,538,941)	(17)
Reversal of impairment loss (impairment loss) on assets (Note 4)	173,849	-	41,171	-	2,233,166	-	(1,934,020)	-
Share of profit (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	595,282	-	560,612	-	1,615,912	-	(12,449,785)	(3)
Gain (loss) on reclassification using the overlay approach (Notes 4 and 7)	40,934,630	31	(8,364,228)	(6)	57,520,214	12	3,085,593	1
Net other non-interest gain (loss) (Note 28)	<u>1,733,231</u>	<u>1</u>	<u>(3,460,700)</u>	<u>(2)</u>	<u>8,559,050</u>	<u>2</u>	<u>10,845,671</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>131,812,609</u>	<u>100</u>	<u>153,000,336</u>	<u>100</u>	<u>477,589,050</u>	<u>100</u>	<u>474,150,955</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 21 and 25)	<u>(75,254,786)</u>	<u>(57)</u>	<u>(98,439,313)</u>	<u>(64)</u>	<u>(273,724,215)</u>	<u>(57)</u>	<u>(340,348,515)</u>	<u>(72)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(1,033,749)</u>	<u>(1)</u>	<u>(829,228)</u>	<u>(1)</u>	<u>(3,214,275)</u>	<u>(1)</u>	<u>(1,749,362)</u>	<u>-</u>
OPERATING EXPENSES (Notes 25 and 28)								
Employee benefit expenses	(13,174,473)	(10)	(12,522,390)	(8)	(39,900,030)	(8)	(38,984,580)	(8)
Depreciation and amortization expenses	(1,855,857)	(1)	(1,846,192)	(1)	(5,431,617)	(1)	(5,394,497)	(1)
Other general and administrative expenses	<u>(6,603,909)</u>	<u>(5)</u>	<u>(5,898,242)</u>	<u>(4)</u>	<u>(17,240,724)</u>	<u>(4)</u>	<u>(16,385,292)</u>	<u>(4)</u>
Total operating expenses	<u>(21,634,239)</u>	<u>(16)</u>	<u>(20,266,824)</u>	<u>(13)</u>	<u>(62,572,371)</u>	<u>(13)</u>	<u>(60,764,369)</u>	<u>(13)</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (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	%
PROFIT BEFORE INCOME TAX	\$ 33,889,835	26	\$ 33,464,971	22	\$ 138,078,189	29	\$ 71,288,709	15
INCOME TAX EXPENSE (Notes 4 and 26)	(3,036,388)	(3)	(1,751,249)	(1)	(15,708,729)	(3)	(6,873,275)	(2)
NET INCOME	<u>30,853,447</u>	<u>23</u>	<u>31,713,722</u>	<u>21</u>	<u>122,369,460</u>	<u>26</u>	<u>64,415,434</u>	<u>13</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 24)								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	-	-	-	-	(655)	-	1,126	-
(Loss) gain on equity instruments at fair value through other comprehensive income	(6,431,609)	(5)	(2,999,978)	(2)	2,188,574	1	(5,815,032)	(1)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	292,827	-	(65,396)	-	568,595	-	1,051,925	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	137,978	-	168,301	-	146,195	-	332,933	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	373,681	1	157,702	-	527,468	-	698,535	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	(615,990)	(1)	364,952	-	(2,476,457)	(1)	(3,098,948)	(1)
(Loss) gain on hedging instruments	(7,388)	-	(51,901)	-	(98,983)	-	99,936	-
(Loss) gain on debt instruments at fair value through other comprehensive income	(14,697,736)	(11)	2,139,085	1	(77,408,318)	(16)	19,626,816	4
Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(418,406)	-	167,830	-	(954,817)	-	(156,821)	-

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CATHAY FINANCIAL HOLDING 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 reclassified using overlay approach	\$ (40,934,630)	(31)	\$ 8,364,228	6	\$ (57,520,214)	(12)	\$ (3,085,593)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>4,398,057</u>	<u>3</u>	<u>(2,328,915)</u>	<u>(1)</u>	<u>15,269,161</u>	<u>3</u>	<u>(1,983,591)</u>	<u>-</u>
Total other comprehensive (loss) income for the period, net of income tax	<u>(57,903,216)</u>	<u>(44)</u>	<u>5,915,908</u>	<u>4</u>	<u>(119,759,451)</u>	<u>(25)</u>	<u>7,671,286</u>	<u>2</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (27,049,769)</u>	<u>(21)</u>	<u>\$ 37,629,630</u>	<u>25</u>	<u>\$ 2,610,009</u>	<u>1</u>	<u>\$ 72,086,720</u>	<u>15</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 30,545,610	23	\$ 31,221,618	21	\$ 121,596,084	26	\$ 63,343,376	13
Non-controlling interests	<u>307,837</u>	<u>-</u>	<u>492,104</u>	<u>-</u>	<u>773,376</u>	<u>-</u>	<u>1,072,058</u>	<u>-</u>
	<u>\$ 30,853,447</u>	<u>23</u>	<u>\$ 31,713,722</u>	<u>21</u>	<u>\$ 122,369,460</u>	<u>26</u>	<u>\$ 64,415,434</u>	<u>13</u>
TOTAL COMPREHENSIVE (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ (27,333,090)	(21)	\$ 37,453,728	25	\$ 1,895,415	1	\$ 71,239,119	15
Non-controlling interests	<u>283,321</u>	<u>-</u>	<u>175,902</u>	<u>-</u>	<u>714,594</u>	<u>-</u>	<u>847,601</u>	<u>-</u>
	<u>\$ (27,049,769)</u>	<u>(21)</u>	<u>\$ 37,629,630</u>	<u>25</u>	<u>\$ 2,610,009</u>	<u>1</u>	<u>\$ 72,086,720</u>	<u>15</u>
EARNINGS PER SHARE (Note 27)								
Basic earnings per share	<u>\$ 2.32</u>		<u>\$ 2.37</u>		<u>\$ 8.98</u>		<u>\$ 4.55</u>	

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company														Non-controlling Interests	Total Equity	
	Share Capital						Retained Earnings			Other Equity							
	Ordinary Shares	Preferred Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others			Total
BALANCE, AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365	\$ 10,279,814	\$ 782,027,179
Appropriation of 2019 earnings	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(1,720)	-	-	-	-	-	-	-	-	-	-	-	(1,720)	-	(1,720)
Net income for the nine months ended September 30, 2020	-	-	-	-	-	63,343,376	-	-	-	-	-	-	-	-	63,343,376	1,072,058	64,415,434
Other comprehensive (loss) income for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(2,915,994)	12,268,621	84,315	841,539	(10,294)	-	(2,372,444)	-	7,895,743	(224,457)	7,671,286
Total comprehensive income (loss) for nine months ended September 30, 2020	-	-	-	-	-	63,343,376	(2,915,994)	12,268,621	84,315	841,539	(10,294)	-	(2,372,444)	-	71,239,119	847,601	72,086,720
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	152,823	-	(152,823)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	247,172	247,172
BALANCE, AT SEPTEMBER 30, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,255,256	\$ 51,967,688	\$ 149,894,910	\$ 158,329,889	\$ (16,235,614)	\$ 80,435,751	\$ 416,245	\$ (1,008,969)	\$ (1,518,158)	\$ 11,097,089	\$ 55,596,231	\$ -	\$ 813,255,420	\$ 11,374,587	\$ 824,630,007
BALANCE, AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216	\$ 11,714,465	\$ 904,775,681
Appropriation of 2020 earnings	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(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	-	-	-	-	-	121,596,084	-	-	-	-	-	-	-	-	121,596,084	773,376	122,369,460
Other comprehensive (loss) income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(2,851,039)	(60,903,318)	(76,202)	454,876	(9,557)	-	(56,315,429)	-	(119,700,669)	(58,782)	(119,759,451)
Total comprehensive income (loss) for nine months ended September 30, 2021	-	-	-	-	-	121,596,084	(2,851,039)	(60,903,318)	(76,202)	454,876	(9,557)	-	(56,315,429)	-	1,895,415	714,594	2,610,009
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,098,706	-	(2,098,706)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(985,121)	(985,121)
BALANCE, AT SEPTEMBER 30, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,247,370	\$ 59,471,895	\$ 150,716,023	\$ 248,138,648	\$ (18,315,048)	\$ 43,205,816	\$ 271,669	\$ (1,023,829)	\$ (1,975,836)	\$ 11,032,164	\$ 46,196,188	\$ (3,224,389)	\$ 858,765,773	\$ 11,267,432	\$ 870,033,205

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended	
	September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 138,078,189	\$ 71,288,709
Adjustments for:		
Depreciation expense	3,014,743	2,950,470
Amortization expense	2,416,874	2,444,027
Bad debt expense	3,214,275	1,749,362
Gain on financial assets and liabilities at fair value through profit or loss	(70,984,980)	(92,802,437)
Interest expense	9,767,022	13,736,056
Net gain on derecognition of financial assets at amortized cost	(31,759,336)	(33,653,426)
Interest income	(154,940,407)	(156,720,898)
Dividend income	(20,419,064)	(17,894,177)
Net change in insurance liabilities	238,971,931	301,780,437
Net changes in other provisions	(6,777,911)	(7,788,309)
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,615,912)	12,449,785
Gain on reclassification using the overlay approach	(57,520,214)	(3,085,593)
Loss on disposal and retirement of property and equipment	6,073	4,588
(Gain) loss on disposal of investment properties	(23,700)	502,015
Gain on disposal of investments accounted for using the equity method	(89,343)	(1,803,139)
Gain on disposal of investments	(23,283,061)	(23,888,174)
(Reversal of expected credit loss) expected credit loss on financial assets	(2,233,166)	1,934,020
Gain on changes in fair value of investment properties	(1,113,905)	(2,345,694)
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(10,356,408)	(6,911,018)
Decrease in financial assets at fair value through profit or loss	49,047,719	168,680,402
Increase in financial assets at fair value through other comprehensive income	(150,656,950)	(207,899,737)
Increase in debt instruments at amortized cost	(46,256,138)	(24,701,379)
Decrease in financial assets for hedging	129,520	289,035
Decrease in receivables	6,730,193	17,554,485
Increase in loans	(139,212,596)	(21,518,065)
Increase in reinsurance assets	(2,380,271)	(305,680)
Decrease (increase) in other financial assets	3,352,452	(8,222,227)
Decrease (increase) in other assets	5,808,795	(6,693,452)
Increase (decrease) deposits from the Central Bank and banks	16,472,780	(16,652,325)
Decrease in financial liabilities at fair value through profit or loss	(80,361,280)	(85,119,239)
Decrease in financial liabilities for hedging	(422,801)	-
Increase (decrease) in notes and bonds sold under repurchase agreements	11,467,486	(30,157,351)

(Continued)

CATHAY FINANCIAL HOLDING 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
Increase in payables	\$ 39,884,503	\$ 5,102,675
Increase in deposits and remittances	200,552,350	182,388,085
Decrease in provisions for employee benefits	(9,101)	(80,486)
Decrease in provisions	(112,453)	(186,271)
Decrease in other financial liabilities	(10,825,249)	(11,776,756)
(Decrease) increase in other liabilities	<u>(6,657,757)</u>	<u>3,670,604</u>
Cash (used in) generated from operations	(89,097,098)	26,318,922
Interest received	152,071,561	157,697,837
Dividends received	21,105,819	18,537,977
Interest paid	(11,657,231)	(15,951,298)
Income tax paid	<u>(31,774,685)</u>	<u>(6,135,667)</u>
Net cash generated from operating activities	<u>40,648,366</u>	<u>180,467,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(27,228,394)	(28,421,493)
Proceeds from disposal of financial assets at fair value through other comprehensive income	26,982,146	28,086,975
Acquisition of financial assets at fair value through profit or loss	(763,799)	(698,713)
Proceeds from disposal of financial assets at fair value through profit or loss	415,878	405,261
Proceeds from capital reduction of financial assets at fair value through profit or loss	14,800	-
Acquisition of investments accounted for using equity method	(324,500)	(450,185)
Proceeds from disposal of investments accounted for using equity method	216,718	-
Net cash outflow from acquisition of subsidiaries (deducted cash and cash equivalent balances acquired)	-	(152,501)
Proceeds from capital reduction of investments accounted for using equity method	404,415	162,007
Acquisition of property and equipment	(1,890,831)	(1,624,521)
Proceeds from disposal of property and equipment	852	11,537
Acquisition of intangible assets	(451,930)	(565,096)
Acquisition of investment properties	(9,936,039)	(3,444,165)
Proceeds from disposal of investment properties	117,100	258,308
Decrease (increase) in other assets	4,718,080	(1,223,906)
Dividends received	<u>97,876</u>	<u>89,620</u>
Net cash used in investing activities	<u>(7,627,628)</u>	<u>(7,566,872)</u>

(Continued)

CATHAY FINANCIAL HOLDING 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 FINANCING ACTIVITIES		
Increase in funds borrowed from the Central Bank and banks	\$ -	\$ 1,000,000
Increase (decrease) in commercial paper payable	23,150,000	(15,140,000)
Proceeds from issuance of bonds payable	-	30,000,000
Repayment of financial debentures	(7,000,000)	(100,000)
Decrease in borrowings	(327,763)	(1,830,934)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(11,289,165)
Repayment of the principal portion of lease liabilities	(1,170,989)	(1,195,535)
(Decrease) increase in other liabilities	(2,194,993)	921,829
Dividends paid	(36,313,949)	(29,729,344)
Acquisition of interests in subsidiaries	(605,519)	-
Changes in non-controlling interests	(676,094)	(1,055,822)
Net cash used in financing activities	<u>(25,139,307)</u>	<u>(28,418,971)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(141,127)</u>	<u>(231,996)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,740,304	144,249,932
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>657,824,480</u>	<u>503,214,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 665,564,784</u>	<u>\$ 647,464,080</u>
Reconciliation of cash and cash equivalents:		
	September 30	
	2021	2020
Cash and cash equivalents presented in the consolidated balance sheets	\$ 476,817,293	\$ 494,736,913
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	112,551,673	89,107,974
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>76,195,818</u>	<u>63,619,193</u>
Cash and cash equivalents at the end of the periods	<u>\$ 665,564,784</u>	<u>\$ 647,464,080</u>

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

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

- IFRS 17 “Insurance Contracts” and its amendments

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

Level of aggregation

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

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

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

Recognition

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

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

Measurement on initial recognition

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

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

Subsequent measurement

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

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contracts, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group should recognize a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group of onerous contracts being equal to the fulfilment cash flows and the contractual service margin of the group being zero. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

Premium Allocation Approach (PAA)

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

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

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

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

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Basis of Consolidation

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

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

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

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

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Business Combinations

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

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

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

Foreign Currencies

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

Investment Properties

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

- a) The sum of 0.5% of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the Second Category of loan assets, 10% of the Third Category of loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.
- b) 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.
- c) Total unsecured portion of non-performing loans and non-accrual loans.

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

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

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

3) Derecognition of financial assets

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

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

4) Offsetting of financial instruments

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

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

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

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

Fair value is determined in the manner described in Note 36.

Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

e. Modification of financial instrument

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

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

Hedge Accounting

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

a. Fair value hedges

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

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

b. Cash flow hedges

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

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

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

c. Hedges of net investments in foreign operations

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

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

Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements

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

Separate Accounts Insurance Products

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

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

Insurance Liability

a. Cathay Life

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

1) Unearned premium reserve

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

2) Loss reserve

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

3) Policy reserve

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

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

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

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

4) Special reserve

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

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

5) Premium deficiency reserve

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

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

6) Other reserve

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

7) Liability adequacy reserve

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

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

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

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

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

d. Cathay Century and its subsidiaries

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

The descriptions of these reserves are as follows:

1) Unearned premium reserve

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

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

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

Unearned premiums reserve for Nuclear Energy Insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

4) Premium deficiency reserve

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

5) Policy reserve

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

6) Liability adequacy reserve

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

Liability Adequacy Test

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

Reserve for Insurance Contracts with the Nature of Financial Products

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

Reserve for Foreign Exchange Valuation

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

Revenue and the Related Expenses Recognition

a. Cathay Life and its subsidiaries

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

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

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

- 2) Cathay Lujiazui Life

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

- 3) Cathay Life (Vietnam)

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

b. Cathay United Bank and its subsidiaries

1) Recognition of interest revenue and expense

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

2) Recognition of service fee revenue and expense

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

3) Customer loyalty program

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

c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

d. Cathay Securities

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

Classification of Insurance Products

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

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

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

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

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

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

Reinsurance

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

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

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

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

Provisions

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

Leases

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

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

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

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, 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 expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

c. Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of loans

The estimated impairment of loans is made with reference to the collateral status of the credit assets, the amount of the accumulated principal and interest due, and the length of the overdue period. The loans are classified after considering the changes in the credit of individual credit assets and the collection status. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment, based on the Group's historical experience, existing market conditions as well as forward looking estimates (i.e. probability of default and expected credit loss rates) as of the end of each reporting period. Refer to Note 36 for the key assumptions and inputs used.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 36.

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

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

2) Cathay Century and its subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 18,428,168	\$ 18,412,103	\$ 18,400,543
Cash in banks	180,080,320	166,785,873	222,443,195
Time deposits	231,460,451	252,042,783	187,948,837
Checks for clearing	2,589,304	2,628,849	3,440,823
Cash equivalents	21,573,346	46,599,213	19,673,543
Due from banks	22,696,636	50,269,827	42,849,566
Less: Loss allowance	<u>(10,932)</u>	<u>(22,393)</u>	<u>(19,594)</u>
	<u>\$ 476,817,293</u>	<u>\$ 536,716,255</u>	<u>\$ 494,736,913</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 539,877,145	\$ 538,241,070	\$ 458,465,287
Funds and beneficiary certificates	698,329,214	681,814,769	678,789,284
Government bonds	17,320,101	35,857,067	38,391,806
Corporate bonds	16,756,898	8,251,384	6,758,978
Financial debentures	49,122,463	20,556,752	19,924,819
Overseas bonds	250,628,137	148,917,957	176,838,069
Short-term notes	165,982,458	195,725,296	188,800,800
Futures trading margin	90,972	1,329,790	776,215
Structured time deposits	4,600,402	18,027,331	21,101,333
Derivative instruments	<u>53,073,665</u>	<u>99,359,727</u>	<u>95,004,467</u>
	<u>\$ 1,795,781,455</u>	<u>\$ 1,748,081,143</u>	<u>\$ 1,684,851,058</u>
<u>Financial liabilities at FVTPL</u>			
Designated as at FVTPL			
Bonds	\$ 41,484,266	\$ 44,204,582	\$ 44,924,947
Held for trading			
Derivative instruments	43,246,213	81,426,781	69,037,363
Security lending payable (non-hedging)	257,476	14,909,925	7,070,450
Security lending payable (hedging)	<u>11,912</u>	<u>236,810</u>	<u>74,908</u>
	<u>\$ 84,999,867</u>	<u>\$ 140,778,098</u>	<u>\$ 121,107,668</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets mandatorily classified as at FVTPL</u>			
Stocks	\$ 529,312,384	\$ 523,742,759	\$ 450,220,752
Funds and beneficiary certificates	672,423,038	635,702,636	637,148,473
Financial debentures	12,003,665	10,675,230	9,705,020
Overseas bonds	248,773,358	147,576,634	175,770,032
Structured time deposits	<u>4,600,402</u>	<u>18,027,331</u>	<u>21,101,333</u>
	<u>\$ 1,467,112,847</u>	<u>\$ 1,335,724,590</u>	<u>\$ 1,293,945,610</u>

Reclassifications 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 are as below:

	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	\$ (4,751,818)	\$ 47,416,985	\$ 72,240,367	\$ 88,369,860
Gain if applying IAS 39 to profit or loss	<u>(36,182,812)</u>	<u>(39,052,757)</u>	<u>(129,760,581)</u>	<u>(91,455,453)</u>
(Gain) loss reclassified due to application of overlay approach	<u>\$ (40,934,630)</u>	<u>\$ 8,364,228</u>	<u>\$ (57,520,214)</u>	<u>\$ (3,085,593)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the three months and nine months ended September 30, 2021 and 2020 had increased from loss of \$14,501,949 thousand to gain of \$26,432,681 thousand, decreased from gain of \$74,528,699 thousand to \$66,164,471 thousand, increased from gain of \$86,973,370 thousand to \$144,493,584 thousand and increased from gain of \$107,709,642 thousand to \$110,795,235 thousand, respectively.

- b. Financial liabilities designated as at FVTPL

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

In December 2014, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty years), which were subsequently issued on March 30, 2015. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.20%. The bonds were redeemed on March 30, 2020.

In March 2017, Cathay United Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty years), which were subsequently issued on April 11, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.30%. The bonds were all redeemed on April 13, 2020.

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the nine months ended September 30, 2021 and 2020, such interest rate swaps were valued with a net loss of \$644,526 thousand and net gain of \$3,924,671 thousand, respectively.

- c. As of September 30, 2021, December 31, 2020 and September 30, 2020, no financial assets at FVTPL of Cathay United Bank and its subsidiaries were sold under repurchase agreements.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instrument at FVTOCI			
Stocks	\$ 153,444,859	\$ 123,365,677	\$ 96,141,199
Investments in debt instrument at FVTOCI			
Government bonds	123,670,276	121,984,303	108,012,226
Corporate bonds	121,635,086	104,379,875	77,558,138
Financial debentures	89,992,198	82,202,742	74,673,868
Overseas bonds	1,140,211,564	1,078,517,070	968,014,968
Asset-backed securities	10,111,570	14,299,523	16,313,861
Negotiable certificates of deposits	24,446,594	39,411,018	88,490,022
Less: Litigation deposits	(45,530)	(46,761)	(46,624)
Less: Deposits to the Central Bank	(1,092,190)	(1,114,990)	(1,110,547)
	<u>1,508,929,568</u>	<u>1,439,632,780</u>	<u>1,331,905,912</u>
	<u>\$ 1,662,374,427</u>	<u>\$ 1,562,998,457</u>	<u>\$ 1,428,047,111</u>

- a. These investments in equity instruments are not held for trading and thus were designated as financial assets at FVTOCI.
- b. Dividend income recognized relating to investments in equity instruments at FVTOCI for the three months and nine months ended September 30, 2021 and 2020 were \$5,160,652 thousand, \$3,315,167 thousand, \$6,455,424 thousand and \$3,899,142 thousand, respectively. Those related to investment derecognized for the three months and nine months ended September 30, 2021 and 2020 were \$824,957 thousand, \$349,549 thousand, \$1,058,630 thousand and \$368,405 thousand, respectively.
- c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$40,236,173 thousand and \$37,514,667 thousand at the time of sale, and transferred unrealized gain of \$2,098,706 thousand and \$152,823 thousand from other equity to retained earnings for the nine months ended September 30, 2021 and 2020, respectively.

- d. As of September 30, 2021, December 31, 2020 and September 30, 2020, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$20,146,260 thousand, \$9,074,539 thousand and \$17,254,909 thousand, respectively. The proceeds amounting to \$20,015,425 thousand, \$9,175,931 thousand and \$16,837,053 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$20,034,683 thousand, \$9,189,593 thousand and \$16,850,937 thousand before the end of January 2022, June 2021 and February 2021, respectively.
- e. As of September 30, 2021, December 31, 2020 and September 30, 2020, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$2,450,000 thousand, \$2,200,000 thousand and \$2,350,000 thousand, respectively.
- f. Refer to Note 29 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits	\$ 6,044,272	\$ 2,553,632	\$ 4,099,321
Financial debentures	47,504,546	52,527,979	55,858,812
Corporate bonds	42,689,756	43,041,834	42,144,828
Government bonds	76,744,360	50,605,910	46,094,860
Overseas bonds	2,587,524,726	2,555,705,009	2,590,109,221
Financial asset beneficiary certificates	445,000	445,000	445,000
Asset-backed securities	49,659,526	32,298,469	36,531,913
Short-term notes	441,325,357	436,402,937	362,923,920
Less: Guarantee deposits	(1,437,846)	(1,353,429)	(1,352,699)
Less: Deposits in the Central Bank	(8,836,789)	(8,546,113)	(8,548,995)
Less: Loss allowance (Note)	<u>(813,558)</u>	<u>(2,636,690)</u>	<u>(2,740,032)</u>
	<u>\$ 3,240,849,350</u>	<u>\$ 3,161,044,538</u>	<u>\$ 3,125,566,149</u>

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 maturity due to increase in credit risk, which resulted in gains (losses) on disposal of \$970,820 thousand, \$661,134 thousand, \$4,172,705 thousand and \$(627,354) 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 \$1,221,283 thousand, \$635,804 thousand, \$2,619,590 thousand and \$873,934 thousand, respectively.

- b. As of September 30, 2021, December 31, 2020 and September 30, 2020, certain debt instruments at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$1,393,300 thousand, \$1,095,769 thousand and \$1,009,901 thousand, respectively. The proceeds amounting to \$1,284,873 thousand, \$916,127 thousand and \$885,772 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$1,285,352 thousand, \$915,796 thousand and \$885,888 thousand before the end of November 2021, January 2021 and October 2020, respectively.
- c. Refer to Note 29 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 36 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

10. RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 378,363	\$ 448,479	\$ 407,155
Accounts receivable	85,038,364	107,627,139	82,403,925
Interest receivables	57,216,112	53,277,785	53,447,523
Acceptances	1,791,485	1,074,796	955,011
Factoring receivables	4,918,618	4,924,287	6,496,990
Others	<u>42,609,836</u>	<u>27,171,566</u>	<u>26,580,150</u>
	191,952,778	194,524,052	170,290,754
Less: Loss allowance	<u>(2,568,793)</u>	<u>(2,607,888)</u>	<u>(2,537,413)</u>
	<u>\$ 189,383,985</u>	<u>\$ 191,916,164</u>	<u>\$ 167,753,341</u>

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

For the nine months ended September 30, 2021

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
<u>Receivables</u>						
Balance at the beginning of the period	\$ 465,842	\$ 202,476	\$ 1,731,461	\$ 2,399,779	\$ 62,941	\$ 2,462,720
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,300)	113,423	(2,131)	105,992	-	105,992
Transferred to credit-impaired financial assets	(645)	(2,494)	59,627	56,488	-	56,488
						(Continued)

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Transferred to 12-month ECLs	\$ 3,417	\$ (74,092)	\$ (3,019)	\$ (73,694)	\$ -	\$ (73,694)
Derecognition of financial assets in current period	(155,793)	(84,885)	(80,208)	(320,886)	-	(320,886)
New financial assets purchased or originated	101,551	79,190	322,835	503,576	-	503,576
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	5,713	5,713
Written off as bad debt expense	-	-	(349,088)	(349,088)	-	(349,088)
Effects of exchange rate changes and others	1,173	(7,621)	32,538	26,090	-	26,090
Balance at the end of the period	<u>\$ 410,245</u>	<u>\$ 225,997</u>	<u>\$ 1,712,015</u>	<u>\$ 2,348,257</u>	<u>\$ 68,654</u>	<u>\$ 2,416,911</u>

(Concluded)

For the nine months ended September 30, 2020

	12-month Expected- credit Losses	Lifetime Expected- credit Losses (Collectively Assessed)	Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
<u>Receivables</u>						
Balance at the beginning of the period	\$ 509,882	\$ 154,306	\$ 1,660,104	\$ 2,324,292	\$ 52,976	\$ 2,377,268
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,469)	88,102	(3,656)	80,977	-	80,977
Transferred to credit-impaired financial assets	(479)	(2,227)	96,906	94,200	-	94,200
Transferred to 12-month ECLs	2,869	(61,973)	(3,790)	(62,894)	-	(62,894)
Derecognition of financial assets in current period	(198,140)	(67,598)	(58,599)	(324,337)	-	(324,337)
New financial assets purchased or originated	100,286	66,141	254,287	420,714	-	420,714
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	10,142	10,142
Written off as bad debt expense	-	-	(402,361)	(402,361)	-	(402,361)
Effects of exchange rate changes and others	29,765	23,820	142,139	195,724	175	195,899
Balance at the end of the period	<u>\$ 440,714</u>	<u>\$ 200,571</u>	<u>\$ 1,685,030</u>	<u>\$ 2,326,315</u>	<u>\$ 63,293</u>	<u>\$ 2,389,608</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 145,168	\$ 159,212
Provision (reversal) for the current period	9,846	(2,422)
Amounts written off	(3,344)	(8,997)
Foreign exchange	<u>212</u>	<u>12</u>
Ending balance	<u>\$ 151,882</u>	<u>\$ 147,805</u>

11. DISCOUNTS AND LOANS, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Export negotiations	\$ 1,474,339	\$ 1,492,261	\$ 1,303,967
Loans	2,303,818,037	2,166,663,868	2,110,952,284
Discounts and overdrafts	826,052	1,557,418	1,644,839
Overdue loans	<u>6,438,637</u>	<u>4,546,927</u>	<u>5,507,943</u>
	2,312,557,065	2,174,260,474	2,119,409,033
Less: Loss allowance	<u>(35,314,043)</u>	<u>(32,984,269)</u>	<u>(32,611,435)</u>
	<u>\$ 2,277,243,022</u>	<u>\$ 2,141,276,205</u>	<u>\$ 2,086,797,598</u>

- a. As of September 30, 2021, the gross amount of domestic discounts and loans and the related loss allowance belonging to Cathay United Bank amounted to \$1,662,517,506 thousand and \$26,863,657 thousand, respectively.
- b. For the nine months ended September 30, 2021, Cathay United Bank sold credit assets to accelerate recovery of claim, and recognized a loss of \$443,242 thousand and \$366,015 thousand in the net loss on derecognition of financial assets at amortized cost, respectively.
- c. Refer to Note 36 for information relating to the credit risk management and impairment of discounts and loans.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Cathay Life	Life Insurance	100.00	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	100.00	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	100.00	
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate investment and management	99.00	-	-	Note 1
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
The Company and CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	61.15	53.13	53.00	Note 2
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	86.13	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 Fondsmaglerselskab A/S	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Mogambo2 Holding ApS	Asset management services	100.00	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	90.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	100.00	
Global Evolution Fondsmaglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	100.00	
Mogambo2 Holding ApS	Global Evolution USA GP, LLC	Asset management services	-	-	100.00	Note 3
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance services	100.00	100.00	100.00	
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Banking	50.00	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank")	Banking	100.00	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. ("CUBCN Bank")	Banking	100.00	100.00	100.00	
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Co., Ltd. ("Cathay Securities (Hong Kong)")	Securities services	100.00	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited ("Cathay Capital (Asia)")	Investment service	100.00	100.00	100.00	Note 4
Cathay Venture	Cathay Investment Inc. ("Cathay Investment")	Venture capital	100.00	100.00	100.00	Note 5
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	100.00	

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

Note 2: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, which increased its ownership interest from 45% to 53%, and obtained the control of Global Evolution Holding ApS. In addition, non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.02% equity shares on June 24, 2021, and its ownership interest increased from 53.13% to 61.15%

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

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

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

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Security investment consulting services	100.00	100.00	100.00	

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in unconsolidated subsidiaries	\$ 637,732	\$ 637,478	\$ 571,124
Investments in associates	<u>32,157,830</u>	<u>32,398,804</u>	<u>32,264,888</u>
	<u>\$ 32,795,562</u>	<u>\$ 33,036,282</u>	<u>\$ 32,836,012</u>

a. Investments in unconsolidated subsidiaries

	September 30, 2021	December 31, 2020	September 30, 2020
Cathay Securities Investment Consulting	<u>\$ 637,732</u>	<u>\$ 637,478</u>	<u>\$ 571,124</u>

b. Investments in associates

	September 30, 2021	December 31, 2020	September 30, 2020
Rizal Commercial Banking Corporation	\$ 15,909,684	\$ 16,447,489	\$ 16,313,241
Cathay Insurance Company Limited (China)	4,893,512	4,621,539	4,457,271
Taiwan Finance Corp.	1,787,593	1,765,602	1,703,897
Dasheng Venture Capital Co., Ltd.	1,418,884	2,042,511	2,252,133
PSS Co., Ltd.	929,076	911,004	902,259
Ding Teng Co., Ltd.	847,907	830,172	821,905
Dasheng IV Venture Capital Co., Ltd.	1,105,105	760,743	833,454
Cathay Power Inc. (former Cathay Sunrise Corporation)	723,520	728,790	722,691
Neo Cathay Power Corp.	728,410	704,798	703,651
CMG International One Corp.	671,637	674,804	675,225
CMG International Two Corp.	667,574	671,916	672,687
CM Energy Co., Ltd.	483,136	329,516	282,934

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Greenhealth Water Resources Co., Ltd.	\$ 463,789	\$ 455,862	\$ 459,342
CDBS Cathay Asset Management Co., Ltd.	384,862	407,101	402,412
Symphox Information Co., Ltd.	396,510	403,866	427,005
TaiYang Solar Power Co., Ltd.	331,574	147,430	148,263
Tien-Tai Optronics Corporation	135,017	141,287	139,453
Tiantai II Optoelectronics Co., Ltd.	131,130	135,982	-
Taiwan Real-estate Management Corp.	95,761	97,567	98,495
Lin Yuan Property Management Co., Ltd.	42,688	56,461	48,191
Tien-Tai Management Consulting Co., Ltd.	6,188	5,865	5,733
WK Technology Fund VI Co., Ltd.	4,273	58,499	60,676
RI-Zhao Energy Corp.	-	-	48,129
Dun-Yang Energy Corp.	-	-	46,133
Yong-Chang Energy Corp.	-	-	39,708
PT Bank Mayapada Internasional Tbk	-	-	-
	<u>\$ 32,157,830</u>	<u>\$ 32,398,804</u>	<u>\$ 32,264,888</u> (Concluded)

Aggregate information of associates that are not individually material

	<u>For the Three Months Ended</u> <u>September 30</u>		<u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
The Group's share of:				
Net income (loss)	\$ 525,697	\$ 508,722	\$ 1,422,795	\$ (12,598,913)
Other comprehensive (loss) income	<u>(281,061)</u>	<u>335,883</u>	<u>(810,186)</u>	<u>175,664</u>
Total comprehensive income (loss) for the period	<u>\$ 244,636</u>	<u>\$ 844,605</u>	<u>\$ 612,609</u>	<u>\$ (12,423,249)</u>

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

14. INVESTMENT PROPERTY

	Land	Buildings	Investment Property Under Construction	Prepayments for Buildings and Land - Investments	Total
January 1, 2020	\$ 298,205,802	\$ 104,791,226	\$ 4,546,717	\$ 1,152,363	\$ 408,696,108
Additions	-	-	2,242,088	1,202,077	3,444,165
Disposals	(207,363)	(552,960)	-	-	(760,323)
Other reclassification	2,477,108	4,580,546	(4,546,803)	(2,028,491)	482,360
(Loss) gain on changes in fair value of investment property	(1,206,017)	3,551,711	-	-	2,345,694
Foreign exchange	(713,135)	(1,204,805)	-	-	(1,917,940)
September 30, 2020	<u>\$ 298,556,395</u>	<u>\$ 111,165,718</u>	<u>\$ 2,242,002</u>	<u>\$ 325,949</u>	<u>\$ 412,290,064</u>
January 1, 2021	\$ 302,181,742	\$ 112,634,024	\$ 1,528,547	\$ 3,131,915	\$ 419,476,228
Additions	1,675,410	-	2,092,739	7,593,300	11,361,449
Disposals	(65,307)	(28,093)	-	-	(93,400)
Other reclassification	7,134,515	3,171,414	(761,766)	(10,567,064)	(1,022,901)
(Loss) gain on changes in fair value of investment property	(32,014)	1,145,919	-	-	1,113,905
Foreign exchange	(452,142)	(784,786)	-	-	(1,236,928)
September 30, 2021	<u>\$ 310,442,204</u>	<u>\$ 116,138,478</u>	<u>\$ 2,859,520</u>	<u>\$ 158,151</u>	<u>\$ 429,598,353</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Rental income from investment properties	\$ 2,421,174	\$ 2,778,677	\$ 7,837,057	\$ 8,517,562
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	<u>(77,735)</u>	<u>(32,611)</u>	<u>(154,842)</u>	<u>(100,919)</u>
	<u>\$ 2,188,646</u>	<u>\$ 2,616,546</u>	<u>\$ 7,159,107</u>	<u>\$ 7,915,410</u>

- Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- As of September 30, 2021, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$388,993,142 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum. Investment properties held by the Cathay Life and its subsidiaries were not pledged.
- The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at June 30, 2021, December 31, 2020 and June 30, 2020 and are 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 Appraisal Firms	September 30, 2021	June 30, 2021	December 31, 2020	June 30, 2020
DTZ Real Estate Appraiser Firm	-	Gen-yuan, Li; Jia-he, Tsai; Chun-chun Hu	Gen-yuan, Li; Jia-he, Tsai; Chun-chun Hu	Chang-d, Yang; Gen-yuan, Li; Jia-he, Tsai; Chun-chun Hu
Savills plc Real Estate Appraiser Firm	-	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang; Jia-xian, Liao
REPro KnightFrank Real Estate Appraiser Firm	-	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-Yi, Hsu; Wei-ru, Li
V-LAND Real Estate Appraiser Firm	-	You-qi, Liang; Jun-han, Lin	You-qi, Liang; Yu-zhi, Gao; Jun-han, Lin	You-qi, Liang; Yu-zhi, Gao; Jun-han, Lin
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang; Jian-hao, Huang
Sinyi Real Estate Appraiser Firm	-	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo	Yu-lin, Chen; Yi-hui, Luo
CBRE Real Estate Appraiser Firm	-	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee	Fu-xue, Shi; Zhi-wei, Lee

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

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

approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	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 rate of properties acquired after May 11, 2020 were determined in accordance with the amended Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

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

- e. Cathay United Bank's investment properties were appraised by qualified real estate appraisers in Taiwan according to the Technical Rules for Real Estate Valuation. The valuation dates are June 30, 2021, December 31, 2020 and June 30, 2020. After consultation with the appraisers, the fair values were found to be still valid at September 30, 2021 and 2020, respectively.

Name of Appraiser Office	June 30, 2021	December 31, 2020	June 30, 2020
REPro Knight Frank Real Estate Appraiser Firm	Hongxu Wu; Yuhsiang Tsai; Hsiangyi Hsu	Hongxu Wu; Yuhsiang Tsai	Hongxu Wu; Yuhsiang Tsai; Hsiangyi Hsu; Weiju Li

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

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

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

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is calculated based on the data provided by the client on the actual payment of housing tax; the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

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

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

The main inputs used are as follows:

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

- 2) For reserved areas in hillside land, scenic land site and areas for agriculture, animal husbandry and forestry, there are few market transactions due to regulatory regulations, and low development efficiency, resulting in no significant change that would affect the related property market in the near future. Their fair values are determined by the method of land development analysis and comparison approach.
- f. Valuation on the investment property of Cathay Securities and its subsidiaries has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei, Luo and Yu-lin, Chen) that met the qualification requirements for real estate appraisers in the R.O.C., respectively, with valuation dates at June 30, 2021, December 31, 2020 and June 30, 2020.

Cathay Securities and its subsidiaries have consulted the appraisers regarding the validity of the original valuation reports, and concluded that the fair values of the aforementioned investment properties at June 30, 2021, December 31, 2020 and June 30, 2020 were still valid at September 30, 2021 and 2020, respectively.

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

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

The market rentals ranged from \$4,000 to \$6,000 per ping in the areas where the investment property is located.

The investment properties were entirely leased under operating leases, and generated rental income of \$1,595 thousand, \$1,679 thousand, \$5,190 thousand and \$5,259 thousand for the three months and the nine months ended September 30, 2021 and 2020, respectively.

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

The discount rate at June 30, 2021, December 31, 2020 and June 30, 2020 are determined based on the interest rate on a 2-year time deposit of petty cash plus 5 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

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

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 398,420,117	\$ 390,874,044
Amount recognized in profit or loss		
Gain from investment property	1,113,905	2,345,694
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	(93,400)	(751,500)
Transfers to property and equipment	(3,475)	(60,111)
Transfers from investment property under construction	761,766	4,546,803
Transfers from prepayment for buildings and land	<u>4,604,042</u>	<u>803,611</u>
Ending balance	<u>\$ 403,566,027</u>	<u>\$ 395,840,601</u>

The above amount excludes those part measured at cost.

- h. Refer to Table 3 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital.
- i. See Note 29 for information relating to investment properties pledged as collateral for short-term bank borrowings.

15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 71,692,186	\$ 46,606,608	\$ 8,673,295	\$ 1,098,481	\$ 127,383	\$ 12,503,689	\$ 791,729	\$ 141,493,371
Additions	-	-	573,955	44,592	4,182	326,429	675,363	1,624,521
Disposals	-	-	(350,473)	(460)	(4,492)	(294,450)	-	(649,875)
Reclassification	(451,389)	(260,072)	177,908	28,115	2,654	363,538	(620,550)	(759,796)
Others	(1,800)	-	-	-	-	-	-	(1,800)
Foreign exchange	(18,543)	(31,120)	(48,392)	(15,331)	(3,834)	(11,967)	(3,095)	(132,282)
Balance at September 30, 2020	<u>\$ 71,220,454</u>	<u>\$ 46,315,416</u>	<u>\$ 9,026,293</u>	<u>\$ 1,155,397</u>	<u>\$ 125,893</u>	<u>\$ 12,887,239</u>	<u>\$ 843,447</u>	<u>\$ 141,574,139</u>

(Continued)

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<u>Depreciation and impairment</u>								
Balance at January 1, 2020	\$ 103,134	\$ 22,932,481	\$ 5,883,294	\$ 685,957	\$ 86,835	\$ 9,946,299	\$ -	\$ 39,638,000
Depreciation	-	690,232	600,135	81,787	8,236	489,913	-	1,870,303
Disposals	-	-	(347,802)	(460)	(4,492)	(280,996)	-	(633,750)
Reclassification	-	(232,207)	9	-	-	1,019	-	(231,179)
Foreign exchange	-	(6,384)	(22,456)	(7,647)	(2,583)	(8,456)	-	(47,526)
Balance at September 30, 2020	\$ 103,134	\$ 23,384,122	\$ 6,113,180	\$ 759,637	\$ 87,996	\$ 10,147,779	\$ -	\$ 40,595,848
Carrying amount at September 30, 2020	\$ 71,117,320	\$ 22,931,294	\$ 2,913,113	\$ 395,760	\$ 37,897	\$ 2,739,460	\$ 843,447	\$ 100,978,291
<u>Cost</u>								
Balance at January 1, 2021	\$ 68,732,685	\$ 46,246,545	\$ 9,188,997	\$ 1,227,787	\$ 124,239	\$ 12,732,934	\$ 1,039,671	\$ 139,292,858
Additions	-	120	621,679	97,024	5,033	257,449	909,526	1,890,831
Disposals	-	-	(454,854)	(881)	(3,168)	(124,884)	-	(583,787)
Reclassification	1,019,831	43,692	495,395	63,222	1,704	141,324	(489,803)	1,275,365
Others	(1,687)	-	-	-	-	-	-	(1,687)
Foreign exchange	(12,151)	(28,396)	(39,677)	(18,266)	(2,584)	(12,120)	(1,235)	(114,429)
Balance at September 30, 2021	\$ 69,738,678	\$ 46,261,961	\$ 9,811,540	\$ 1,368,886	\$ 125,224	\$ 12,994,703	\$ 1,458,159	\$ 141,759,151
<u>Depreciation and impairment</u>								
Balance at January 1, 2021	\$ 103,134	\$ 23,570,910	\$ 6,298,771	\$ 794,288	\$ 87,773	\$ 10,032,850	\$ -	\$ 40,887,726
Depreciation	-	668,642	668,713	82,656	7,376	505,794	-	1,933,181
Disposals	-	-	(451,188)	(881)	(3,167)	(121,626)	-	(576,862)
Reclassification	-	-	285,584	4	-	(10,353)	-	275,235
Foreign exchange	-	(6,383)	(18,514)	(8,976)	(1,790)	(1,108)	-	(36,771)
Balance at September 30, 2021	\$ 103,134	\$ 24,233,169	\$ 6,783,366	\$ 867,091	\$ 90,192	\$ 10,405,557	\$ -	\$ 42,482,509
Carrying amount at December 31, 2020 and January 1, 2021	\$ 68,629,551	\$ 22,675,635	\$ 2,890,226	\$ 433,499	\$ 36,466	\$ 2,700,084	\$ 1,039,671	\$ 98,405,132
Carrying amount at September 30, 2021	\$ 69,635,544	\$ 22,028,792	\$ 3,028,174	\$ 501,795	\$ 35,032	\$ 2,589,146	\$ 1,458,159	\$ 99,276,642

(Concluded)

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

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

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

16. LEASE AGREEMENTS

- a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amount</u>			
Buildings	\$ 4,116,568	\$ 4,042,404	\$ 3,759,125
Office equipment	13,288	13,109	13,816
Machine equipment	2,193	5,135	1,974
Transportation equipment	89,228	77,895	72,788
	<u>\$ 4,221,277</u>	<u>\$ 4,138,543</u>	<u>\$ 3,847,703</u>
Right-of-use assets presented as investment properties	<u>\$ 10,091,177</u>	<u>\$ 8,548,824</u>	<u>\$ 8,665,126</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets	\$ 436,865	\$ 260,600	\$ 1,099,218	\$ 1,077,137
Depreciation expense for right-of-use assets				
Buildings	\$ 357,447	\$ 343,325	\$ 1,035,601	\$ 1,037,168
Office equipment	5,380	1,320	8,047	3,768
Machine equipment	226	346	926	1,093
Transportation equipment	9,143	10,681	36,988	38,138
	<u>\$ 372,196</u>	<u>\$ 355,672</u>	<u>\$ 1,081,562</u>	<u>\$ 1,080,167</u>

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amount	\$ 14,663,920	\$ 13,011,637	\$ 12,772,008

Range of discount rates for lease liabilities is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	0.04%-8.57%	0.33%-8.57%	0.33%-8.57%
Office equipment	0.42%-4.76%	0.42%-4.76%	0.42%-4.76%
Machine equipment	0.36%-4.15%	0.70%-4.15%	0.70%-4.15%
Transportation equipment	0.22%-4.35%	0.67%-4.43%	0.67%-5.38%
Investment property-superficies right	2.82%-4.00%	2.82%-3.71%	2.82%-3.71%

17. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 5,796,439	\$ 37,659,600	\$ 394,961	\$ 3,548,412	\$ 18,924,948	\$ 211,890	\$ 66,536,250
Acquisition through business combination (Note 38)	-	-	-	2,467,576	3,587,422	-	6,054,998
Addition - acquired separately	565,096	-	-	-	-	-	565,096
Disposal	(359,668)	-	-	-	-	-	(359,668)
Reclassification	68,350	-	-	-	-	-	68,350
Foreign exchange	(15,628)	-	(12,857)	(159,933)	(316,646)	(6,865)	(511,929)
Balance at September 30, 2020	<u>\$ 6,054,589</u>	<u>\$ 37,659,600</u>	<u>\$ 382,104</u>	<u>\$ 5,856,055</u>	<u>\$ 22,195,724</u>	<u>\$ 205,025</u>	<u>\$ 72,353,097</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2020	\$ 4,147,171	\$ 9,357,224	\$ -	\$ 1,583,626	\$ -	\$ 177,257	\$ 15,265,278
Amortization	528,270	1,559,537	-	342,046	-	14,174	2,444,027
Disposal	(359,668)	-	-	-	-	-	(359,668)
Foreign exchange	(10,431)	-	-	(59,729)	-	(6,110)	(76,270)
Balance at September 30, 2020	<u>\$ 4,305,342</u>	<u>\$ 10,916,761</u>	<u>\$ -</u>	<u>\$ 1,865,943</u>	<u>\$ -</u>	<u>\$ 185,321</u>	<u>\$ 17,273,367</u>
Carrying amount at September 30, 2020	<u>\$ 1,749,247</u>	<u>\$ 26,742,839</u>	<u>\$ 382,104</u>	<u>\$ 3,990,112</u>	<u>\$ 22,195,724</u>	<u>\$ 19,704</u>	<u>\$ 55,079,730</u>

(Continued)

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 6,206,660	\$ 37,659,600	\$ 373,996	\$ 5,731,801	\$ 21,842,780	\$ 200,673	\$ 72,015,510
Addition - acquired separately	451,930	-	-	-	-	-	451,930
Disposal	(459,192)	-	-	-	-	-	(459,192)
Reclassification	220,704	-	-	-	-	-	220,704
Other	-	-	-	(172,492)	368,174	-	195,682
Foreign exchange	(13,398)	-	(8,422)	(118,647)	(262,357)	(4,527)	(407,351)
Balance at September 30, 2021	\$ 6,406,704	\$ 37,659,600	\$ 365,574	\$ 5,440,662	\$ 21,948,597	\$ 196,146	\$ 72,017,283
<u>Amortization and impairment</u>							
Balance at January 1, 2021	\$ 4,422,597	\$ 11,436,607	\$ -	\$ 1,967,996	\$ -	\$ 185,903	\$ 18,013,103
Amortization	560,089	1,559,537	-	284,506	-	12,742	2,416,874
Disposal	(459,192)	-	-	-	-	-	(459,192)
Foreign exchange	(9,054)	-	-	(46,420)	-	(4,281)	(59,755)
Balance at September 30, 2021	\$ 4,514,440	\$ 12,996,144	\$ -	\$ 2,206,082	\$ -	\$ 194,364	\$ 19,911,030
Carrying amount at December 31, 2020 and January 1, 2021	\$ 1,784,063	\$ 26,222,993	\$ 373,996	\$ 3,763,805	\$ 21,842,780	\$ 14,770	\$ 54,002,407
Carrying amount at September 30, 2021	\$ 1,892,264	\$ 24,663,456	\$ 365,574	\$ 3,234,580	\$ 21,948,597	\$ 1,782	\$ 52,106,253

(Concluded)

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

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

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

1) Cathay Life and its subsidiaries

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

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

2) Cathay United Bank

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

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

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

18. COMMERCIAL PAPER PAYABLE, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Nominal amount	\$ 62,670,000	\$ 39,520,000	\$ 38,880,000
Less: Discount on short-term bills payable	<u>(263)</u>	<u>(82)</u>	<u>(28)</u>
	<u>\$ 62,669,737</u>	<u>\$ 39,519,918</u>	<u>\$ 38,879,972</u>
Interest rate range	0.21%-0.33%	0.23%-0.35%	0.24%-0.39%

19. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Checking deposits	\$ 16,655,825	\$ 15,533,633	\$ 13,435,914
Demand deposits	757,506,158	694,644,715	630,584,835
Demand savings deposits	1,254,178,423	1,102,957,219	1,025,765,133
Time deposits	426,481,337	433,098,232	442,756,146
Time savings deposits	354,995,495	359,917,919	364,867,160
Negotiable certificates of deposit	3,944,689	7,516,122	7,166,588
Outward remittances and remittances payable	<u>2,589,486</u>	<u>2,131,223</u>	<u>1,256,125</u>
	<u>\$ 2,816,351,413</u>	<u>\$ 2,615,799,063</u>	<u>\$ 2,485,831,901</u>

20. BONDS PAYABLE

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

a. Subordinated financial debentures

	September 30, 2021	December 31, 2020	September 30, 2020
First issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	\$ -	\$ 1,500,000	\$ 1,500,000
Second issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	-	2,500,000	2,500,000
First issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
Second issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
First issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	-	3,000,000	3,000,000
First issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
Second issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$ 46,800,000</u>	<u>\$ 53,800,000</u>	<u>\$ 53,800,000</u>

b. Cumulative perpetual subordinated corporate bonds

- 1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. The key terms and conditions are as follows:
 - a) Issue amount: \$35,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

- f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
 - 2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$10,000,000 thousand.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: Perpetual.
 - d) Coupon rate: Fixed rate of 3%.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
 - g) Form of bonds: Book-entry securities.
- c. Unsecured corporate bonds
 - 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
 - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
 - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
 - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
 - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
 - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
 - f) Form of bonds: Book-entry securities.

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

21. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Insurance liability			
Unearned premium reserve	\$ 33,011,066	\$ 32,513,604	\$ 30,757,292
Loss reserve	22,827,014	22,026,118	21,390,167
Policy reserve	6,238,281,550	5,999,277,822	5,895,203,793
Special reserve	13,726,336	13,706,823	13,816,855
Premium deficiency reserve	11,333,896	13,806,541	16,155,633
Reserve for insurance contracts with the nature of financial products	14,746,848	13,731,508	13,076,140
Reserve for foreign exchange valuation	8,042,954	14,820,865	10,212,568
Other reserve	<u>1,867,925</u>	<u>1,876,925</u>	<u>1,855,141</u>
	6,343,837,589	6,111,760,206	6,002,467,589
Provisions for employee benefits	4,042,831	4,051,931	3,862,331
Other reserves	<u>1,148,628</u>	<u>1,261,082</u>	<u>1,225,844</u>
	<u>\$ 6,349,029,048</u>	<u>\$ 6,117,073,219</u>	<u>\$ 6,007,555,764</u>

As of September 30, 2021, policy reserve belonging to Cathay Life amounted to \$6,192,123,911 thousand.

a. Cathay Life and its subsidiaries

The details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

1) Unearned premium reserve

	<u>September 30, 2021</u>		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 70,037	\$ -	\$ 70,037
Individual injury insurance	7,122,155	-	7,122,155
Individual health insurance	9,777,912	-	9,777,912
Group insurance	1,345,598	-	1,345,598
Investment-linked insurance	<u>116,919</u>	-	<u>116,919</u>
	<u>18,432,621</u>	<u>-</u>	<u>18,432,621</u>
Less ceded unearned premium reserve			
Individual life insurance	791,073	-	791,073
Individual injury insurance	17,897	-	17,897
Individual health insurance	188,492	-	188,492
Group insurance	<u>438</u>	-	<u>438</u>
	<u>997,900</u>	<u>-</u>	<u>997,900</u>
	<u>\$ 17,434,721</u>	<u>\$ -</u>	<u>\$ 17,434,721</u>

December 31, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 73,271	\$ -	\$ 73,271
Individual injury insurance	7,313,660	-	7,313,660
Individual health insurance	9,966,083	-	9,966,083
Group insurance	1,306,110	-	1,306,110
Investment-linked insurance	<u>116,825</u>	-	<u>116,825</u>
	<u>18,775,949</u>	<u>-</u>	<u>18,775,949</u>
Less ceded unearned premium reserve			
Individual life insurance	878,870	-	878,870
Individual injury insurance	25,638	-	25,638
Individual health insurance	208,531	-	208,531
Group insurance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,113,039</u>	<u>-</u>	<u>1,113,039</u>
	<u>\$ 17,662,910</u>	<u>\$ -</u>	<u>\$ 17,662,910</u>

September 30, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 77,152	\$ -	\$ 77,152
Individual injury insurance	6,858,834	-	6,858,834
Individual health insurance	9,272,605	-	9,272,605
Group insurance	1,464,351	-	1,464,351
Investment-linked insurance	<u>117,080</u>	-	<u>117,080</u>
	<u>17,790,022</u>	<u>-</u>	<u>17,790,022</u>
Less ceded unearned premium reserve			
Individual life insurance	753,770	-	753,770
Individual injury insurance	23,476	-	23,476
Individual health insurance	165,064	-	165,064
Group insurance	<u>359</u>	<u>-</u>	<u>359</u>
	<u>942,669</u>	<u>-</u>	<u>942,669</u>
	<u>\$ 16,847,353</u>	<u>\$ -</u>	<u>\$ 16,847,353</u>

The changes in unearned premium reserve are summarized below:

	For the Nine Months Ended September 30, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 18,775,949	\$ -	\$ 18,775,949
Provision	18,317,131	-	18,317,131
Recovery	(18,655,944)	-	(18,655,944)
Reclassification	-	-	-
Foreign exchange	(4,515)	-	(4,515)
Ending balance	<u>18,432,621</u>	<u>-</u>	<u>18,432,621</u>
Less ceded unearned premium reserve			
Beginning balance	1,113,039	-	1,113,039
Increase	-	-	-
Decrease	(115,139)	-	(115,139)
Ending balance	<u>997,900</u>	<u>-</u>	<u>997,900</u>
Net ending balance	<u>\$ 17,434,721</u>	<u>\$ -</u>	<u>\$ 17,434,721</u>

	For the Nine Months Ended September 30, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 17,832,203	\$ -	\$ 17,832,203
Provision	17,697,197	-	17,697,197
Recovery	(17,761,138)	-	(17,761,138)
Reclassification	25,762	-	25,762
Foreign exchange	(4,002)	-	(4,002)
Ending balance	<u>17,790,022</u>	<u>-</u>	<u>17,790,022</u>
Less ceded unearned premium reserve			
Beginning balance	894,878	-	894,878
Increase	47,791	-	47,791
Decrease	-	-	-
Ending balance	<u>942,669</u>	<u>-</u>	<u>942,669</u>
Net ending balance	<u>\$ 16,847,353</u>	<u>\$ -</u>	<u>\$ 16,847,353</u>

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Investment-linked insurance			
Filed but not paid	\$ 221,863	\$ -	\$ 221,863
Not yet filed	551	-	551
	<u>12,128,263</u>	<u>35,590</u>	<u>12,163,853</u>
Less ceded loss reserve			
Individual life insurance	46,636	-	46,636
Individual injury insurance	29	-	29
Individual health insurance	21,914	-	21,914
Group insurance	3,144	-	3,144
	<u>71,723</u>	<u>-</u>	<u>71,723</u>
	<u>\$ 12,056,540</u>	<u>\$ 35,590</u>	<u>\$ 12,092,130</u>

(Concluded)

	September 30, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance			
Filed but not paid	\$ 2,600,501	\$ 20,354	\$ 2,620,855
Not yet filed	45,287	-	45,287
Individual injury insurance			
Filed but not paid	36,915	-	36,915
Not yet filed	2,010,925	-	2,010,925
Individual health insurance			
Filed but not paid	1,398,907	-	1,398,907
Not yet filed	3,314,471	-	3,314,471
Group insurance			
Filed but not paid	67,542	-	67,542
Not yet filed	2,002,731	-	2,002,731
Investment-linked insurance			
Filed but not paid	158,446	-	158,446
Not yet filed	211	-	211
	<u>11,635,936</u>	<u>20,354</u>	<u>11,656,290</u>
Less ceded loss reserve			
Individual life insurance	28,528	-	28,528
Individual injury insurance	34	-	34
Individual health insurance	7,237	-	7,237
Group insurance	4,284	-	4,284
	<u>40,083</u>	<u>-</u>	<u>40,083</u>
	<u>\$ 11,595,853</u>	<u>\$ 20,354</u>	<u>\$ 11,616,207</u>

The changes in loss reserve are summarized below:

For the Nine Months Ended September 30, 2021			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 12,128,263	\$ 35,590	\$ 12,163,853
Provision	11,372,331	7,873	11,380,204
Recovery	(12,027,460)	(35,590)	(12,063,050)
Foreign exchange	(17,823)	-	(17,823)
Ending balance	<u>11,455,311</u>	<u>7,873</u>	<u>11,463,184</u>
Less ceded loss reserve			
Beginning balance	71,723	-	71,723
Increase	62,139	-	62,139
Decrease	(34,957)	-	(34,957)
Foreign exchange	(119)	-	(119)
Ending balance	<u>98,786</u>	<u>-</u>	<u>98,786</u>
Net ending balance	<u>\$ 11,356,525</u>	<u>\$ 7,873</u>	<u>\$11,364,398</u>
For the Nine Months Ended September 30, 2020			
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 11,011,412	\$ 31,200	\$ 11,042,612
Provision	11,529,379	20,354	11,549,733
Recovery	(10,890,934)	(31,200)	(10,922,134)
Foreign exchange	(13,921)	-	(13,921)
Ending balance	<u>11,635,936</u>	<u>20,354</u>	<u>11,656,290</u>
Less ceded loss reserve			
Beginning balance	24,014	-	24,014
Increase	67,566	-	67,566
Decrease	(51,173)	-	(51,173)
Foreign exchange	(324)	-	(324)
Ending balance	<u>40,083</u>	<u>-</u>	<u>40,083</u>
Net ending balance	<u>\$ 11,595,853</u>	<u>\$ 20,354</u>	<u>\$ 11,616,207</u>

3) Policy reserve

	September 30, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,365,120,642	\$ 3,672	\$ 5,365,124,314
Injury insurance	7,478,089	-	7,478,089
Health insurance	850,940,664	-	850,940,664
Annuity insurance	1,344,131	11,414,787	12,758,918
Investment-linked insurance	<u>1,521,510</u>	<u>-</u>	<u>1,521,510</u>
Total (Note 2)	<u>6,226,405,036</u>	<u>11,418,459</u>	<u>6,237,823,495</u>
Less ceded policy reserve			
Life insurance	376,368	-	376,368
Health insurance	<u>20,589</u>	<u>-</u>	<u>20,589</u>
	<u>396,957</u>	<u>-</u>	<u>396,957</u>
	<u>\$ 6,226,008,079</u>	<u>\$ 11,418,459</u>	<u>\$ 6,237,426,538</u>
	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,178,748,267	\$ 3,810	\$ 5,178,752,077
Injury insurance	7,058,104	-	7,058,104
Health insurance	796,516,850	-	796,516,850
Annuity insurance	1,381,226	14,175,381	15,556,607
Investment-linked insurance	<u>936,020</u>	<u>-</u>	<u>936,020</u>
Total (Note 2)	<u>5,984,640,467</u>	<u>14,179,191</u>	<u>5,998,819,658</u>
Less ceded policy reserve			
Life insurance	406,053	-	406,053
Health insurance	<u>19,465</u>	<u>-</u>	<u>19,465</u>
	<u>425,518</u>	<u>-</u>	<u>425,518</u>
	<u>\$ 5,984,214,949</u>	<u>\$ 14,179,191</u>	<u>\$ 5,998,394,140</u>

	September 30, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance (Note 1)	\$ 5,091,294,896	\$ 3,720	\$ 5,091,298,616
Injury insurance	7,111,286	-	7,111,286
Health insurance	779,049,875	-	779,049,875
Annuity insurance	1,393,186	15,057,430	16,450,616
Investment-linked insurance	845,228	-	845,228
Total (Note 2)	<u>5,879,694,471</u>	<u>15,061,150</u>	<u>5,894,755,621</u>
Less ceded policy reserve			
Life insurance	397,383	-	397,383
Health insurance	16,913	-	16,913
	<u>414,296</u>	<u>-</u>	<u>414,296</u>
	<u>\$ 5,879,280,175</u>	<u>\$ 15,061,150</u>	<u>\$ 5,894,341,325</u>

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

Note 2: Total policy reserve including policy reserve-payables to the insured amounted to \$6,238,281,440 thousand, \$5,999,277,703 thousand and \$5,895,203,662 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

The changes in policy reserve are summarized below:

	For the Nine Months Ended September 30, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 5,984,640,467	\$ 14,179,191	\$ 5,998,819,658
Provision	436,628,819	64,575	436,693,394
Recovery	(158,258,034)	(2,825,169)	(161,083,203)
Reclassification	6,265	-	6,265
Foreign exchange	(36,612,481)	(138)	(36,612,619)
Ending balance	<u>6,226,405,036</u>	<u>11,418,459</u>	<u>6,237,823,495</u>
Less ceded policy reserve			
Beginning balance	425,518	-	425,518
Increase	61,467	-	61,467
Decrease	(83,086)	-	(83,086)
Foreign exchange	(6,942)	-	(6,942)
Ending balance	<u>396,957</u>	<u>-</u>	<u>396,957</u>
Net ending balance	<u>\$ 6,226,008,079</u>	<u>\$ 11,418,459</u>	<u>\$ 6,237,426,538</u>

For the Nine Months Ended September 30, 2020

	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Beginning balance	\$ 5,572,026,192	\$ 20,479,782	\$ 5,592,505,974
Provision	493,534,407	134,722	493,669,129
Recovery	(145,422,711)	(5,553,327)	(150,976,038)
Reclassification	84,174	-	84,174
Foreign exchange	<u>(40,527,591)</u>	<u>(27)</u>	<u>(40,527,618)</u>
Ending balance	<u>5,879,694,471</u>	<u>15,061,150</u>	<u>5,894,755,621</u>
Less ceded policy reserve			
Beginning balance	421,465	-	421,465
Increase	67,549	-	67,549
Decrease	(69,809)	-	(69,809)
Foreign exchange	<u>(4,909)</u>	<u>-</u>	<u>(4,909)</u>
Ending balance	<u>414,296</u>	<u>-</u>	<u>414,296</u>
Net ending balance	<u>\$ 5,879,280,175</u>	<u>\$ 15,061,150</u>	<u>\$ 5,894,341,325</u>

4) Special reserve

September 30, 2021

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Participating policies dividends reserve	\$ (48,635)	\$ -	\$ -	\$ (48,635)
Dividend risk reserve	50,188	-	-	50,188
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,553</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,877</u>

December 31, 2020

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Participating policies dividends reserve	\$ (53,476)	\$ -	\$ -	\$ (53,476)
Dividend risk reserve	54,928	-	-	54,928
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,776</u>

September 30, 2020

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Participating policies				
dividends reserve	\$ (60,288)	\$ -	\$ -	\$ (60,288)
Dividend risk reserve	61,588	-	-	61,588
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,624</u>

The changes in special reserve are summarized below:

For the Nine Months Ended September 30, 2021

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Beginning balance	\$ 1,452	\$ -	\$ 11,083,324	\$ 11,084,776
Provision for participating policies dividends reserve	15,554	-	-	15,554
Recovery of participating policies dividends reserve	(10,713)	-	-	(10,713)
Provision for dividend risk reserve	-	-	-	-
Recovery of dividend risk reserve	<u>(4,740)</u>	<u>-</u>	<u>-</u>	<u>(4,740)</u>
Ending balance	<u>\$ 1,553</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,877</u>

For the Nine Months Ended September 30, 2020

	Financial Instruments with Discretionary Participation			
	Insurance Contracts	Features	Others	Total
Beginning balance	\$ 1,300	\$ -	\$ 11,083,324	\$ 11,084,624
Provision for participating policies dividends reserve	7,882	-	-	7,882
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)
Provision for dividend risk reserve	3,388	-	-	3,388
Recovery of dividend risk reserve	-	-	-	-
Ending balance	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,084,624</u>

5) Premium deficiency reserve

September 30, 2021

	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Individual life insurance	\$ 10,039,079	\$ -	\$ 10,039,079
Individual injury insurance	805	-	805
Individual health insurance	1,205,376	-	1,205,376
Group insurance	<u>84,530</u>	<u>-</u>	<u>84,530</u>
	<u>\$ 11,329,790</u>	<u>\$ -</u>	<u>\$ 11,329,790</u>

December 31, 2020

	Financial Instruments with Discretionary Participation		
	Insurance Contracts	Features	Total
Individual life insurance	\$ 12,569,742	\$ -	\$ 12,569,742
Individual injury insurance	934	-	934
Individual health insurance	1,225,954	-	1,225,954
Group insurance	<u>5,713</u>	<u>-</u>	<u>5,713</u>
	<u>\$ 13,802,343</u>	<u>\$ -</u>	<u>\$ 13,802,343</u>

September 30, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Individual life insurance	\$ 14,781,148	\$ -	\$ 14,781,148
Individual injury insurance	954	-	954
Individual health insurance	1,239,188	-	1,239,188
Group insurance	<u>133,163</u>	<u>-</u>	<u>133,163</u>
	<u>\$ 16,154,453</u>	<u>\$ -</u>	<u>\$ 16,154,453</u>

The changes in premium deficiency reserve are summarized below:

For the Nine Months Ended September 30, 2021

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 13,802,343	\$ -	\$ 13,802,343
Provision	84,456	-	84,456
Recovery	(2,441,334)	-	(2,441,334)
Foreign exchange	<u>(115,675)</u>	<u>-</u>	<u>(115,675)</u>
Ending balance	<u>\$ 11,329,790</u>	<u>\$ -</u>	<u>\$ 11,329,790</u>

For the Nine Months Ended September 30, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 19,679,457	\$ -	\$ 19,679,457
Provision	133,333	-	133,333
Recovery	(3,515,795)	-	(3,515,795)
Foreign exchange	<u>(142,542)</u>	<u>-</u>	<u>(142,542)</u>
Ending balance	<u>\$ 16,154,453</u>	<u>\$ -</u>	<u>\$ 16,154,453</u>

6) Other reserve

	September 30, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Others	<u>\$ 1,867,925</u>	<u>\$ -</u>	<u>\$ 1,867,925</u>

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

	September 30, 2020		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Others	<u>\$ 1,855,141</u>	<u>\$ -</u>	<u>\$ 1,855,141</u>

The changes in other reserve are summarized below:

	For the Nine Months Ended September 30, 2021		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Beginning balance	\$ 1,876,925	\$ -	\$ 1,876,925
Recovery	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>
Ending balance	<u>\$ 1,867,925</u>	<u>\$ -</u>	<u>\$ 1,867,925</u>

For the Nine Months Ended September 30, 2020

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Beginning balance	\$ 1,873,141	\$ -	\$ 1,873,141
Recovery	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>
Ending balance	<u>\$ 1,855,141</u>	<u>\$ -</u>	<u>\$ 1,855,141</u>

7) Liability adequacy reserve

**Insurance Contracts and Financial Instruments with
Discretionary Participation Features**

	September 30, 2021	December 31, 2020	September 30, 2020
Unearned premium reserve	\$ 18,432,621	\$ 18,775,949	\$ 17,790,022
Policy reserve	6,238,281,440	5,999,277,703	5,895,203,662
Premium deficiency reserve	11,329,790	13,802,343	16,154,453
Other reserve	<u>1,867,925</u>	<u>1,876,925</u>	<u>1,855,141</u>
Book value of insurance liabilities	<u>\$ 6,269,911,776</u>	<u>\$ 6,033,732,920</u>	<u>\$ 5,931,003,278</u>
Estimated present value of cash flows	<u>\$ 5,524,405,415</u>	<u>\$ 5,225,717,939</u>	<u>\$ 5,147,087,213</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	Under the asset allocation situation on June 30, 2021, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on June 30, 2020, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.	Includes insurance contracts and financial instruments with discretionary participation features as of the valuation date.
b. Discount rate	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2020; with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2019; with neutral assumptions for the discount rate after 30 years.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b. Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

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

Cathay Life and its subsidiaries issued financial instruments without discretionary participation features and recognized a reserve for insurance contracts with the nature of financial products. As of 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:

	September 30, 2021	December 31, 2020	September 30, 2020
Life insurance	\$ 13,680,539	\$ 12,793,432	\$ 12,137,741
Investment-linked insurance	<u>1,066,309</u>	<u>938,076</u>	<u>938,399</u>
	<u>\$ 14,746,848</u>	<u>\$ 13,731,508</u>	<u>\$ 13,076,140</u>
		For the Nine Months Ended September 30	
		2021	2020
Beginning balance		\$ 13,731,508	\$ 10,932,008
Premiums received		3,087,548	4,129,986
Claims and payments		(2,699,213)	(2,449,380)
Net provision of statutory reserve		777,147	569,617
Foreign exchange		<u>(150,142)</u>	<u>(106,091)</u>
Ending balance		<u>\$ 14,746,848</u>	<u>\$ 13,076,140</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	For the 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	<u>560,436</u>	<u>7,735,097</u>
	6,091,987	14,060,525
Recovery	<u>(12,869,898)</u>	<u>(21,848,834)</u>
Ending balance	<u>\$ 8,042,954</u>	<u>\$ 10,212,568</u>

c) Effects due to reserve for foreign exchange valuation

Item	For the Nine Months Ended September 30, 2021		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 116,173,756	\$ 121,596,084	\$ 5,422,328
Earnings per share	8.56	8.98	0.42
Reserve for foreign exchange valuation	-	8,042,954	8,042,954
Equity attributable to owners of the Company	861,597,240	858,765,773	(2,831,467)
Item	For the Nine Months Ended September 30, 2020		
Item	Inapplicable Amount (1)	Applicable Amount (2)	Effects (3)=(2)-(1)
Net income attributable to owners of the Company	\$ 57,112,729	\$ 63,343,376	\$ 6,230,647
Earnings per share	4.08	4.55	0.47
Reserve for foreign exchange valuation	-	10,212,568	10,212,568
Equity attributable to owners of the Company	817,822,577	813,255,420	(4,567,157)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	September 30, 2021			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,741,717	\$ 291,159	\$ 1,008,081	\$ 1,024,795
Marine insurance	176,403	9,228	107,811	77,820
Land and air insurance	5,808,171	28,571	215,177	5,621,565
Liability insurance	1,022,665	4,014	305,468	721,211
Guarantee insurance	58,770	5,252	39,844	24,178
Other property insurance	1,246,367	36,488	957,781	325,074
Accident insurance	1,571,197	7,108	107,194	1,471,111
Health insurance	634,084	3,254	335,798	301,540
Policy-oriented residential earthquake insurance	223,447	31,710	223,447	31,710
Compulsory automobile liability insurance	<u>1,225,561</u>	<u>453,279</u>	<u>735,337</u>	<u>943,503</u>
	<u>\$ 13,708,382</u>	<u>\$ 870,063</u>	<u>\$ 4,035,938</u>	<u>\$ 10,542,507</u>
Insurance Type	December 31, 2020			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Fire insurance	\$ 1,841,551	\$ 182,263	\$ 1,008,169	\$ 1,015,645
Marine insurance	218,842	10,934	155,705	74,071
Land and air insurance	5,671,965	16,831	195,817	5,492,979
Liability insurance	852,796	1,833	269,694	584,935
Guarantee insurance	49,397	9,133	27,245	31,285
Other property insurance	1,303,665	41,314	925,174	419,805
Accident insurance	1,527,427	6,378	83,125	1,450,680
Health insurance	61,680	815	7	62,488

(Continued)

December 31, 2020				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Policy-oriented residential earthquake insurance	\$ 225,463	\$ 26,857	
Compulsory automobile liability insurance	<u>1,227,564</u>	<u>460,947</u>	<u>736,539</u>	<u>951,972</u>
	<u>\$ 12,980,350</u>	<u>\$ 757,305</u>	<u>\$ 3,626,938</u>	<u>\$ 10,110,717</u> (Concluded)

September 30, 2020				
Insurance Type	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ 1,709,110	\$ 207,629	
Marine insurance	128,744	13,357	88,600	53,501
Land and air insurance	5,328,950	27,483	195,661	5,160,772
Liability insurance	812,657	2,246	272,449	542,454
Guarantee insurance	56,573	3,837	37,888	22,522
Other property insurance	1,078,219	53,033	773,120	358,132
Accident insurance	1,520,464	8,117	109,356	1,419,225
Health insurance	65,728	2,624	10	68,342
Policy-oriented residential earthquake insurance	221,007	29,432	221,007	29,432
Compulsory automobile liability insurance	<u>1,235,219</u>	<u>462,841</u>	<u>741,131</u>	<u>956,929</u>
	<u>\$ 12,156,671</u>	<u>\$ 810,599</u>	<u>\$ 3,373,656</u>	<u>\$ 9,593,614</u>

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

	For the Nine Months Ended September 30			
	2021		2020	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Beginning balance	\$ 13,737,655	\$ 3,626,938	\$ 12,736,870	\$ 3,199,204
Provision	14,577,911	4,035,663	12,971,603	3,375,489
Recovery	(13,763,608)	(3,634,266)	(12,752,687)	(3,202,496)
Foreign exchange	<u>26,487</u>	<u>7,603</u>	<u>11,484</u>	<u>1,459</u>
Ending balance	<u>\$ 14,578,445</u>	<u>\$ 4,035,938</u>	<u>\$ 12,967,270</u>	<u>\$ 3,373,656</u>

2) Loss reserve

a) Loss reserve and ceded loss reserve

	September 30, 2021			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed not yet paid	\$ 5,635,426	\$ 923,107	\$ 2,619,569	\$ 3,938,964
Not yet filed	<u>4,356,403</u>	<u>448,894</u>	<u>1,330,816</u>	<u>3,474,481</u>
	<u>\$ 9,991,829</u>	<u>\$ 1,372,001</u>	<u>\$ 3,950,385</u>	<u>\$ 7,413,445</u>

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

	September 30, 2020			
	Loss Reserve		Ceded Loss Reserve	
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed not yet paid	\$ 4,551,125	\$ 711,130	\$ 1,579,265	\$ 3,682,990
Not yet filed	<u>4,014,750</u>	<u>456,872</u>	<u>1,208,133</u>	<u>3,263,489</u>
	<u>\$ 8,565,875</u>	<u>\$ 1,168,002</u>	<u>\$ 2,787,398</u>	<u>\$ 6,946,479</u>

b) Net changes in loss reserve and ceded loss reserve

For the nine months ended September 30, 2021

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 5,655,953	\$ 4,597,432	\$ 923,107	\$ 786,091	\$ 1,195,537
Not yet filed	<u>4,334,957</u>	<u>4,023,236</u>	<u>448,894</u>	<u>455,069</u>	<u>305,546</u>
	<u>\$ 9,990,910</u>	<u>\$ 8,620,668</u>	<u>\$ 1,372,001</u>	<u>\$ 1,241,160</u>	<u>\$ 1,501,083</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 2,627,619	\$ 1,590,645	\$ 1,036,974
Not yet filed	<u>1,322,456</u>	<u>1,230,099</u>	<u>92,357</u>
	<u>\$ 3,950,075</u>	<u>\$ 2,820,744</u>	<u>\$ 1,129,331</u>

For the nine months ended September 30, 2020

Items	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Loss Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Filed not yet paid	\$ 4,570,971	\$ 4,115,029	\$ 711,130	\$ 680,547	\$ 486,525
Not yet filed	<u>3,995,807</u>	<u>4,103,229</u>	<u>456,872</u>	<u>458,050</u>	<u>(108,600)</u>
	<u>\$ 8,566,778</u>	<u>\$ 8,218,258</u>	<u>\$ 1,168,002</u>	<u>\$ 1,138,597</u>	<u>\$ 377,925</u>

Items	Ceded Reinsurance Business		Net Changes in Loss Reserve
	Provision (6)	Recovery (7)	(8)=(6)-(7)
Filed not yet paid	\$ 1,589,461	\$ 1,250,564	\$ 338,897
Not yet filed	<u>1,198,609</u>	<u>1,199,002</u>	<u>(393)</u>
	<u>\$ 2,788,070</u>	<u>\$ 2,449,566</u>	<u>\$ 338,504</u>

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

September 30, 2021			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 3,059,286	\$ 29,419	\$ 3,088,705
Marine insurance	348,806	156,005	504,811
Land and air insurance	1,516,989	1,457,623	2,974,612
Liability insurance	576,948	663,378	1,240,326
Guarantee insurance	58,383	37,683	96,066
Other property insurance	414,480	150,503	564,983
Accident insurance	125,244	489,941	615,185
Health insurance	3,246	95,087	98,333
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>455,151</u>	<u>1,725,658</u>	<u>2,180,809</u>
	<u>\$ 6,558,533</u>	<u>\$ 4,805,297</u>	<u>\$ 11,363,830</u>
December 31, 2020			
Insurance Type	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,524,317	\$ 35,616	\$ 1,559,933
Marine insurance	293,296	100,993	394,289
Land and air insurance	1,685,167	1,305,013	2,990,180
Liability insurance	623,958	628,515	1,252,473
Guarantee insurance	71,574	32,880	104,454
Other property insurance	528,177	105,129	633,306
Accident insurance	116,574	512,901	629,475
Health insurance	3,117	31,063	34,180
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	<u>517,204</u>	<u>1,746,771</u>	<u>2,263,975</u>
	<u>\$ 5,363,384</u>	<u>\$ 4,498,881</u>	<u>\$ 9,862,265</u>

Insurance Type	September 30, 2020		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,503,226	\$ 23,499	\$ 1,526,725
Marine insurance	313,960	89,099	403,059
Land and air insurance	1,607,357	1,336,740	2,944,097
Liability insurance	621,260	654,263	1,275,523
Guarantee insurance	69,470	57,104	126,574
Other property insurance	527,233	105,622	632,855
Accident insurance	110,958	510,040	620,998
Health insurance	3,084	38,435	41,519
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	505,707	1,656,820	2,162,527
	<u>\$ 5,262,255</u>	<u>\$ 4,471,622</u>	<u>\$ 9,733,877</u>

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

Insurance Type	September 30, 2021		
	Filed Not Yet Paid	Not Yet Filed	Total
Fire insurance	\$ 1,650,285	\$ 11,603	\$ 1,661,888
Marine insurance	210,041	88,861	298,902
Land and air insurance	73,103	39,431	112,534
Liability insurance	334,304	258,720	593,024
Guarantee insurance	14,212	18,038	32,250
Other property insurance	202,538	59,904	262,442
Accident insurance	6,159	32,236	38,395
Health insurance	847	22,526	23,373
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	128,080	799,497	927,577
	<u>\$ 2,619,569</u>	<u>\$ 1,330,816</u>	<u>\$ 3,950,385</u>

Insurance Type	December 31, 2020		
	Filed	Not Yet	Total
	Paid	Filed	
Fire insurance	\$ 518,834	\$ 7,832	\$ 526,666
Marine insurance	182,974	60,591	243,565
Land and air insurance	51,255	36,432	87,687
Liability insurance	352,700	241,410	594,110
Guarantee insurance	31,736	15,059	46,795
Other property insurance	260,734	43,816	304,550
Accident insurance	5,914	31,743	37,657
Health insurance	-	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	178,296	801,641	979,937
	<u>\$ 1,582,443</u>	<u>\$ 1,238,524</u>	<u>\$ 2,820,967</u>

Insurance Type	September 30, 2020		
	Filed	Not Yet	Total
	Paid	Filed	
Fire insurance	\$ 511,270	\$ 7,993	\$ 519,263
Marine insurance	204,545	54,391	258,936
Land and air insurance	46,343	38,551	84,894
Liability insurance	354,708	253,450	608,158
Guarantee insurance	30,988	29,282	60,270
Other property insurance	254,226	45,017	299,243
Accident insurance	6,292	32,130	38,422
Health insurance	-	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	170,893	747,319	918,212
	<u>\$ 1,579,265</u>	<u>\$ 1,208,133</u>	<u>\$ 2,787,398</u>

e) Reconciliation of loss reserve and ceded loss reserve

	For the Nine Months Ended September 30			
	2021		2020	
	Loss Reserve	Ceded Loss Reserve	Loss Reserve	Ceded Loss Reserve
Beginning balance	\$ 9,862,265	\$ 2,820,967	\$ 9,357,750	\$ 2,450,072
Provision	11,362,911	3,950,075	9,734,780	2,788,070
Recovery	(9,861,828)	(2,820,744)	(9,356,855)	(2,449,566)
Foreign exchange	482	87	(1,798)	(1,178)
Ending balance	<u>\$ 11,363,830</u>	<u>\$ 3,950,385</u>	<u>\$ 9,733,877</u>	<u>\$ 2,787,398</u>

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 865,038	\$ 1,122,321
Provision	107,540	12,521
Recovery	<u>(88,128)</u>	<u>(178,347)</u>
Ending balance	<u>\$ 884,450</u>	<u>\$ 956,495</u>

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

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

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

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

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

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

September 30, 2021				
Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ -	\$ -	
Marine insurance	3,600	506	-	4,106
Land and air insurance	-	-	-	-
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 3,600</u>	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 4,106</u>

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

September 30, 2020

Insurance Type	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
	Fire insurance	\$ -	\$ -	
Marine insurance	211	745	-	956
Land and air insurance	88	136	-	224
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 299</u>	<u>\$ 881</u>	<u>\$ -</u>	<u>\$ 1,180</u>

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

	For the Nine Months Ended September 30, 2021								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+(3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	3,600	3,082	506	916	108	-	-	-	108
Land and air insurance	-	118	-	82	(200)	-	-	-	(200)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 3,600</u>	<u>\$ 3,200</u>	<u>\$ 506</u>	<u>\$ 998</u>	<u>\$ (92)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92)</u>

For the Nine Months Ended September 30, 2020									
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve (5)=(1)-(2)+ (3)-(4)	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve (8)=(6)-(7)	Net Loss Recognized for Premium Deficiency Reserve (9)=(5)-(8)
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)		Provision (6)	Recovery (7)		
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	211	12	745	613	331	-	-	-	331
Land and air insurance	88	-	136	1,400	(1,176)	-	-	-	(1,176)
Liability insurance	-	-	-	-	-	-	-	-	-
Guarantee insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Policy-oriented residential earthquake insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	<u>\$ 299</u>	<u>\$ 12</u>	<u>\$ 881</u>	<u>\$ 2,013</u>	<u>\$ (845)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (845)</u>

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

	For the Nine Months Ended September 30			
	2021		2020	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	\$ 4,198	\$ -	\$ 2,025	\$ -
Provision	4,106	-	1,180	-
Recovery	<u>(4,198)</u>	<u>-</u>	<u>(2,025)</u>	<u>-</u>
Ending balance	<u>\$ 4,106</u>	<u>\$ -</u>	<u>\$ 1,180</u>	<u>\$ -</u>

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

September 30, 2021

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110</u>

December 31, 2020

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 119	\$ -	\$ -	\$ 119

September 30, 2020

Insurance Type	Policy Reserve		Ceded Policy Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	
Health insurance	\$ 131	\$ -	\$ -	\$ 131

b) Net changes in policy reserve and ceded policy reserve

For the nine months ended September 30, 2021

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ 35	\$ 44	\$ -	\$ -	\$ (9)

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

For the nine months ended September 30, 2020

Insurance Type	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)
Health insurance	\$ 78	\$ 26	\$ -	\$ -	\$ 52

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

22. RETIREMENT BENEFIT PLANS

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employee benefit expenses	\$ 121,359	\$ 122,798	\$ 363,627	\$ 367,592

23. OTHER FINANCIAL ASSETS AND LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Other financial assets</u>			
Separate account insurance product assets	\$ 697,724,564	\$ 641,684,568	\$ 592,035,565
Others	15,510,955	18,863,407	16,097,275
	<u>\$ 713,235,519</u>	<u>\$ 660,547,975</u>	<u>\$ 608,132,840</u>
<u>Other financial liabilities</u>			
Separate account insurance product liabilities	\$ 697,724,564	\$ 641,684,568	\$ 592,035,565
Principal received from the sale of structured products	32,625,766	40,034,992	46,460,556
Others	7,625,205	11,040,724	11,192,580
	<u>\$ 737,975,535</u>	<u>\$ 692,760,284</u>	<u>\$ 649,688,701</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Separate account insurance product assets</u>			
Cash in bank	\$ 518,231	\$ 447,744	\$ 471,310
Financial assets at FVTPL	689,648,106	632,843,466	583,731,009
Other receivables	<u>7,442,326</u>	<u>8,264,484</u>	<u>7,702,305</u>
	<u>\$ 697,608,663</u>	<u>\$ 641,555,694</u>	<u>\$ 591,904,624</u>
<u>Separate account insurance product liabilities</u>			
Other payables	\$ 388,943	\$ 701,555	\$ 296,030
Reserve for separate accounts - insurance contracts	299,064,216	277,388,301	247,854,190
Reserve for separate accounts - investment contracts	<u>398,155,504</u>	<u>363,465,838</u>	<u>343,754,404</u>
	<u>\$ 697,608,663</u>	<u>\$ 641,555,694</u>	<u>\$ 591,904,624</u>
	For the Three Months Ended September 30	For the Nine Months Ended September 30	
	2021	2020	2021
			2020
<u>Separate account insurance product income</u>			
Premium income	\$ 11,321,283	\$ 15,017,050	\$ 50,954,806
Interest income	4	251	1,385
(Losses) gains from financial assets at FVTPL	(4,581,342)	10,711,560	12,557,212
Foreign exchange losses	<u>(398,423)</u>	<u>(3,196,695)</u>	<u>(3,754,050)</u>
	<u>\$ 6,341,522</u>	<u>\$ 22,532,166</u>	<u>\$ 59,759,353</u>
<u>Separate account insurance product expenses</u>			
Claims and payments	\$ 3,653,461	\$ 2,079,252	\$ 9,706,855
Cash surrender value	6,787,630	7,301,659	23,614,676
(Reversal) provision of separate account reserve	(5,254,607)	12,168,056	23,012,450
Administrative expenses	1,195,744	1,019,950	3,535,665
Non-operating income and expenses	<u>(40,706)</u>	<u>(36,751)</u>	<u>(110,293)</u>
	<u>\$ 6,341,522</u>	<u>\$ 22,532,166</u>	<u>\$ 59,759,353</u>

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 service fee income.

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

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Separate account insurance product assets</u>				
Cash in bank	\$ 32,086	\$ 4,845	\$ 4,017	
Financial assets at FVTPL	83,764	123,985	126,886	
Others	<u>51</u>	<u>44</u>	<u>38</u>	
	<u>\$ 115,901</u>	<u>\$ 128,874</u>	<u>\$ 130,941</u>	
<u>Separate account insurance product liabilities</u>				
Other payables	\$ -	\$ 1,723	\$ 1,356	
Reserve for separate accounts - insurance contracts	<u>115,901</u>	<u>127,151</u>	<u>129,585</u>	
	<u>\$ 115,901</u>	<u>\$ 128,874</u>	<u>\$ 130,941</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Separate account insurance product income</u>				
Premium income	\$ 13	\$ 37	\$ 38	\$ 138
Gains from financial assets and liabilities at FVTPL	(5,922)	10,543	2,122	24,082
Interest income	<u>(2)</u>	<u>15</u>	<u>9</u>	<u>44</u>
	<u>\$ (5,911)</u>	<u>\$ 10,595</u>	<u>\$ 2,169</u>	<u>\$ 24,264</u>
<u>Separate account insurance product expenses</u>				
Cash surrender value	\$ -	\$ 2,387	\$ -	\$ 8,652
(Reversal) provision of separate account reserve	(5,212)	7,096	1,979	12,967
Others	<u>(699)</u>	<u>1,112</u>	<u>190</u>	<u>2,645</u>
	<u>\$ (5,911)</u>	<u>\$ 10,595</u>	<u>\$ 2,169</u>	<u>\$ 24,264</u>

24. EQUITY

a. Share capital

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)			
Ordinary shares	<u>13,169,210</u>	<u>13,169,210</u>	<u>13,169,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>	<u>\$ 147,025,102</u>

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

Issuance of preference shares

- 1) On September 9, 2016, the board of directors resolved the capital raising through issuance of Series A Preference Shares. The Company issued 833,300 thousand preference shares, with a par value of \$10 per share and total amount of \$8,333,000 thousand, and the issue price was \$60 per share. The capital raising was approved by the FSC Jin Guan Zheng Fa No. 1050041628 on October 25, 2016. The base date of capital increase was December 8, 2016. All issued shares were registered and recognized as equity. The rights and obligations of Series A Preference Shares are as follows:
 - a) 3.8% per annum for Series A Preference Shares (7-year IRS 1.06%+2.74%) calculated pursuant to the issue price per share. Interest rate per annum will be reset on the day after the 7th year from the issue date (“Issue Date”) and the day after each subsequent 7-year period hereafter. The record date for reset of interest rate shall be 2 business days before the interest reset day for financial institutions in Taipei. The 7-year IRS rate shall be the arithmetic mean of 7-year IRS quotations as published by Reuters, PYTWDFIX and COSMOS3 at 11:00 a.m. of the day of the record date for reset of interest rate (must be a business day for Taipei’s financial institutions). If the above quotations cannot be obtained on the record date for reset of interest rate, the interest rate shall be decided by the issuer in good faith, taking into account the reasonable market trends.
 - b) If there are retained earnings, before the issuer can distribute dividends for Series A Preference Shares, the Company shall first: (i) pay all taxes and dues (ii) offset its losses in previous years (iii) set aside legal reserve, or set aside or reverse special reserve and (iv) the distribution of the remaining portion, if any, will first be distributed as preference share dividends.
 - c) The Company has the sole discretion to distribute dividends of Series A Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series A Preference Share dividends, or preference share dividend distribution would render the Company’s CAR ratio below the level required by law or by the authorities. The Company’s cancellation of preference share dividend distribution shall not be deemed an event of default. Series A Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.

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

- c) The Company has the sole discretion to distribute dividend of the Series B Preference Shares, including its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for Series B Preference Share dividends, or preference share dividend distribution would render the Company's CAR ratio below the level required by law or by the authorities. The Company's cancellation of preference share dividend distribution shall not be deemed an event of default. Series B Preference Shares are non-cumulative. Undeclared or under-declared dividends are not cumulative, and are not paid in subsequent years with profit.
- d) Dividends for Series A Preference Shares are distributed once a year in cash. After shareholders' approval of the issuer's financial statements at its annual shareholders' meeting, the board of directors may set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption (such as the shareholders' approval of dividends declaration on shareholders meeting) shall be calculated pursuant to the actual issued days of the given year.
- e) Except for receipt of dividends at the aforementioned dividend rate in Paragraph (a), holders of Preference Shares cannot participate in the distribution of cash or stock dividends to holders of common shares from the profit or additional paid-in capital.
- f) Holders of Series B Preference Shares shall have the same priority as holders of all subsequently issued preference share in liquidation, which are prior to holders of ordinary shares but subordinated to general creditors, to the extent of the issuance amount.
- g) Holders of Series B Preference Shares have no voting rights at the annual shareholders' meeting, and cannot elect directors. However, holders of Series B Preference Shares have voting rights at the shareholders' meeting of Series B Preference Shareholders, and at the annual shareholders' meeting on items relating to rights of Series B Preference Shareholders.
- h) Holders of Series B Preference Shares cannot convert the said preference shares to ordinary shares, and have no right to request the Company for redemption of Series B Preference Shares.
- i) Through the issuance of perpetual preferred stock, on the day after the 7th year from the issue date, the Company may redeem all or part of the outstanding Series B Preference Shares at the issue price. Rights and obligations of the unredeemed Series B Preference Shares shall remain the same as mentioned above.

Issuance of overseas depositary receipts

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

b. Capital surplus

1) Capital surplus comprises the following:

	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital	\$ 172,905,009	\$ 172,905,009	\$ 172,905,009
Treasury share transactions	2,539,377	2,539,377	2,539,377
Additional paid-in capital - employee stock options	497,629	497,629	497,629
Conversion of convertible bonds	1,144,486	1,144,486	1,144,486
Others	<u>160,869</u>	<u>169,552</u>	<u>168,755</u>
	<u>\$ 177,247,370</u>	<u>\$ 177,256,053</u>	<u>\$ 177,255,256</u>

2) The capital surplus recorded during the conversion of shares of financial institutions may be distributed as cash dividends according to the fourth paragraph of Article 47 of the Financial Holding Company Act and other related requirements if not restricted by other regulations or may be transferred to capital in the year of conversion with the proportion of the transfer not limited by Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The unrestricted retained earnings of the financial institution presents the remaining balance after the appropriation of legal reserve or special reserve as required by law.

c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the Company's articles ("Articles"), when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of current year) together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. When declaring the distribution of dividends, the Company should retain the funds for distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 30% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of employees' compensation and remuneration of directors in the Articles, refer to employees' compensation and remuneration of directors in Note 25 e.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

d. Special reserves

	September 30, 2021	December 31, 2020	September 30, 2020
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467	3,744,467
Special reserve appropriated at the first-time adoption of IFRSs (3)	2,994,565	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	108,879,082	108,057,969	108,057,969
Special reserve transferred from insurance liabilities (5)	<u>34,764,311</u>	<u>34,764,311</u>	<u>34,764,311</u>
	<u>\$ 150,716,023</u>	<u>\$ 149,894,910</u>	<u>\$ 149,894,910</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. The special reserve can only be used to offset the accumulated deficit or transferred to capital stock (limited to 50% of the special reserve) once the special reserve reaches one-half of the paid-in capital. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.
- 3) At the first-time adoption of IFRSs, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.

- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- e. Other equity
- 1) Exchange differences on the translation of financial statements of foreign operations

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ (15,464,009)	\$ (13,319,620)
Recognized for the period	(2,282,984)	(2,893,835)
Share of associates accounted for using the equity method	(903,591)	(133,465)
Tax effects	<u>335,536</u>	<u>111,306</u>
Other comprehensive loss recognized for the period	<u>(2,851,039)</u>	<u>(2,915,994)</u>
Ending balance	<u>\$ (18,315,048)</u>	<u>\$ (16,235,614)</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 106,207,840	\$ 68,319,953
Recognized for the period	(52,006,285)	37,650,792
Share of associates accounted for using the equity method	106,572	322,945
Reclassification adjustments		
Disposal of debt instruments	(23,283,061)	(23,888,174)
Tax effects	<u>14,279,456</u>	<u>(1,816,942)</u>
Other comprehensive (loss) income recognized for the period	<u>(60,903,318)</u>	<u>12,268,621</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(2,098,706)</u>	<u>(152,823)</u>
Ending balance	<u>\$ 43,205,816</u>	<u>\$ 80,435,751</u>

3) Gain (loss) on hedging instruments

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	<u>\$ 347,871</u>	<u>\$ 331,930</u>
Recognized for the period	(87,429)	153,902
Reclassification adjustments		
Hedged item that affects profit or loss	(11,554)	(53,966)
Tax effects	<u>22,781</u>	<u>(15,621)</u>
Other comprehensive (loss) income recognized for the period	<u>(76,202)</u>	<u>84,315</u>
Ending balance	<u>\$ 271,669</u>	<u>\$ 416,245</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	<u>\$ (1,478,705)</u>	<u>\$ (1,850,508)</u>
Recognized for the period	568,595	1,051,925
Tax effects	<u>(113,719)</u>	<u>(210,386)</u>
Other comprehensive income recognized for the period	<u>454,876</u>	<u>841,539</u>
Ending balance	<u>\$ (1,023,829)</u>	<u>\$ (1,008,969)</u>

5) Remeasurement of defined benefit plans

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	<u>\$ (1,966,279)</u>	<u>\$ (1,507,864)</u>
Recognized for the period	(655)	1,126
Share of associate accounted for using the equity method	(11,603)	(13,368)
Tax effects	<u>2,701</u>	<u>1,948</u>
Other comprehensive loss recognized for the period	<u>(9,557)</u>	<u>(10,294)</u>
Ending balance	<u>\$ (1,975,836)</u>	<u>\$ (1,518,158)</u>

6) Property revaluation surplus

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

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

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	<u>\$ 102,511,617</u>	<u>\$ 57,968,675</u>
Recognized for the period		
Unrealized gain	39,977,476	55,750,571
Reclassification adjustments		
Disposal of financial instruments	(97,562,779)	(58,767,654)
Tax effects	<u>1,269,874</u>	<u>644,639</u>
Other comprehensive loss recognized for the period	<u>(56,315,429)</u>	<u>(2,372,444)</u>
Ending balance	<u>\$ 46,196,188</u>	<u>\$ 55,596,231</u>

8) 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	-
Other	<u>(11,103)</u>	<u>-</u>
Ending balance	<u>\$ (3,224,389)</u>	<u>\$ -</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 11,714,465	\$ 10,279,814
Attributed to non-controlling interest		
Net profit for the period	773,376	1,072,058
Exchange differences on the translation of financial statements of foreign operations	(193,473)	(205,113)
Unrealized gain on financial assets at FVTOCI	69,602	49,166
Other comprehensive income (loss) on reclassification using the overlay approach	65,089	(68,510)
Non-controlling interests arising from acquisition of subsidiaries (Note 38)	-	1,302,994
Actual acquisition of interests in subsidiaries	(176,506)	-
Others	<u>(985,121)</u>	<u>(1,055,822)</u>
Ending balance	<u>\$ 11,267,432</u>	<u>\$ 11,374,587</u>

25. NET PROFIT FOR THE PERIOD

a. Net gain on service fee and commission fee

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Service fee revenue	\$ 9,638,440	\$ 7,902,585	\$ 26,007,236	\$ 20,874,377
Commission fee revenue	<u>2,097,825</u>	<u>2,102,444</u>	<u>6,572,811</u>	<u>5,857,480</u>
	<u>11,736,265</u>	<u>10,005,029</u>	<u>32,580,047</u>	<u>26,731,857</u>
Service fee expense	(2,728,936)	(2,322,543)	(7,872,665)	(6,140,731)
Commission fee expense	<u>(5,175,293)</u>	<u>(5,146,554)</u>	<u>(15,399,148)</u>	<u>(15,256,181)</u>
	<u>(7,904,229)</u>	<u>(7,469,097)</u>	<u>(23,271,813)</u>	<u>(21,396,912)</u>
	<u>\$ 3,832,036</u>	<u>\$ 2,535,932</u>	<u>\$ 9,308,234</u>	<u>\$ 5,334,945</u>

b. Net income on insurance operations

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Retained premiums earned	\$ 111,796,181	\$ 131,102,741	\$ 370,836,178	\$ 434,476,891
Separate account insurance product income	<u>6,335,611</u>	<u>22,542,761</u>	<u>59,761,522</u>	<u>33,215,000</u>
	<u>118,131,792</u>	<u>153,645,502</u>	<u>430,597,700</u>	<u>467,691,891</u>
Claims and payments	(76,697,757)	(71,499,023)	(214,831,391)	(205,219,976)
Separate account insurance product expenses	(6,335,611)	(22,542,761)	(59,761,522)	(33,215,000)
Others	<u>(225,602)</u>	<u>(272,046)</u>	<u>(757,044)</u>	<u>(902,808)</u>
	<u>(83,258,970)</u>	<u>(94,313,830)</u>	<u>(275,349,957)</u>	<u>(239,337,784)</u>
	<u>\$ 34,872,822</u>	<u>\$ 59,331,672</u>	<u>\$ 155,247,743</u>	<u>\$ 228,354,107</u>

c. Net changes in insurance liability reserves

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Net change in loss reserve	\$ 301,655	\$ (397,887)	\$ 338,276	\$ (650,627)
Net change in policy reserve	(75,812,314)	(99,103,211)	(275,631,801)	(342,695,403)
Net change in premium deficiency reserve	575,467	1,228,144	2,356,970	3,383,306
Net change in special reserve	(49,908)	28,995	(19,513)	165,826
Net change in other reserves	3,000	6,000	9,000	18,000
Net change in reserve for insurance contracts with the nature of financial products	<u>(272,686)</u>	<u>(201,354)</u>	<u>(777,147)</u>	<u>(569,617)</u>
	<u>\$ (75,254,786)</u>	<u>\$ (98,439,313)</u>	<u>\$ (273,724,215)</u>	<u>\$ (340,348,515)</u>

d. Employee benefit expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term benefits				
Salaries	\$ 14,093,219	\$ 13,825,698	\$ 42,564,974	\$ 42,447,791
Labor and health insurance expenses	1,114,580	1,069,056	3,554,736	3,397,382
Post-employment benefits	550,304	584,810	1,711,939	1,816,029
Remuneration of directors	60,071	37,907	181,417	130,098
Others	<u>305,787</u>	<u>376,438</u>	<u>961,926</u>	<u>1,230,428</u>
	<u>\$ 16,123,961</u>	<u>\$ 15,893,909</u>	<u>\$ 48,974,992</u>	<u>\$ 49,021,728</u>
An analysis of employee benefit expenses by function				
Profit from operations	\$ 2,949,488	\$ 3,371,519	\$ 9,074,962	\$ 10,037,148
Operating expenses	<u>13,174,473</u>	<u>12,522,390</u>	<u>39,900,030</u>	<u>38,984,580</u>
	<u>\$ 16,123,961</u>	<u>\$ 15,893,909</u>	<u>\$ 48,974,992</u>	<u>\$ 49,021,728</u>

As of September 30, 2021 and 2020, the total number of employees in the Group was 58,000 and 57,841, respectively.

For the nine months ended September 30, 2021 and 2020, the average number of the Group's employees was 57,700 and 57,083, respectively, including 40 and 37 directors not concurrently serving as employees, respectively.

e. Compensation of employees and remuneration of directors

According to the Articles, if there is a profit in the current year, the Company should distribute 0.01% to 0.05% of the profit in the current year as compensation of employees, and no more than 0.05% of the profit in the current year as remuneration of directors. However, the Company has to first cover accumulated losses, if any.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
	Cash	Cash	Cash	Cash
Compensation of employees	\$ 3,048	\$ 3,117	\$ 12,271	\$ 6,595
Remuneration of directors	675	675	2,025	2,025

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

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

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

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

f. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Right-of-use assets	\$ 372,196	\$ 355,672	\$ 1,081,562	\$ 1,080,167
Property and equipment	665,483	631,965	1,933,181	1,870,303
Intangible assets	<u>818,178</u>	<u>858,555</u>	<u>2,416,874</u>	<u>2,444,027</u>
	<u>\$ 1,855,857</u>	<u>\$ 1,846,192</u>	<u>\$ 5,431,617</u>	<u>\$ 5,394,497</u>
An analysis of depreciation by function				
Operating expenses	<u>\$ 1,037,679</u>	<u>\$ 987,637</u>	<u>\$ 3,014,743</u>	<u>\$ 2,950,470</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 818,178</u>	<u>\$ 858,555</u>	<u>\$ 2,416,874</u>	<u>\$ 2,444,027</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 1,635,236	\$ 7,428,056	\$ 15,183,098	\$ 21,147,421
Adjustments for prior years	(11,307)	29,542	(301,920)	72,794
Additional tax on unappropriated earnings	-	-	1,509,915	2,624,086
Others	1,577,739	52,460	3,088,518	267,082
Deferred tax				
In respect of the current period	(165,280)	(5,759,781)	(3,862,487)	(17,239,503)
Adjustments for prior years	-	972	91,605	1,395
Income tax expense recognized in profit or loss	<u>\$ 3,036,388</u>	<u>\$ 1,751,249</u>	<u>\$ 15,708,729</u>	<u>\$ 6,873,275</u>

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	<u>(6,726)</u>	<u>-</u>	<u>(6,726)</u>	<u>-</u>
Income tax recognized directly in equity	<u>\$ (8,018)</u>	<u>\$ -</u>	<u>\$ (7,961)</u>	<u>\$ -</u>

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
<u>Deferred tax</u>				
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (58,566)	\$ 13,078	\$ (113,719)	\$ (210,386)
Exchange differences on the translation of financial statements of foreign operations	113,844	(36,533)	335,536	111,306
Unrealized losses (gains) on financial assets at FVTOCI	3,081,278	(108,026)	14,288,808	(1,847,087)
Losses (gains) on hedging instruments	2,503	10,576	22,781	(15,621)
Remeasurement of defined benefit plans	-	-	208	(225)
Shares of associates accounted for using the equity method	12,200	8,812	(6,859)	32,318
Other comprehensive loss (income) reclassified using overlay approach	<u>1,620,479</u>	<u>(2,059,120)</u>	<u>1,269,874</u>	<u>644,639</u>
Income tax (expense) recognized in other comprehensive income	<u>\$ 4,771,738</u>	<u>\$ (2,171,213)</u>	<u>\$ 15,796,629</u>	<u>\$ (1,285,056)</u>

d. Income tax assessments

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

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

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

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share	\$ 2.32	\$ 2.37	\$ 8.98	\$ 4.55

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

Net Income for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Net income for the period attributable to owners of the Company	\$ 30,545,610	\$ 31,221,618	\$ 121,596,084	\$ 63,343,376
Less: Dividends on preference shares	-	-	(3,390,924)	(3,390,924)
Earnings used in the computation of basic earnings per share	\$ 30,545,610	\$ 31,221,618	\$ 118,205,160	\$ 59,952,452

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	13,169,210	13,169,210	13,169,210	13,169,210

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

28. RELATED-PARTY TRANSACTIONS

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

Related Party Name	Related Party Category
Cathay Life	Subsidiary
Cathay United Bank	Subsidiary
Cathay Century	Subsidiary
Cathay Securities	Subsidiary
Cathay Securities Investment Trust	Subsidiary
Cathay Venture	Subsidiary
Cathay Lujiazui Life	Subsidiary
Cathay Life (Vietnam)	Subsidiary
Conning Asia Pacific Ltd.	Subsidiary
Cathay Securities Investment Consulting	Subsidiary
Cathay Investment	Subsidiary
Lin Yuan	Subsidiary
Conning Holdings Limited	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Octagon Credit Investors, LLC	Subsidiary
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBCN Bank	Subsidiary
Cathay Futures	Subsidiary
Cathay Private Equity	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Cathay Securities (Hong Kong) Limited	Subsidiary
Cathay Capital (Asia)	Subsidiary
Global Evolution Holding ApS	Subsidiary (associate before June 2020)
Taiwan Real-estate Management Corp.	Associate
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
CM Energy Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Cathay Power Inc.	Associate
Seaward Card Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Funds managed by Cathay Securities Investment Trust	Other related party
Private Equity Funds managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holding ApS	Other related party

(Continued)

Related Party Name	Related Party Category
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
San Ching Engineering Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
ThinkPower Information Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Bowl Cut Entertainment Co., Ltd.	Other related party
Cymlin Co., Ltd.	Other related party
Cymder Co., Ltd.	Other related party
Retail Forest Co., Ltd.	Other related party before July 2021
Sino Greenery Group	Other related party
Cathay Cultural Foundation	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Hsin Chung Co., Ltd.	Other related party
Tian-Ji Power Co., Ltd.	Other related party
Jinhua Realty Co., Ltd.	Other related party
Pai Hsing Investment Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
De Jin Co., Ltd.	Other related party
Yi Ru Capital Co., Ltd.	Other related party
FundRich Securities Co., Ltd.	Other related party
Daiwa - Cathay Capital Markets Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Others	Other related party

(Concluded)

b. Significant transactions with related parties were as follows:

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

1) Transactions with banks

a) Due from commercial banks

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party						
Vietinbank	\$ 36,155	\$ 369	\$ 519,903	\$ 5,256	\$ 5,057,854	\$ 3,524

b) Due to commercial banks

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party Vietinbank	\$ 23,540	\$ -	\$ 20,040	\$ 10,117	\$ 5,067,797	\$ 3,441

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

Name	September 30, 2021	December 31, 2020	September 30, 2020
	Other related party Vietinbank	\$ 367,222	\$ 384,663

Name	Interest Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Other related party Vietinbank	\$ 5,826	\$ 6,929	\$ 19,056	\$ 24,370

2) Balance of shares issued by the related parties

Name	September 30, 2021	December 31, 2020	September 30, 2020
Associate PSS Co., Ltd.	\$ 14,312	\$ 19,318	\$ 16,447
Other related party Cathay Real Estate Development Co., Ltd.	1,321,447	1,437,071	1,387,762
Cathay Healthcare Management Co., Ltd.	144,045	145,035	181,830
Daiwa - Cathay Capital Markets Co., Ltd.	143,000	139,200	137,400
CDIB & PARTNERS Investment Holding Corporation.	898,020	827,820	777,600
	<u>2,506,512</u>	<u>2,549,126</u>	<u>2,484,592</u>
	\$ 2,520,824	\$ 2,568,444	\$ 2,501,039

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

3) Acquisition of shares issued by the related parties

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

4) Receivable

Name	September 30, 2021	December 31, 2020	September 30, 2020
Associate			
Cathay Power Inc.	\$ 4,316	\$ 4	\$ 110
Other related party			
Funds managed by Cathay Securities Investment Trust	235,050	212,465	183,881
Cathay Hospitality Management Co., Ltd.	-	4,664	12
Tian-Ji Power Co., Ltd.	-	3,687	-
Cathay Medical Care Corp.	4,020	222	3,574
	<u>239,070</u>	<u>221,038</u>	<u>187,467</u>
	<u>\$ 243,386</u>	<u>\$ 221,042</u>	<u>\$ 187,577</u>

5) Loans

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate						
TaiYang Solar Power Co., Ltd.	\$ 61,265	\$ 954	\$ 65,244	\$ 1,409	\$ 66,570	\$ 1,085
Taiwan Real-estate Management Corp.	33,000	395	33,000	533	33,000	400
	<u>94,265</u>	<u>1,349</u>	<u>98,244</u>	<u>1,942</u>	<u>99,570</u>	<u>1,485</u>
Other related party						
Sino Greenergy Group	77,352	1,247	83,012	1,878	84,899	1,438
Yua-Yung Marketing (Taiwan) Co., Ltd.	10,000	104	-	103	-	103
Others	3,115,175	30,911	2,980,147	39,028	2,989,110	30,082
	<u>3,202,527</u>	<u>32,262</u>	<u>3,063,159</u>	<u>41,009</u>	<u>3,074,009</u>	<u>31,623</u>
	<u>\$ 3,296,792</u>	<u>\$ 33,611</u>	<u>\$ 3,161,403</u>	<u>\$ 42,951</u>	<u>\$ 3,173,579</u>	<u>\$ 33,108</u>

6) Deposits

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary						
Cathay Securities Investment Consulting	\$ 473,505	\$ 125	\$ 502,217	\$ 388	\$ 429,131	\$ 335
Associate						
Symphox Information Co., Ltd.	119,942	102	407,037	427	229,020	377
Lin Yuan Property Management Co., Ltd.	154,058	899	270,481	1,387	181,561	1,066
CM Energy Co., Ltd.	<u>248,238</u>	<u>20</u>	<u>50,160</u>	<u>2</u>	<u>10,139</u>	<u>1</u>
	<u>522,238</u>	<u>1,021</u>	<u>727,678</u>	<u>1,816</u>	<u>420,720</u>	<u>1,444</u>
Other related party						
Cathay Life Insurance Employees' Welfare Committee	2,357,316	12,699	2,198,909	17,881	2,246,234	13,607
Cathay United Bank Employees' Welfare Committee	802,120	23,126	760,170	31,356	783,933	23,445
De Jin Co., Ltd.	29,195	11	636,153	31	-	-
Cathay United Bank Foundation	544,970	3,136	530,444	4,560	535,049	3,487
Cathay Real Estate Development Employees' Welfare Committee	450,757	2,575	413,825	3,560	422,168	2,685
Cathay Real Estate Development Co., Ltd.	343,361	23	370,758	18	392,230	12
Bannan Realty Co., Ltd.	297,388	23	338,238	16	-	-
Cathay Charity Foundation	284,081	1,434	274,178	2,026	286,970	1,542
Cathay Medical Care Corp.	188,040	28	210,060	42	204,083	35
Cathay Cultural Foundation	211,166	1,195	209,366	1,711	217,372	1,300
Cathay Hospitality Management Co., Ltd.	30,834	5	189,776	11	21,756	8
Pai Hsing Investment Co., Ltd.	144,581	101	177,062	743	-	-
Jinhua Realty Co., Ltd.	105,898	20	167,867	6	-	-
Ally Logistic Property Co., Ltd.	114,856	9	147,229	9	79,132	7
Yua-Yung Marketing (Taiwan) Co., Ltd.	107,443	188	140,277	291	127,615	217
Funds managed by Cathay Securities Investment Trust	146,646	-	35,341	-	56,586	-
Others	<u>8,070,788</u>	<u>36,537</u>	<u>8,622,051</u>	<u>54,001</u>	<u>9,103,226</u>	<u>42,761</u>
	<u>14,229,440</u>	<u>81,110</u>	<u>15,421,704</u>	<u>116,262</u>	<u>14,476,354</u>	<u>89,106</u>
	<u>\$ 15,225,183</u>	<u>\$ 82,256</u>	<u>\$ 16,651,599</u>	<u>\$ 118,466</u>	<u>\$ 15,326,205</u>	<u>\$ 90,885</u>

7) Property transactions

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

Name	For the Nine Months Ended September 30			
	2021		2020	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Cathay Life Head Office Building, etc.	\$ <u>6,130</u>	International Building, etc.	\$ <u>6,310</u>
Other related party				
Ally Logistic Property Co., Ltd.	Ruifang Logistics Park, etc.	664,620	Yangmei Logistics Park, etc.	696,057
San Ching Engineering Co., Ltd.	Tucheng East Building, etc.	<u>907,911</u>	THSR Taoyuan Commercial Park etc.	<u>916,201</u>
		<u>1,572,531</u>		<u>1,612,258</u>
		\$ <u>1,578,661</u>		\$ <u>1,618,568</u>

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries 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 (Cathay Life and its subsidiaries as lessor)

Name	Rental Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Consulting	\$ <u>2,447</u>	\$ <u>2,464</u>	\$ <u>7,342</u>	\$ <u>7,292</u>
Associate				
Symphox Information Co., Ltd.	8,220	7,401	24,640	31,522
Lin Yuan Property Management Co., Ltd.	<u>4,261</u>	<u>5,498</u>	<u>15,119</u>	<u>13,604</u>
	<u>12,481</u>	<u>12,899</u>	<u>39,759</u>	<u>45,126</u>
				(Continued)

Name	Rental Income			
	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
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
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
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
	<u>315,349</u>	<u>346,220</u>	<u>1,069,522</u>	<u>1,031,355</u>
	<u>\$ 330,277</u>	<u>\$ 361,583</u>	<u>\$ 1,116,623</u>	<u>\$ 1,083,773</u>

(Concluded)

Name	Guarantee Deposits Received		
	September 30, 2021	December 31, 2020	September 30, 2020
Associate			
Symphox Information Co., Ltd.	\$ 8,000	\$ 8,000	\$ 13,199
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
Hong-Sui Co., Ltd.	4,740	5,145	5,145
Yua-Yung Marketing (Taiwan) Co., Ltd.	4,552	3,487	3,486
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
	<u>571,531</u>	<u>567,365</u>	<u>548,638</u>
	\$ 579,531	\$ 575,365	\$ 561,837

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

c) Lease arrangements of Cathay Life and its subsidiaries

Name	Acquisition of Right-of-use Assets			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Other related party				
Cathay Real Estate Development Co., Ltd.	\$ -	\$ -	\$ -	\$ 20,565
Yi Ru Capital Co., Ltd.	-	-	8,042	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,042</u>	<u>\$ 20,565</u>

Name	Lease Liabilities		
	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 11,000	\$ 16,478	\$ 17,309
Yi Ru Capital Co., Ltd.	<u>6,311</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,311</u>	<u>\$ 16,478</u>	<u>\$ 17,309</u>

d) Lease arrangements of Cathay United Bank and its subsidiaries

Name	Acquisition of Right-of-use Assets For the Nine Months Ended September 30	
	2021	2020
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ -	\$ 14,271

Name	Lease Liabilities		
	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
Cathay Real Estate Development Co., Ltd.	\$ 6,414	\$ 15,949	\$ 20,652

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

e) Disposal of property and equipment of Cathay United Bank and its subsidiaries

Name	Proceeds For the Nine Months Ended September 30	
	2021	2020
Associate		
Symphox Information Co., Ltd.	\$ -	\$ 4,313

f) Acquisition of other assets of Cathay Securities and its subsidiaries

Name	Items	Purchase Price		
		For the Nine Months Ended September 30		
		2021	2020	
Other related party ThinkPower Information Co., Ltd.	Intangible assets	\$ -	\$ 4,997	
8) Prepayments				
Name		September 30, 2021	December 31, 2020	September 30, 2020
Other related party Private Equity Funds managed by Cathay Private Equity		\$ -	\$ -	\$ 5,000
9) Contract liabilities				
Name		September 30, 2021	December 31, 2020	September 30, 2020
Other related party Private Equity Funds managed by Cathay Private Equity		\$ 16,270	\$	\$ 13,191
10) Guarantee deposits received				
Name		September 30, 2021	December 31, 2020	September 30, 2020
Associate 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
		<u>1,303,892</u>	<u>1,272,569</u>	<u>1,049,989</u>
		\$ 1,308,892	\$ 1,277,569	\$ 1,054,989

11) Payables

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary			
Cathay Securities Investment Consulting	\$ 31,286	\$ 30,788	\$ 31,312
Associate			
Symphox Information Co., Ltd.	105,967	92,236	114,325
Lin Yuan Property Management Co., Ltd.	<u>56,364</u>	<u>17</u>	<u>45,788</u>
	<u>162,331</u>	<u>92,253</u>	<u>160,113</u>
Other related party			
Seaward Card Co., Ltd.	27,204	35,533	34,711
Funds managed by Cathay Securities Investment Trust	<u>4,113</u>	<u>3,922</u>	<u>3,982</u>
	<u>31,317</u>	<u>39,455</u>	<u>38,693</u>
	<u>\$ 224,934</u>	<u>\$ 162,496</u>	<u>\$ 230,118</u>

12) 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	<u>\$ 4,916,343</u>	<u>\$ 5,006,641</u>	<u>\$ 5,072,904</u>

13) Balance of funds managed by related parties

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
Funds managed by Cathay Securities Investment Trust	\$ 65,007,100	\$ 70,300,473	\$ 69,595,765
Private Equity Funds managed by Cathay Private Equity	1,055,114	1,055,921	869,983
Funds managed by Global Evolution Holdings ApS	2,847,402	2,864,685	2,746,603
Funds managed by Octagon Credit Investors, LLC	<u>2,076,089</u>	<u>870,939</u>	<u>836,238</u>
	<u>\$ 70,985,705</u>	<u>\$ 75,092,018</u>	<u>\$ 74,048,589</u>

14) Balances of related parties' discretionary management investment

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
Cathay Charity Foundation	\$ 117,191	\$ 110,045	\$ 96,610
Cathay Cultural Foundation	<u>62,147</u>	<u>58,230</u>	<u>55,386</u>
	<u>\$ 179,338</u>	<u>\$ 168,275</u>	<u>\$ 151,996</u>

15) Service fee income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Consulting	\$ 11,898	\$ 4,503	\$ 29,048	\$ 12,521
Other related party				
Cathay Real Estate Development Co., Ltd.	<u>868</u>	<u>1,757</u>	<u>6,481</u>	<u>4,862</u>
	<u>\$ 12,766</u>	<u>\$ 6,260</u>	<u>\$ 35,529</u>	<u>\$ 17,383</u>

16) Premium income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Associate				
Cathay Power Inc.	<u>\$ 245</u>	<u>\$ 8,076</u>	<u>\$ 9,080</u>	<u>\$ 8,196</u>
Other related party				
Cathay Medical Care Corp.	24,224	16,623	42,460	41,236
ThinkPower Information Co., Ltd.	13,979	-	13,994	12
Cathay Real Estate Development Co., Ltd.	2,244	2,303	3,443	3,523
Hong-Sui Co., Ltd.	1,960	994	4,408	3,010
San Ching Engineering Co., Ltd.	1,156	1,049	4,589	5,618
Others	<u>133,062</u>	<u>182,045</u>	<u>264,582</u>	<u>392,816</u>
	<u>176,625</u>	<u>203,014</u>	<u>333,476</u>	<u>446,215</u>
	<u>\$ 176,870</u>	<u>\$ 211,090</u>	<u>\$ 342,556</u>	<u>\$ 454,411</u>

17) Net other non-interest income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Other non-interest income</u>				
Other related party				
Funds managed by				
Cathay Securities				
Investment Trust	\$ 727,252	\$ 570,140	\$ 2,054,335	\$ 1,727,699
Private Equity Funds				
managed by Cathay				
Private Equity	16,270	11,945	48,279	29,126
Cathay Healthcare				
Management Co., Ltd.	923	923	3,691	3,691
	<u>\$ 744,445</u>	<u>\$ 583,008</u>	<u>\$ 2,106,305</u>	<u>\$ 1,760,516</u>
<u>Other non-interest expense</u>				
Associate				
Global Evolution				
Holdings ApS	\$ -	\$ -	\$ -	\$ 14,163

18) Operating expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities				
Investment Consulting	\$ 31,378	\$ 31,789	\$ 92,233	\$ 93,124
Associate				
Symphox Information				
Co., Ltd.	161,018	204,441	546,226	605,949
Lin Yuan Property				
Management Co., Ltd.	221,222	201,472	628,324	607,009
Global Evolution				
Holdings ApS	-	-	-	5,549
	<u>382,240</u>	<u>405,913</u>	<u>1,174,550</u>	<u>1,218,507</u>
Other related party				
Seaward Card Co., Ltd.	77,253	74,168	217,617	225,237
Cathay Real Estate				
Development Co., Ltd.	3,888	2,483	7,532	6,438
Cathay Healthcare				
Management Co., Ltd.	3,123	17,007	7,998	32,489
Bowl Cut Entertainment				
Co., Ltd.	21,030	21,430	39,900	40,300
FundRich Securities Co.,				
Ltd.	2,441	716	5,925	1,726

(Continued)

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
ThinkPower Information Co., Ltd.	\$ 20,386	\$ 1,321	\$ 26,178	\$ 8,169
San Ching Engineering Co., Ltd.	1,594	975	3,562	2,925
Cathay Medical Care Corp.	2,641	670	9,413	2,004
	<u>132,356</u>	<u>118,770</u>	<u>318,125</u>	<u>319,288</u>
	<u>\$ 545,974</u>	<u>\$ 556,472</u>	<u>\$ 1,584,908</u>	<u>\$ 1,630,919</u> (Concluded)

19) Guarantees on duties and contracts

September 30, 2021

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 63,513</u>	<u>\$ 63,513</u>	<u>\$ 42</u>	0.65%-0.8%	Demand deposits

December 31, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 54,673</u>	<u>\$ 28</u>	0.65%-0.8%	Demand deposits

September 30, 2020

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	<u>\$ 68,190</u>	<u>\$ 56,157</u>	<u>\$ 27</u>	0.65%-0.8%	Demand deposits

20) Remuneration of key management personnel

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 242,757	\$ 190,028	\$ 876,229	\$ 774,472
Post-employment benefits	6,412	5,732	18,573	16,459
Other long-term employee benefits	-	21	-	76
	<u>\$ 249,169</u>	<u>\$ 195,781</u>	<u>\$ 894,802</u>	<u>\$ 791,007</u>

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

c. The Company

1) Cash in banks

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary Cathay United Bank	<u>\$ 309,667</u>	<u>\$ 75</u>	<u>\$ 209,849</u>	<u>\$ 144</u>	<u>\$ 268,894</u>	<u>\$ 139</u>

2) Receivables

Name	Nature of Transaction	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	Integrated income tax, etc.	\$ 1,008,000	\$ 6,206,423	\$ 7,971,894
Cathay Century	Integrated income tax, etc.	177,658	356,009	283,042
Cathay United Bank	Integrated income tax, etc.	-	771,804	180,257
Cathay Securities	Integrated income tax	315,656	218,953	179,848
Cathay Securities Investment Trust	Integrated income tax	<u>175,250</u>	<u>186,069</u>	<u>127,466</u>
		<u>\$ 1,676,564</u>	<u>\$ 7,739,258</u>	<u>\$ 8,742,507</u>

3) Guarantee deposits paid

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	<u>\$ 33,301</u>	<u>\$ 29,781</u>	<u>\$ 29,392</u>

4) Financial assets at FVTPL

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

5) Payable

Name	Nature of Transaction	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	Integrated income tax	\$ 4,503,559	\$ -	\$ -
Cathay United Bank	Integrated income tax	<u>342,658</u>	<u>-</u>	<u>-</u>
		<u>\$ 4,846,217</u>	<u>\$ -</u>	<u>\$ -</u>

6) Lease agreements

a) Lease liabilities

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	<u>\$ 143,714</u>	<u>\$ 239,100</u>	<u>\$ 8,439</u>

b) Lease expense

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	<u>\$ 6,344</u>	<u>\$ 19,454</u>	<u>\$ 10,294</u>	<u>\$ 51,756</u>

7) Interest income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	<u>\$ 317,589</u>	<u>\$ 316,722</u>	<u>\$ 942,411</u>	<u>\$ 943,279</u>

8) Operating expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Life	\$ 5,906	\$ 2,489	\$ 11,227	\$ 10,615
Cathay United Bank	-	16,256	6,793	28,487
Cathay Securities	-	9,800	-	14,800
	<u>5,906</u>	<u>28,545</u>	<u>18,020</u>	<u>53,902</u>
Associate				
Symphox Information Co., Ltd.	<u>1,169</u>	<u>2,540</u>	<u>3,184</u>	<u>6,867</u>
Other related party				
Seaward Card Co., Ltd.	1,408	1,484	5,722	4,727
ThinkPower Information Co., Ltd.	15,828	-	16,191	-
Bowl Cut Entertainment Co., Ltd.	<u>21,030</u>	<u>21,430</u>	<u>39,900</u>	<u>40,300</u>
	<u>38,266</u>	<u>22,914</u>	<u>61,813</u>	<u>45,027</u>
	<u>\$ 45,341</u>	<u>\$ 53,999</u>	<u>\$ 83,017</u>	<u>\$ 105,796</u>

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

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

1) Cathay Life and its subsidiaries

a) Property transactions

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

i. Significant transactions from undertaking contracted projects with related parties are listed below:

Name	For the Nine Months Ended September 30			
	2021		2020	
	Items	Amount	Items	Amount
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.	Ruifang Logistics Park, etc.	<u>664,620</u>	Yangmei Logistics Park, etc.	<u>696,057</u>
		<u>\$ 1,572,531</u>		<u>\$ 1,612,258</u>

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

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

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

Name	Rental Income			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
The company				
Cathay Financial Holdings	\$ 37,548	\$ 32,121	\$ 104,819	\$ 90,834
Subsidiary				
Cathay United Bank	192,678	194,155	540,248	539,491
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
	<u>276,853</u>	<u>306,858</u>	<u>936,914</u>	<u>913,329</u>
	\$ 507,079	\$ 533,134	\$ 1,581,981	\$ 1,543,654

Name	Guarantee Deposits Received		
	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary			
Cathay United Bank	\$ 187,202	\$ 186,446	\$ 186,446
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
	<u>512,703</u>	<u>509,926</u>	<u>493,282</u>
	\$ 699,905	\$ 696,372	\$ 679,728

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

b) Shares transactions

Acquisition of shares issued by the related parties

Name	Nature of Transaction	For the Nine Months Ended September 30	
		2021	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	-
		<u>324,500</u>	<u>118,150</u>
		\$ 324,500	\$ 348,150

c) 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
		<u>\$ 2,362,467</u>	<u>\$ 2,403,812</u>	<u>\$ 2,302,034</u>

d) Cash in banks

Name	Nature of Transaction	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary				
Cathay United Bank	Time deposits	\$ 1,270,814	\$ 1,068,004	\$ 1,047,767
	Demand deposits	27,926,847	23,114,154	19,841,778
	Checking deposits	266,177	349,239	224,977
	Security deposits	6	6	6
		<u>29,463,844</u>	<u>24,531,403</u>	<u>21,114,528</u>
Indovina Bank	Time deposits	2,236,738	815,802	1,127,009
	Demand deposits	48,550	19,863	12,174
		<u>2,285,288</u>	<u>835,665</u>	<u>1,139,183</u>
		\$ 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 Indovina Bank Limited were \$44,168 thousand, \$14,178 thousand, \$102,233 thousand and \$28,206 thousand, respectively.

e) Loans

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

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

f) 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

g) 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	Market value	\$ 63,251,915	\$ 68,737,375	\$ 68,151,466
	Cost	\$ 63,349,333	\$ 65,853,768	\$ 66,119,393
Private Equity Funds managed by Cathay Private Equity	Market value	\$ 1,034,695	\$ 1,034,236	\$ 856,044
	Cost	\$ 989,445	\$ 989,445	\$ 840,089

h) Balance of discretionary management investments

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Securities Investment Trust	\$ 325,713,557	\$ 312,835,430	\$ 277,500,263

i) Other receivables

Name	September 30, 2021	December 31, 2020	September 30, 2020
The Company			
Cathay Financial Holdings (Note)	\$ <u>4,503,559</u>	\$ <u>-</u>	\$ <u>-</u>

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

j) Guarantee deposits paid (for future transactions)

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary			
Cathay Futures	\$ <u>2,484,626</u>	\$ <u>1,897,019</u>	\$ <u>2,593,919</u>

k) Guarantee deposits received

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
San Ching Engineering Co., Ltd.	\$ 963,569	\$ 979,284	\$ 674,714
Ally Logistic Property Co., Ltd.	<u>340,323</u>	<u>293,285</u>	<u>375,275</u>
	\$ <u>1,303,892</u>	\$ <u>1,272,569</u>	\$ <u>1,049,989</u>

l) Other payables

Name	September 30, 2021	December 31, 2020	September 30, 2020
The Company			
Cathay Financial Holdings (Note)	\$ 1,008,000	\$ 6,206,423	\$ 7,971,894
Subsidiary			
Cathay United Bank	<u>557,612</u>	<u>350,640</u>	<u>268,188</u>
	\$ <u>1,565,612</u>	\$ <u>6,557,063</u>	\$ <u>8,240,082</u>

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

m) Bonds payable

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

n) Premium income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Other related party				
Others	\$ <u>133,062</u>	\$ <u>182,045</u>	\$ <u>264,582</u>	\$ <u>392,816</u>

o) Insurance expense

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Century	\$ <u>6,404</u>	\$ <u>4,927</u>	\$ <u>104,821</u>	\$ <u>110,070</u>

p) Other operating income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Securities Investment Trust	\$ <u>43,700</u>	\$ <u>41,108</u>	\$ <u>127,975</u>	\$ <u>111,868</u>

q) Other operating costs

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay United Bank	\$ 280,523	\$ 259,430	\$ 837,819	\$ 835,137
Cathay Securities Investment Trust	<u>117,312</u>	<u>75,487</u>	<u>349,877</u>	<u>210,711</u>
	\$ <u>397,835</u>	\$ <u>334,917</u>	\$ <u>1,187,696</u>	\$ <u>1,045,848</u>

r) Finance costs

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
The Company				
Cathay Financial Holdings	\$ <u>317,589</u>	\$ <u>316,722</u>	\$ <u>942,411</u>	\$ <u>943,279</u>

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

s) Operating expenses

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay United Bank	\$ 1,881,637	\$ 1,327,684	\$ 4,925,699	\$ 4,277,325
Associate				
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
	<u>247,657</u>	<u>236,039</u>	<u>716,998</u>	<u>746,502</u>
	<u>\$ 2,129,294</u>	<u>\$ 1,563,723</u>	<u>\$ 5,642,697</u>	<u>\$ 5,023,827</u>

t) Non-operating income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary				
Cathay Century	\$ 166,822	\$ 150,121	\$ 489,452	\$ 477,738
Cathay United Bank	<u>31,827</u>	<u>46,387</u>	<u>133,110</u>	<u>131,109</u>
	<u>\$ 198,649</u>	<u>\$ 196,508</u>	<u>\$ 622,562</u>	<u>\$ 608,847</u>

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

u) Others

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

Name	September 30, 2021	December 31, 2020	September 30, 2020
SWAP	<u>US\$2,185,000</u>	<u>US\$3,498,000</u>	<u>US\$3,495,000</u>
CCS	<u>NT\$ 100,000</u>	<u>NT\$ -</u>	<u>NT\$ -</u>

2) Cathay United Bank and its subsidiaries

a) Loans and Deposits

September 30, 2021

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-09.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	27	\$ 172,735	\$ 14,069	V	\$ -	None	None	\$ 128	\$ 318
Self-used housing mortgage loans	264	2,441,100	2,228,061	V	-	Real estate, securities and certificates of deposits	None	1,994	27,931

December 31, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	31	\$ 157,056	\$ 10,897	V	\$ -	None	None	\$ 14	\$ 178
Self-used housing mortgage loans	278	2,414,396	2,127,714	V	-	Real estate, certificates of time deposits and demand deposits	None	4,930	27,052

September 30, 2020

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-09.30	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	28	\$ 137,673	\$ 12,747	V	\$ -	None	None	\$ 44	\$ 217
Self-used housing mortgage loans	272	2,266,966	2,046,661	V	-	Real estate, certificates of deposits, demand deposits and overseas bonds	None	2,908	25,293

Deposits

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company						
Cathay Financial Holdings	\$ 309,667	\$ 75	\$ 209,849	\$ 144	\$ 268,894	\$ 139
Subsidiary						
Cathay Life	27,271,402	4,401	23,235,022	14,426	19,892,435	13,320
Cathay Century	2,377,478	315	2,010,221	4,195	2,061,875	3,746
Cathay Securities	4,823,870	1,385	3,913,465	2,948	9,368,374	2,486
Cathay Futures	773,295	613	1,138,851	4,857	829,609	4,213
Cathay Venture	209,281	18	103,380	4	5,840	3
Cathay Securities						
Investment Trust	162,591	51	167,389	85	135,273	69
Cathay Securities						
Investment Consulting	473,505	125	502,217	388	429,131	335
Cathay Life (Vietnam)	2,285,372	102,233	835,754	26,147	1,139,273	9,169
Cathay Insurance (Vietnam)	290,513	11,269	243,219	5,353	278,229	3,672
Lin Yuan	1,399,162	28,306	1,221,708	33,087	1,145,821	24,653
Cathay Industrial R&D Center	720,278	169	-	-	-	-
	<u>40,786,747</u>	<u>148,885</u>	<u>33,371,226</u>	<u>91,490</u>	<u>35,285,860</u>	<u>61,666</u>
Associate						
Lin Yuan Property Management Co., Ltd.	154,058	899	270,481	1,387	181,561	1,066
Symphox Information Co., Ltd.	119,942	102	407,037	427	229,020	377
CM Energy Co., Ltd.	248,238	20	50,160	2	10,139	1
	<u>522,238</u>	<u>1,021</u>	<u>727,678</u>	<u>1,816</u>	<u>420,720</u>	<u>1,444</u>

(Continued)

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party						
Cathay Life Insurance						
Employees' Welfare Committee	\$ 2,357,316	\$ 12,699	\$ 2,198,909	\$ 17,881	\$ 2,246,234	\$ 13,607
Cathay Real Estate						
Development Co., Ltd.	343,361	23	370,758	18	392,230	12
Cathay Medical Care Corp.	188,040	28	210,060	42	204,083	35
Cathay Hospitality						
Management Co., Ltd.	30,834	5	189,776	11	21,756	8
Cathay United Bank						
Foundation	544,970	3,136	530,444	4,560	535,049	3,487
Cathay Charity Foundation	284,081	1,434	274,178	2,026	286,970	1,542
Cathay Cultural						
Foundation	211,166	1,195	209,366	1,711	217,372	1,300
Cathay United Bank						
Employees' Welfare Committee	802,120	23,126	760,170	31,356	783,933	23,445
Cathay Real Estate						
Development						
Employees' Welfare Committee	450,757	2,575	413,825	3,560	422,168	2,685
Jinhua Realty Co., Ltd.	105,898	20	167,867	6	-	-
Pai Hsing Investment Co., Ltd.	144,581	101	177,062	743	-	-
Bannan Realty Co., Ltd.	297,388	23	338,238	16	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	107,443	188	140,277	291	127,615	217
De Jin Co., Ltd.	29,195	11	636,153	31	-	-
Ally Logistic Property Co., Ltd.	114,856	9	147,229	9	79,132	7
Funds managed by Cathay Securities Investment Trust	146,646	-	35,341	-	56,586	-
Others	8,070,788	36,537	8,622,051	54,001	9,103,226	42,761
	<u>14,229,440</u>	<u>81,110</u>	<u>15,421,704</u>	<u>116,262</u>	<u>14,476,354</u>	<u>89,106</u>
	<u>\$ 55,848,092</u>	<u>\$ 231,091</u>	<u>\$ 49,730,457</u>	<u>\$ 209,712</u>	<u>\$ 50,451,828</u>	<u>\$ 152,355</u>

(Concluded)

Name	September 30, 2021		December 31, 2020		September 30, 2020	
	Ending Balance	Interest Income	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
Due from banks						
Other related party						
Vietinbank	<u>\$ 36,155</u>	<u>\$ 369</u>	<u>\$ 519,903</u>	<u>\$ 5,256</u>	<u>\$ 5,057,854</u>	<u>\$ 3,524</u>
Due to banks						
Other related party						
Vietinbank	<u>\$ 23,540</u>	<u>\$ -</u>	<u>\$ 20,040</u>	<u>\$ (10,117)</u>	<u>\$ 5,067,797</u>	<u>\$ (3,441)</u>

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

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

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party			
Vietinbank	<u>\$ 367,222</u>	<u>\$ 384,663</u>	<u>\$ 376,548</u>

c) Derivatives

September 30, 2021

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2020.09.29-2022.09.28	\$ 60,887,210	\$ (60,777)	Valuation adjustment for financial assets at FVTPL	\$75,204
					Valuation adjustment for FVTPL financial liabilities	(464,281)
	SWAP - exchange between customers (USD)	2021.04.29-2023.05.04	2,786,600	5,674	Valuation adjustment for financial assets at FVTPL	5,974
					Valuation adjustment for FVTPL financial liabilities	(300)
Cathay Century	SWAP - exchange between customers (USD)	2020.10.08-2022.07.28	2,652,843	(11,307)	Valuation adjustment for financial assets at FVTPL	2,688
					Valuation adjustment for FVTPL financial liabilities	(26,749)

December 31, 2020

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

September 30, 2020

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	SWAP - exchange between customers (USD)	2019.11.04-2021.09.28	\$ 101,795,370	\$ (118,946)	Valuation adjustment for financial assets at FVTPL	\$ 7,131
					Valuation adjustment for FVTPL financial liabilities	(1,451,252)
Cathay Century	SWAP - exchange between customers (USD)	2019.10.07-2021.08.10	2,772,795	(14,729)	Valuation adjustment for financial assets at FVTPL	-
					Valuation adjustment for FVTPL financial liabilities	(56,213)

d) Lease agreements

**Acquisition of Right-of-use Assets
For the Nine Months Ended
September 30**

	2021	2020
Subsidiary		
Cathay Life	\$ 1,973	\$ 560,067

Lease Liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary			
Cathay Life	\$ 1,297,482	\$ 1,825,007	\$ 2,003,443

Guarantee Deposits Paid

	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary			
Cathay Life	\$ 187,202	\$ 186,446	\$ 186,446

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2021	2020	2021	2020
Premium income	Subsidiary Cathay Life	\$ 6,404	\$ 4,927	\$ 104,821	\$ 110,070
	Cathay United Bank	26,257	52,566	95,237	129,302
Operating costs Marketing costs	Subsidiary Cathay Life	165,474	148,430	480,678	467,601

b) Payables to related parties

Item	Name	September 30, 2021	December 31, 2020	September 30, 2020
Other payables	The Company Cathay Financial Holdings (Note)	\$ <u>177,658</u>	\$ <u>356,009</u>	\$ <u>283,042</u>

Note: Including income tax payable under the integrated income tax system.
The balance of the outstanding payables to related parties did not provide guaranteed.

c) Cash in bank

Item	Name	September 30, 2021	December 31, 2020	September 30, 2020
Checking deposits and demand deposits	Subsidiary Cathay United Bank	\$ 2,357,471	\$ 1,845,214	\$ 1,780,076
	Indovina Bank	18,489	6,151	17,087
Time deposits	Subsidiary Cathay United Bank	20,007	165,007	281,800
	Indovina Bank	<u>272,024</u>	<u>237,068</u>	<u>253,630</u>
		\$ <u>2,667,991</u>	\$ <u>2,253,440</u>	\$ <u>2,332,593</u>

d) Financial assets at FVTPL (beneficiary certificates)

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>1,352,546</u>	\$ <u>1,119,265</u>	\$ <u>1,043,962</u>

e) Balance of discretionary management investments

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Securities Investment Trust	\$ <u>1,453,593</u>	\$ <u>1,357,146</u>	\$ <u>1,191,086</u>

f) Lease agreements

Name	<u>Acquisition of Right-of-use Assets For the Nine Months Ended September 30</u>	
	2021	2020
Subsidiary Cathay Life	\$ <u>201,635</u>	\$ <u>930</u>

Name	<u>Lease Liabilities</u>		
	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	\$ <u>202,047</u>	\$ <u>71,586</u>	\$ <u>98,051</u>

g) SWAP

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

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

4) Cathay Securities and its subsidiaries

a) Cash in bank

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay United Bank	\$ <u>4,915,456</u>	\$ <u>4,108,990</u>	\$ <u>9,551,822</u>

Cash in bank includes cash and cash equivalents, and receivable for underwriting of securities, pending settlement money and restricted assets recorded under other current assets. Refer to Note 29 for the time deposits that were pledged as collateral.

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

b) Customer's margin accounts

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay United Bank	\$ <u>681,876</u>	\$ <u>943,420</u>	\$ <u>646,259</u>

c) Futures trader's equity

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	\$ 2,484,626	\$ 1,897,019	\$ 2,593,919
Cathay United Bank	548,206	267,303	230,576
Cathay Securities Investment Trust (Note)	<u>1,202,091</u>	<u>1,491,081</u>	<u>1,662,991</u>
	<u>\$ 4,234,923</u>	<u>\$ 3,655,403</u>	<u>\$ 4,487,486</u>

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

d) Other payables

Name	September 30, 2021	December 31, 2020	September 30, 2020
The Company Cathay Financial Holdings (Note)	\$ <u>315,656</u>	\$ <u>218,953</u>	\$ <u>179,848</u>

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

e) Brokerage service fee income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	\$ <u>46,952</u>	\$ <u>32,164</u>	\$ <u>180,833</u>	\$ <u>116,024</u>

f) Other operating expense

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Cathay United Bank	\$ <u>87,284</u>	\$ <u>40,003</u>	\$ <u>239,833</u>	\$ <u>107,815</u>

5) Cathay Securities Investment Trust

a) Cash and cash equivalents

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay United Bank	\$ <u>122,946</u>	\$ <u>137,531</u>	\$ <u>113,995</u>

b) Accounts receivable

Name	September 30, 2021	December 31, 2020	September 30, 2020
Other related party Funds managed by Cathay Securities Investment Trust	\$ <u>235,050</u>	\$ <u>209,165</u>	\$ <u>183,846</u>

c) Accounts payable

Name	September 30, 2021	December 31, 2020	September 30, 2020
The Company Cathay Financial Holdings (Note)	\$ <u>175,250</u>	\$ <u>186,069</u>	\$ <u>127,466</u>

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

d) Balance of discretionary management investments

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay Life	\$ 325,713,557	\$ 312,835,430	\$ 277,500,263
Cathay Century	<u>1,453,593</u>	<u>1,357,146</u>	<u>1,191,086</u>
	327,167,150	314,192,576	278,691,349
Other related party Cathay Charity Foundation	<u>117,191</u>	<u>110,045</u>	<u>96,610</u>
	<u>\$ 327,284,341</u>	<u>\$ 314,302,621</u>	<u>\$ 278,787,959</u>

e) Management fee income

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Cathay Life	\$ 117,312	\$ 75,487	\$ 349,877	\$ 210,711
Other related party Funds managed by Cathay Securities Investment Trust	<u>727,252</u>	<u>570,140</u>	<u>2,054,335</u>	<u>1,727,699</u>
	<u>\$ 844,564</u>	<u>\$ 645,627</u>	<u>\$ 2,404,212</u>	<u>\$ 1,938,410</u>

f) Operating expense

Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Subsidiary Conning Asia Pacific Ltd.	<u>\$ 37,673</u>	<u>\$ 35,136</u>	<u>\$ 110,233</u>	<u>\$ 101,036</u>

6) Cathay Venture

a) Cash and cash equivalents

Name	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary Cathay United Bank	<u>\$ 209,390</u>	<u>\$ 104,758</u>	<u>\$ 7,313</u>

b) Financial assets at FVTPL

	September 30, 2021	December 31, 2020	September 30, 2020
Other related party Funds managed by Cathay Securities Investment Trust	\$ 341,394	\$ 414,858	\$ 347,858
Cathay Healthcare Management Co., Ltd.	<u>144,045</u>	<u>145,035</u>	<u>181,830</u>
	<u>\$ 485,439</u>	<u>\$ 559,893</u>	<u>\$ 529,688</u>

29. PLEDGED ASSETS

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

Item	Description	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits and guarantee deposits paid	Capital guarantee, serving as deposits paid, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, provisions for business and collateral	\$ 15,666,853	\$ 15,410,561	\$ 15,358,359
Due from the Central Bank (deposit reserves - general accounts)	(Note)	6,000,000	6,000,000	6,000,000
Financial assets at FVTPL	Collateral for securities lending and guarantee for future transactions	-	3,273,608	759,464
Financial assets at FVTOCI	Provisions for business and collateral	12,000,000	12,006,501	12,006,517
Financial assets at amortized cost	Provisions for business and collateral	45,684,852	45,525,409	45,523,902
Investment properties	Short-term loans	<u>291,175</u>	<u>291,175</u>	<u>291,175</u>
		<u>\$ 79,642,880</u>	<u>\$ 82,507,254</u>	<u>\$ 79,939,417</u>

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

30. COMMITMENTS AND CONTINGENT LIABILITIES

a. Cathay United Bank

Lee & Li, attorneys-at-law, alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of Cathay United Bank in its operation, and the plaintiff claimed damages from Cathay United Bank in the amount of approximately \$991,002 thousand. The case has been pending in the court since July 2007, and Cathay United Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgements, Cathay United Bank again won a favorable decision in the second instance on August 25, 2021. Lee & Li is appealing to the Supreme Court currently. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

- b. As of September 30, 2021, December 31, 2020 and September 30, 2020 Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	September 30, 2021	December 31, 2020	September 30, 2020
Trust and security held for safekeeping	\$ 891,789,379	\$ 781,995,797	\$ 766,182,222
Travelers checks for sale	-	-	-
Collection and payment on behalf of customers	31,153,803	33,483,521	31,785,476
Book-entry for government bonds and depository for short-term marketable securities under management	375,228,609	450,195,466	453,997,080
Entrusted financial management business	11,462,784	11,968,703	11,910,059
Guarantees on duties and contracts	18,967,392	17,071,951	15,394,150
Unused commercial letters of credit	9,250,556	6,914,811	6,461,053
Irrevocable loan commitments	175,235,667	191,900,154	169,408,849
Unused credit card lines commitments	682,254,952	662,041,965	658,553,544
Underwritten securities	2,400,000	-	1,000,000
Financial guarantee contracts	1,674,877	1,577,528	1,615,045

- c. As of September 30, 2020, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$1,078,600 thousand, US\$5,110,162 thousand, EUR486,119 thousand and GBP1,550 thousand.

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

Cathay Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)	December 31, 2020 (Audited)	September 30, 2020 (Reviewed)	LIABILITIES AND EQUITY	September 30, 2021 (Reviewed)	December 31, 2020 (Audited)	September 30, 2020 (Reviewed)
CASH AND CASH EQUIVALENTS	\$ 315,247	\$ 915,274	\$ 274,481	COMMERCIAL PAPER PAYABLE, NET	\$ 58,810,000	\$ 38,250,000	\$ 38,390,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	37,366,000	36,445,500	37,334,500	PAYABLES	5,496,071	696,079	438,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	130,108	116,200	120,925	CURRENT TAX LIABILITIES	6,979,289	19,849,285	20,376,416
RECEIVABLES, NET	1,676,564	7,739,321	8,742,507	BONDS PAYABLE	50,000,000	50,000,000	50,000,000
CURRENT TAX ASSETS	4,318,128	4,650,365	4,727,993	PROVISIONS	742,786	766,414	809,357
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	937,253,355	953,059,879	872,132,798	LEASE LIABILITIES	157,181	249,631	17,639
PROPERTY AND EQUIPMENT, NET	56,330	58,912	56,763	DEFERRED TAX LIABILITIES	266,714	266,714	266,714
RIGHT-OF-USE ASSETS	155,889	249,272	17,346	OTHER LIABILITIES	163,864	163,886	163,937
DEFERRED TAX ASSETS	32,157	25,397	262,385	Total liabilities	122,615,905	110,242,009	110,462,355
OTHER ASSETS	77,900	43,105	48,077	EQUITY			
				Share capital			
				Ordinary shares	131,692,102	131,692,102	131,692,102
				Preference shares	15,333,000	15,333,000	15,333,000
				Capital surplus	177,247,370	177,256,053	177,255,256
				Retained earnings			
				Legal reserve	59,471,895	51,967,688	51,967,688
				Special reserve	150,716,023	149,894,910	149,894,910
				Unappropriated earnings	248,138,648	169,606,342	158,329,889
				Other equity	76,166,735	197,311,121	128,782,575
				Total equity	858,765,773	893,061,216	813,255,420
TOTAL	\$ 981,381,678	\$ 1,003,303,225	\$ 923,717,775	TOTAL	\$ 981,381,678	\$ 1,003,303,225	\$ 923,717,775

Cathay Financial Holding Co., Ltd.

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
REVENUE				
Share of gain of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 30,586,368	\$ 31,103,355	\$ 122,507,743	\$ 64,435,525
Other operating income	<u>539,109</u>	<u>655,819</u>	<u>1,875,029</u>	<u>3,033,111</u>
Total revenue	<u>31,125,477</u>	<u>31,759,174</u>	<u>124,382,772</u>	<u>67,468,636</u>
EXPENSES AND LOSSES				
Operating expenses	(504,355)	(461,761)	(1,290,145)	(1,155,343)
Other expenses and losses	<u>(140,834)</u>	<u>(130,372)</u>	<u>(393,671)</u>	<u>(374,979)</u>
Total expenses and losses	<u>(645,189)</u>	<u>(592,133)</u>	<u>(1,683,816)</u>	<u>(1,530,322)</u>
INCOME BEFORE TAX	30,480,288	31,167,041	122,698,956	65,938,314
INCOME TAX BENEFIT (EXPENSE)	<u>65,322</u>	<u>54,577</u>	<u>(1,102,872)</u>	<u>(2,594,938)</u>
NET INCOME	<u>30,545,610</u>	<u>31,221,618</u>	<u>121,596,084</u>	<u>63,343,376</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Gain on equity instruments at fair value through other comprehensive income	4,432	469	13,908	14,221
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(5,631,560)	(2,739,843)	3,416,238	(3,744,746)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>(52,251,572)</u>	<u>8,971,484</u>	<u>(123,130,815)</u>	<u>11,626,268</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(57,878,700)</u>	<u>6,232,110</u>	<u>(119,700,669)</u>	<u>7,895,743</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (27,333,090)</u>	<u>\$ 37,453,728</u>	<u>\$ 1,895,415</u>	<u>\$ 71,239,119</u>
EARNINGS PER SHARE				
Basic	<u>\$2.32</u>	<u>\$2.37</u>	<u>\$8.98</u>	<u>\$4.55</u>

Cathay Financial Holding Co., Ltd.
 Statements of Changes in Equity
 (In Thousands of New Taiwan Dollars)
 (Reviewed, Not Audited)

	Other Equity													Total Equity	
	Share Capital			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement Of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach		Other
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,256,976	\$ 46,122,845	\$ 221,977,672	\$ 58,181,890	\$ (13,319,620)	\$ 68,319,953	\$ 331,930	\$ (1,850,508)	\$ (1,507,864)	\$ 11,240,314	\$ 57,968,675	\$ -	\$ 771,747,365
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	5,844,843	-	(5,844,843)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(71,928,090)	71,928,090	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(26,338,420)	-	-	-	-	-	-	-	-	(26,338,420)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(1,720)	-	-	-	-	-	-	-	-	-	-	-	(1,720)
Net income for the nine months ended September 30, 2020	-	-	-	-	-	63,343,376	-	-	-	-	-	-	-	-	63,343,376
Other comprehensive (loss) income for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(2,915,994)	12,268,621	84,315	841,539	(10,294)	-	(2,372,444)	-	7,895,743
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	63,343,376	(2,915,994)	12,268,621	84,315	841,539	(10,294)	-	(2,372,444)	-	71,239,119
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	152,823	-	(152,823)	-	-	-	-	-	-	-
Other	-	-	-	-	(154,672)	297,897	-	-	-	-	-	(143,225)	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 131,692,102	\$ 15,333,000	\$ 177,255,256	\$ 51,967,688	\$ 149,894,910	\$ 158,329,889	\$ (16,235,614)	\$ 80,435,751	\$ 416,245	\$ (1,008,969)	\$ (1,518,158)	\$ 11,097,089	\$ 55,596,231	\$ -	\$ 813,255,420
BALANCE AT JANUARY 1, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,256,053	\$ 51,967,688	\$ 149,894,910	\$ 169,606,342	\$ (15,464,009)	\$ 106,207,840	\$ 347,871	\$ (1,478,705)	\$ (1,966,279)	\$ 11,097,089	\$ 102,511,617	\$ (3,944,303)	\$ 893,061,216
Appropriation of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	7,504,207	-	(7,504,207)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,025,611	(1,025,611)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(32,923,025)	-	-	-	-	-	-	-	-	(32,923,025)
Cash dividends on preferred shares	-	-	-	-	-	(3,390,924)	-	-	-	-	-	-	-	-	(3,390,924)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(8,683)	-	-	(33,629)	-	-	-	-	-	-	-	-	(42,312)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(554,511)	-	-	-	-	-	-	-	719,914	165,403
Net income for the nine months ended September 30, 2021	-	-	-	-	-	121,596,084	-	-	-	-	-	-	-	-	121,596,084
Other comprehensive (loss) income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(2,851,039)	(60,903,318)	(76,202)	454,876	(9,557)	-	(56,315,429)	-	(119,700,669)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	121,596,084	(2,851,039)	(60,903,318)	(76,202)	454,876	(9,557)	-	(56,315,429)	-	1,895,415
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,098,706	-	(2,098,706)	-	-	-	-	-	-	-
Other	-	-	-	-	(204,498)	269,423	-	-	-	-	-	(64,925)	-	-	-
BALANCE AT SEPTEMBER 30, 2021	\$ 131,692,102	\$ 15,333,000	\$ 177,247,370	\$ 59,471,895	\$ 150,716,023	\$ 248,138,648	\$ (18,315,048)	\$ 43,205,816	\$ 271,669	\$ (1,023,829)	\$ (1,975,836)	\$ 11,032,164	\$ 46,196,188	\$ (3,224,389)	\$ 858,765,773

Cathay Financial Holding Co., Ltd.

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		
Income before income tax	\$ 122,698,956	\$ 65,938,314
Adjustments for:		
Depreciation expenses	105,934	49,648
Gain on of financial assets at fair value through profit or loss	(920,500)	(2,065,000)
Interest income	(953,413)	(944,401)
Dividend income	-	(5,512)
Interest expenses	374,364	351,680
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(122,507,743)	(64,435,525)
Loss on disposal and retirement of property and equipment	-	103
Changes in operating assets and liabilities		
Receivables	15,900	-
Other assets	304	1,886
Payables	52,303	(57,695)
Provisions	(913)	2,875
Other liabilities	(22)	46
Cash used in operations	(1,134,830)	(1,163,581)
Interest received	11,064	1,201
Dividends received	-	5,512
Interest paid	(499,877)	(354,150)
Income tax (paid) refunded	(1,834,683)	80,654
Net cash used in operating activities	(3,458,326)	(1,430,364)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity the method	-	(1,200,000)
Acquisition of property and equipment	(7,060)	(10,810)
Disposal of property and equipment	127	-
(Increase) decrease in other assets	(8,114)	678
Dividends received	18,722,781	12,381,325
Net cash generated from investing activities	18,707,734	11,171,193
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	20,560,000	(10,090,000)
Issuance of corporate bonds	-	30,000,000
Repayments of the principal portion of lease liabilities	(95,486)	(41,697)
Dividends paid	(36,313,949)	(29,729,344)
Net cash used in financing activities	(15,849,435)	(9,861,041)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(600,027)	(120,212)
CASH AND CASH EQUIVALENTS AT THE BEGINNINGS OF THE PERIOD	915,274	394,693
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 315,247	\$ 274,481

32. INFORMATION OF THE COMPANY'S SUBSIDIARIES

a. Condensed balance sheets and condensed statements of comprehensive income

Cathay Life Insurance Co., Ltd.

Condensed Balance Sheets (In Thousands of New Taiwan Dollars)

Assets	September 30	
	2021	2020
Cash and cash equivalents	\$ 469,423,912	\$ 455,945,907
Receivables	64,947,785	59,754,077
Financial assets at fair value through profit or loss	1,420,744,040	1,287,109,177
Financial assets at fair value through other comprehensive income	1,315,472,227	1,096,168,839
Financial assets at amortized cost	2,669,295,871	2,686,486,417
Financial assets for hedging	244,235	386,927
Investments accounted for using the equity method	103,503,875	92,460,659
Investment property	474,374,169	457,703,302
Loans	487,766,749	493,197,485
Reinsurance assets	2,128,599	1,518,517
Property and equipment	28,218,981	29,190,388
Right-of-use assets	392,686	508,989
Intangible assets	28,060,957	29,969,144
Deferred tax assets	59,575,588	53,303,640
Other assets	28,489,056	27,962,202
Separate account insurance product assets	697,608,663	591,904,624
Total	<u>\$ 7,850,247,393</u>	<u>\$ 7,363,570,294</u>
Liabilities		
Payables	\$ 37,282,264	\$ 34,437,401
Current tax liabilities	160,141	160,145
Financial liabilities at fair value through profit or loss	7,472,981	1,824,892
Financial liabilities for hedging	14,090	-
Bonds payable	80,000,000	80,000,000
Insurance liabilities	6,245,238,983	5,919,490,394
Reserve for insurance contracts with the nature of financial products	1,139,997	1,010,729
Reserve for foreign exchange valuation	8,042,954	10,212,568
Provisions	56,245	56,245
Lease liabilities	9,242,266	9,333,860
Deferred tax liabilities	52,197,865	56,427,342
Other liabilities	14,667,777	17,494,607
Separate account insurance product liabilities	697,608,663	591,904,624
Total liabilities	<u>7,153,124,226</u>	<u>6,722,352,807</u>
Equity		
Share capital	58,515,274	58,515,274
Capital surplus	60,597,850	60,605,736
Retained earnings	515,288,696	408,480,642
Other equity	62,721,347	113,615,835
Total equity	<u>697,123,167</u>	<u>641,217,487</u>
Total	<u>\$ 7,850,247,393</u>	<u>\$ 7,363,570,294</u>

Cathay Life Insurance Co., Ltd.

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

	For the Nine Months Ended	
	September 30	
	2021	2020
Operating revenue	\$ 686,242,776	\$ 650,751,493
Operating costs	(560,599,085)	(592,358,132)
Operating expenses	(16,697,984)	(15,356,113)
Operating income	108,945,707	43,037,248
Non-operating income and expenses	1,133,098	1,189,354
Profit before income tax	110,078,805	44,226,602
Income tax expense	(10,406,839)	(122,871)
Net income	99,671,966	44,103,731
Other comprehensive (loss) income	(116,399,254)	8,496,693
Total comprehensive (loss) income	<u>\$ (16,727,288)</u>	<u>\$ 52,600,424</u>
Basic earnings per share	<u>\$17.03</u>	<u>\$7.54</u>

Cathay Lujiazui Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Cash and cash equivalents	\$ 1,999,605	\$ 1,671,438
Receivables	1,128,032	928,552
Financial assets at fair value through profit or loss	57,858,665	46,460,010
Financial assets at amortized cost	1,590,713	898,086
Loans	1,680,776	1,188,509
Reinsurance assets	130,729	103,433
Property and equipment	119,964	98,455
Right-of-use assets	469,156	267,551
Intangible assets	26,927	34,432
Other assets	2,653,595	2,618,264
Separate account insurance product assets	<u>115,901</u>	<u>130,941</u>
Total	<u>\$ 67,774,063</u>	<u>\$ 54,399,671</u>
Liabilities		
Payables	\$ 1,839,666	\$ 1,648,453
Current tax liabilities	21,596	222,638
Insurance liabilities	38,863,738	28,219,592
Reserve for insurance contracts with the nature of financial instruments	13,606,851	12,065,411
Lease liabilities	462,572	271,832
Deferred tax liabilities	-	18,032
Other liabilities	202,811	133,318
Separate account insurance product liabilities	<u>115,901</u>	<u>130,941</u>
Total liabilities	<u>55,113,135</u>	<u>42,710,217</u>
Equity		
Capital	13,497,155	13,497,155
Retained earnings	(766,928)	(1,668,908)
Other equity	<u>(69,299)</u>	<u>(138,793)</u>
Total equity	<u>12,660,928</u>	<u>11,689,454</u>
Total	<u>\$ 67,774,063</u>	<u>\$ 54,399,671</u>

Cathay Lujiazui Life Insurance Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 13,518,819	\$ 12,085,597
Operating costs	(11,414,802)	(9,452,648)
Operating expenses	(1,441,474)	(1,223,441)
Operating income	662,543	1,409,508
Non-operating income and expenses	3,634	3,151
Profit before income tax	666,177	1,412,659
Income tax expense	(32,282)	(191,159)
Net income	633,895	1,221,500
Other comprehensive loss	(5,256)	(246,289)
 Total comprehensive income	 \$ 628,639	 \$ 975,211
 Basic earnings per share	 Note	 Note

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

Cathay Life Insurance Company (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Cash and cash equivalents	\$ 8,559,461	\$ 1,123,769
Receivables	835,610	553,074
Financial assets at fair value through profit or loss	17,855,724	14,209,017
Financial assets at amortized cost	4,256,337	1,086,314
Loans	120,272	85,765
Property and equipment	15,673	21,067
Right-of-use assets	136,434	116,153
Intangible assets	2,991	3,638
Other assets	<u>96,663</u>	<u>90,075</u>
Total	<u>\$ 31,879,165</u>	<u>\$ 17,288,872</u>
Liabilities		
Payables	\$ 275,941	\$ 193,471
Insurance liabilities	8,357,115	6,034,206
Lease liabilities	<u>132,547</u>	<u>113,175</u>
Total liabilities	<u>8,765,603</u>	<u>6,340,852</u>
Equity		
Capital	20,370,930	9,090,730
Retained earnings	(494,056)	(555,498)
Other equity	<u>3,236,688</u>	<u>2,412,788</u>
Total equity	<u>23,113,562</u>	<u>10,948,020</u>
Total	<u>\$ 31,879,165</u>	<u>\$ 17,288,872</u>

Cathay Life Insurance Company (Vietnam)

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 3,342,043	\$ 2,219,201
Operating costs	(2,117,142)	(2,334,293)
Operating expenses	(787,192)	(642,329)
Operating income (loss)	437,709	(757,421)
Non-operating income and expenses	5,714	4,376
Profit (loss) before income tax	443,423	(753,045)
Income tax expense	-	(820)
Net income (loss)	443,423	(753,865)
Other comprehensive income	408,402	875,992
 Total comprehensive income	 \$ 851,825	 \$ 122,127
 Basic earnings per share	 Note	 Note

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

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

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

	September 30	
	2021	2020
Assets		
Current assets	\$ 298,561	\$ 399,410
Financial assets at amortized cost	1,401,368	1,047,767
Investment property	6,962,936	6,905,933
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 8,662,867</u>	<u>\$ 8,353,112</u>
Liabilities		
Current liabilities	\$ 10,968	\$ 36,850
Deferred tax liabilities	544,015	481,607
Other non-current liabilities	<u>90,692</u>	<u>73,162</u>
Total liabilities	<u>645,675</u>	<u>591,619</u>
Equity		
Capital	7,223,435	7,223,435
Retained earnings	1,464,132	1,271,467
Other equity	<u>(670,375)</u>	<u>(733,409)</u>
Total equity	<u>8,017,192</u>	<u>7,761,493</u>
Total	<u>\$ 8,662,867</u>	<u>\$ 8,353,112</u>

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

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 215,693	\$ 183,598
Operating expenses	<u>(31,521)</u>	<u>(41,098)</u>
Operating income	184,172	142,500
Non-operating income and expenses	<u>-</u>	<u>-</u>
Profit before income tax	184,172	142,500
Income tax expense	<u>(46,043)</u>	<u>(35,625)</u>
Net income	138,129	106,875
Other comprehensive loss	<u>(87,321)</u>	<u>(80,470)</u>
Total comprehensive income	<u>\$ 50,808</u>	<u>\$ 26,405</u>
Basic earnings per share	Note	Note

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

Cathay Woolgate Exchange Holding 1 Limited

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

	September 30	
Assets	2021	2020
Current assets	\$ 3,359,621	\$ 2,053,035
Financial assets at amortized cost	-	1,213,204
Investment property	<u>9,968,214</u>	<u>10,114,461</u>
Total	<u>\$ 13,327,835</u>	<u>\$ 13,380,700</u>
Liabilities		
Current liabilities	<u>\$ 51,273</u>	<u>\$ 37,344</u>
Total liabilities	<u>51,273</u>	<u>37,344</u>
Equity		
Capital	16,654,013	16,654,013
Retained earnings	1,315,509	1,420,351
Other equity	<u>(4,692,960)</u>	<u>(4,731,008)</u>
Total equity	<u>13,276,562</u>	<u>13,343,356</u>
Total	<u>\$ 13,327,835</u>	<u>\$ 13,380,700</u>

Cathay Woolgate Exchange Holding 1 Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 482,835	\$ 227,786
Operating expenses	<u>(58,317)</u>	<u>(1,005)</u>
Profit before income tax	424,518	226,781
Income tax expense	-	<u>(42,641)</u>
Net income	424,518	184,140
Other comprehensive loss	<u>(519,650)</u>	<u>(788,108)</u>
Total comprehensive loss	<u>\$ (95,132)</u>	<u>\$ (603,968)</u>
 Basic earnings per share	 Note	 Note

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

Cathay Woolgate Exchange Holding 2 Limited

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

	September 30	
Assets	2021	2020
Current assets	\$ 31,801	\$ 12,593
Financial assets at amortized cost	-	19,038
Investment property	<u>100,689</u>	<u>102,166</u>
Total	<u>\$ 132,490</u>	<u>\$ 133,797</u>
Liabilities		
Current liabilities	<u>\$ 678</u>	<u>\$ 985</u>
Total liabilities	<u>678</u>	<u>985</u>
Equity		
Capital	168,222	168,222
Retained earnings	10,939	12,334
Other equity	<u>(47,349)</u>	<u>(47,744)</u>
Total equity	<u>131,812</u>	<u>132,812</u>
Total	<u>\$ 132,490</u>	<u>\$ 133,797</u>

Cathay Woolgate Exchange Holding 2 Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 4,872	\$ 2,282
Operating expenses	<u>(1,099)</u>	<u>(1,006)</u>
Profit before income tax	3,773	1,276
Income tax expense	<u>-</u>	<u>(712)</u>
Net income	3,773	564
Other comprehensive loss	<u>(5,160)</u>	<u>(7,899)</u>
Total comprehensive loss	<u>\$ (1,387)</u>	<u>\$ (7,335)</u>
 Basic earnings per share	 Note	 Note

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

Cathay Walbrook Holding 1 Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Current assets	\$ 1,729,265	\$ 1,299,299
Investment property	19,135,209	19,575,453
Other assets	<u>250</u>	<u>-</u>
Total	<u>\$ 20,864,724</u>	<u>\$ 20,874,752</u>
Liabilities		
Current liabilities	\$ 222,446	\$ 154,353
Non-current liabilities	<u>12,277,600</u>	<u>12,234,691</u>
Total liabilities	<u>12,500,046</u>	<u>12,389,044</u>
Equity		
Capital	10,189,090	10,189,090
Retained earnings	419,080	576,118
Other equity	<u>(2,243,492)</u>	<u>(2,279,500)</u>
Total equity	<u>8,364,678</u>	<u>8,485,708</u>
Total	<u>\$ 20,864,724</u>	<u>\$ 20,874,752</u>

Cathay Walbrook Holding 1 Limited

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

	For the Nine Months Ended	
	September 30	
	2021	2020
Operating revenue	\$ 191,795	\$ 268,665
Operating costs	(285,114)	(313,664)
Operating expenses	<u>(18,024)</u>	<u>(1,278)</u>
Loss before income tax	(111,343)	(46,277)
Income tax (expense) benefit	<u>(64,181)</u>	<u>1,161</u>
Net loss	(175,524)	(45,116)
Other comprehensive loss	<u>(327,841)</u>	<u>(508,173)</u>
Total comprehensive loss	<u>\$ (503,365)</u>	<u>\$ (553,289)</u>
Basic earnings per share	Note	Note

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

Cathay Walbrook Holding 2 Limited

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

	September 30	
Assets	2021	2020
Current assets	\$ 85,298	\$ 64,012
Investment property	1,007,116	1,030,287
Other assets	<u>250</u>	<u>-</u>
Total	<u>\$ 1,092,664</u>	<u>\$ 1,094,299</u>
Liabilities		
Current liabilities	\$ 11,321	\$ 7,933
Non-current liabilities	<u>646,188</u>	<u>643,931</u>
Total liabilities	<u>657,509</u>	<u>651,864</u>
Equity		
Capital	536,268	536,268
Retained earnings	16,516	25,703
Other equity	<u>(117,629)</u>	<u>(119,536)</u>
Total equity	<u>435,155</u>	<u>442,435</u>
Total	<u>\$ 1,092,664</u>	<u>\$ 1,094,299</u>

Cathay Walbrook Holding 2 Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 10,093	\$ 14,125
Operating costs	(15,006)	(16,509)
Operating expenses	<u>(1,698)</u>	<u>(1,278)</u>
Loss before income tax	(6,611)	(3,662)
Income tax (expense) benefit	<u>(3,228)</u>	<u>186</u>
Net loss	(9,839)	(3,476)
Other comprehensive loss	<u>(17,056)</u>	<u>(26,543)</u>
Total comprehensive loss	<u>\$ (26,895)</u>	<u>\$ (30,019)</u>
Basic earnings per share	Note	Note

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

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

Assets	September 30	
	2021	2020
Current assets	\$ 5,824,996	\$ 5,922,010
Financial assets at fair value through profit or loss	1,271,555	899,601
Financial assets at fair value through other comprehensive income	4,379	5,544
Property and equipment	1,004,324	844,999
Right-of-use assets	767,842	785,646
Intangible assets	14,080,194	15,108,314
Deferred tax assets	240,315	106,301
Other non-current assets	397,856	255,116
Total	\$ 23,591,461	\$ 23,927,531
Liabilities		
Current liabilities	\$ 3,343,101	\$ 3,567,354
Financial liabilities for hedging	28,746	57,171
Lease liabilities	875,964	858,610
Deferred tax liabilities	1,064,325	639,267
Other non-current liabilities	3,211,971	943,384
Total liabilities	8,524,107	6,065,786
Equity		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,108,529	2,734,151
Other equity	(5,655,003)	(1,934,129)
Non-controlling interests	890,289	1,338,184
Total equity	15,067,354	17,861,745
Total	\$ 23,591,461	\$ 23,927,531

Conning Holdings Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 7,829,423	\$ 7,964,084
Operating costs	(662,689)	(665,912)
Operating expenses	<u>(4,955,983)</u>	<u>(4,657,233)</u>
Profit before income tax	2,210,751	2,640,939
Income tax expense	<u>(392,826)</u>	<u>(222,073)</u>
Net income	1,817,925	2,418,866
Other comprehensive loss	<u>(331,531)</u>	<u>(598,569)</u>
Total comprehensive income	<u>\$ 1,486,394</u>	<u>\$ 1,820,297</u>
Basic earnings per share	Note	Note

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

Cathay Industrial Research and Design Center Co., Ltd.

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

	September 30, 2021
Assets	
Current assets	\$ 571,670
Investment property	1,659,685
Deferred tax assets	9,373
Other assets	<u>161,923</u>
Total	<u>\$ 2,402,651</u>
Liabilities	
Current liabilities	\$ 127
Leased liabilities	<u>1,456,775</u>
Total liabilities	<u>1,456,902</u>
Equity	
Share capital	1,000,000
Retained earnings	<u>(54,251)</u>
Total equity	<u>945,749</u>
Total	<u>\$ 2,402,651</u>

Cathay Industrial Research and Design Center Co., Ltd.

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

	From January 8 to September 30, 2021
Operating revenue	\$ 150
Operating costs	(59,738)
Operating expenses	<u>(4,036)</u>
Loss before income tax	(63,624)
Income tax benefit	<u>9,373</u>
Net loss	(54,251)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<u>\$ (54,251)</u>
Basic loss per share	<u>\$(0.54)</u>

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

Cathay Century Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30	
	2021	2020
Cash and cash equivalents	\$ 11,036,977	\$ 9,263,236
Receivables	2,361,032	2,062,298
Financial assets at fair value through profit or loss	11,570,602	10,329,349
Financial assets at fair value through other comprehensive income	1,142,962	1,201,182
Financial assets at amortized cost	6,527,262	7,184,154
Investments accounted for using the equity method	2,967,965	2,729,378
Loans	183,262	208,329
Reinsurance assets	9,412,037	7,082,543
Property and equipment	184,080	176,007
Right-of-use assets	229,021	131,526
Intangible assets	78,257	76,144
Deferred tax assets	230,060	168,874
Other assets	<u>912,495</u>	<u>609,246</u>
Total	<u>\$ 46,836,012</u>	<u>\$ 41,222,266</u>
Liabilities		
Payables	\$ 3,189,370	\$ 2,350,268
Financial liabilities at fair value through profit or loss	4,726	2,257
Lease liabilities	228,905	132,060
Insurance liabilities	28,224,722	25,176,353
Provisions	453,959	433,255
Deferred tax liabilities	270,948	274,649
Other liabilities	<u>838,402</u>	<u>740,937</u>
Total liabilities	<u>33,211,032</u>	<u>29,109,779</u>
Equity		
Share capital	3,057,052	3,057,052
Capital surplus	518,326	518,326
Retained earnings	10,405,808	9,372,441
Other equity	<u>(356,206)</u>	<u>(835,332)</u>
Total equity	<u>13,624,980</u>	<u>12,112,487</u>
Total	<u>\$ 46,836,012</u>	<u>\$ 41,222,266</u>

Cathay Century Insurance Co., Ltd.

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

	For the Nine Months Ended	
	September 30	
	2021	2020
Operating revenue	\$ 16,327,926	\$ 15,249,865
Operating costs	(10,734,911)	(10,196,482)
Operating expenses	<u>(3,145,902)</u>	<u>(2,864,272)</u>
Operating profit	2,447,113	2,189,111
Non-operating income and expenses	<u>(1,173)</u>	<u>(404)</u>
Profit before income tax	2,445,940	2,188,707
Income tax expense	<u>(335,897)</u>	<u>(321,509)</u>
Net income	2,110,043	1,867,198
Other comprehensive loss	<u>(231,467)</u>	<u>(643,112)</u>
Total comprehensive income	<u>\$ 1,878,576</u>	<u>\$ 1,224,086</u>
Basic earnings per share	<u>\$6.90</u>	<u>\$6.11</u>

Cathay Insurance Co., Ltd. (Vietnam)

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30	
	2021	2020
Cash and cash equivalents	\$ 290,077	\$ 284,069
Receivables	58,975	67,481
Financial assets at amortized cost	550,881	508,718
Reinsurance assets	241,786	117,172
Property and equipment	6,876	9,616
Right-of-use assets	14,813	7,214
Intangible assets	20,492	7,743
Other assets	<u>59,361</u>	<u>49,463</u>
Total	<u>\$ 1,243,261</u>	<u>\$ 1,051,476</u>
Liabilities		
Payables	\$ 219,324	\$ 161,147
Insurance liabilities	363,227	258,336
Lease liabilities	14,836	7,298
Deferred tax liabilities	111	124
Other liabilities	<u>15,544</u>	<u>13,398</u>
Total liabilities	<u>613,042</u>	<u>440,303</u>
Equity		
Capital	845,585	845,585
Retained earnings	(32,191)	(66,962)
Other equity	<u>(183,175)</u>	<u>(167,450)</u>
Total equity	<u>630,219</u>	<u>611,173</u>
Total	<u>\$ 1,243,261</u>	<u>\$ 1,051,476</u>

Cathay Insurance Co., Ltd. (Vietnam)

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 263,397	\$ 248,250
Operating costs	(58,265)	(59,660)
Operating expenses	<u>(169,512)</u>	<u>(168,445)</u>
Operating income	35,620	20,145
Non-operating income and expenses	<u>(803)</u>	<u>875</u>
Profit before income tax	34,817	21,020
Income tax expense	<u>(9,758)</u>	<u>(4,690)</u>
Net income	25,059	16,330
Other comprehensive loss	<u>(5,341)</u>	<u>(20,586)</u>
 Total comprehensive income (loss)	 <u>\$ 19,718</u>	 <u>\$ (4,256)</u>
 Basic earnings per share	 Note	 Note

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

Cathay United Bank Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Cash and cash equivalents	\$ 39,465,997	\$ 61,950,071
Due from the Central Bank and call loans to banks	179,758,490	140,643,343
Financial assets at fair value through profit or loss	275,350,146	312,713,879
Financial assets at fair value through other comprehensive income	307,493,332	297,000,359
Debt instruments at amortized cost	557,957,829	426,596,441
Notes and bonds purchased under resale agreements	30,595,448	35,112,873
Receivables	93,501,485	89,902,147
Loans	1,726,544,944	1,535,309,744
Investments accounted for using the equity method	25,505,639	25,124,220
Other financial assets	8,616,599	924
Property and equipment	23,757,556	24,311,038
Right-of-use assets	3,086,476	3,735,349
Investment property	548,441	734,769
Intangible assets	7,675,973	7,671,993
Deferred tax assets	4,532,846	4,227,579
Other assets	<u>23,419,354</u>	<u>31,281,063</u>
Total	<u>\$ 3,307,810,555</u>	<u>\$ 2,996,315,792</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 73,725,130	\$ 59,862,970
Due to the Central Bank and banks	1,076,000	1,000,000
Financial liabilities at fair value through profit or loss	76,475,418	112,409,747
Notes and bonds under repurchase agreements	14,286,460	10,416,750
Payables	38,092,861	23,721,592
Current tax liabilities	78,982	266,716
Deposits and remittances	2,769,205,936	2,438,064,229
Financial debentures payable	46,800,000	53,800,000
Other financial liabilities	28,198,720	40,183,745
Provisions	3,703,214	3,621,945
Lease liabilities	3,113,899	3,766,605
Deferred tax liabilities	2,759,650	3,268,212
Other liabilities	<u>8,292,694</u>	<u>9,686,539</u>
Total liabilities	<u>3,065,808,964</u>	<u>2,760,069,050</u>
Equity		
Share capital	106,985,830	106,985,830
Capital surplus	38,687,276	38,687,276
Retained earnings	93,880,597	85,675,336
Other equity	<u>2,447,888</u>	<u>4,898,300</u>
Total equity	<u>242,001,591</u>	<u>236,246,742</u>
Total	<u>\$ 3,307,810,555</u>	<u>\$ 2,996,315,792</u>

Cathay United Bank Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Interest income	\$ 31,966,169	\$ 33,196,616
Interest expense	<u>(5,572,073)</u>	<u>(9,303,303)</u>
Net interest income	26,394,096	23,893,313
Net income and gains other than interest income	<u>20,220,810</u>	<u>21,761,553</u>
Profit from operations	46,614,906	45,654,866
Provision for bad debt, commitments and guarantee reserve	(2,247,111)	(1,462,219)
Operating expenses	<u>(23,082,765)</u>	<u>(22,656,577)</u>
Profit before income tax	21,285,030	21,536,070
Income tax expense	<u>(2,657,000)</u>	<u>(2,671,000)</u>
Net income	18,628,030	18,865,070
Other comprehensive loss	<u>(3,391,311)</u>	<u>(103,932)</u>
 Total comprehensive income	 <u>\$ 15,236,719</u>	 <u>\$ 18,761,138</u>
 Basic earnings per share	 <u>\$1.74</u>	 <u>\$1.76</u>

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

	September 30	
Assets	2021	2020
Cash and cash equivalents	\$ 2,013,214	\$ 10,404,424
Due from the Central Bank and call loans to banks	4,013,504	3,626,211
Financial assets at fair value through profit or loss	1,840,053	2,359,509
Financial assets at fair value through other comprehensive income	10,683,470	9,833,926
Debt instruments at amortized cost	-	617,463
Notes and bonds purchased under resale agreements	6,428,399	2,924,691
Receivables	456,078	559,884
Loans	40,509,518	41,591,624
Property and equipment	665,803	768,764
Right-of-use assets	161,682	142,330
Intangible assets	35,660	37,328
Other assets	<u>75,008</u>	<u>77,699</u>
Total	\$ <u>66,882,389</u>	\$ <u>72,943,853</u>
Liabilities		
Due to the Central Bank and banks	\$ 6,458,586	\$ 7,627,339
Payables	1,510,078	1,734,510
Current tax liabilities	73,966	142,242
Deposits and remittances	50,307,282	54,699,709
Provisions	14,611	5,240
Lease liabilities	151,977	130,051
Deferred tax liabilities	159,374	120,574
Other liabilities	<u>16,846</u>	<u>16,207</u>
Total liabilities	<u>58,692,720</u>	<u>64,475,872</u>
Equity		
Capital	6,094,911	6,094,911
Retained earnings	1,715,158	1,953,235
Other equity	<u>379,600</u>	<u>419,835</u>
Total equity	<u>8,189,669</u>	<u>8,467,981</u>
Total	\$ <u>66,882,389</u>	\$ <u>72,943,853</u>

Indovina Bank Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Interest income	\$ 2,817,922	\$ 3,183,048
Interest expense	<u>(1,670,640)</u>	<u>(1,914,755)</u>
Net interest income	1,147,282	1,268,293
Net income and gains other than interest income	<u>348,428</u>	<u>442,078</u>
Profit from operations	<u>1,495,710</u>	<u>1,710,371</u>
Provision for bad debt, commitments and guarantee reserve	(410,695)	(316,364)
Operating expenses	<u>(526,055)</u>	<u>(552,047)</u>
Profit before income tax	558,960	841,960
Income tax expense	<u>(136,377)</u>	<u>(156,781)</u>
Net income	422,583	685,179
Other comprehensive loss	<u>(8,196)</u>	<u>(91,746)</u>
 Total comprehensive income	 <u>\$ 414,387</u>	 <u>\$ 593,433</u>
 Basic earnings per share	 Note	 Note

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

Cathay United Bank (Cambodia) Corporation Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30	
	2021	2020
Cash and cash equivalents	\$ 1,254,248	\$ 1,779,351
Due from the Central Bank and call loans to banks	1,566,530	2,092,151
Financial assets at fair value through other comprehensive income	713	745
Receivables	86,464	64,648
Current tax assets	8,601	8,866
Loans	8,245,319	7,284,572
Property and equipment	164,069	185,902
Right-of-use assets	78,712	102,381
Intangible assets	28,335	42,290
Deferred tax assets	-	6,481
Other assets	<u>53,762</u>	<u>55,051</u>
Total	<u>\$ 11,486,753</u>	<u>\$ 11,622,438</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 1,455,196	\$ 424,299
Payables	286,693	310,665
Current tax liabilities	32,396	14,863
Deposits and remittances	6,662,120	7,770,849
Provisions	1,609	1,341
Lease liabilities	83,601	107,663
Deferred tax liabilities	957	12,176
Other liabilities	<u>6,488</u>	<u>5,066</u>
Total liabilities	<u>8,529,060</u>	<u>8,646,922</u>
Equity		
Share capital	3,020,769	3,020,769
Retained earnings	194,629	64,824
Other equity	<u>(257,705)</u>	<u>(110,077)</u>
Total equity	<u>2,957,693</u>	<u>2,975,516</u>
Total	<u>\$ 11,486,753</u>	<u>\$ 11,622,438</u>

Cathay United Bank (Cambodia) Corporation Limited

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

	For the Nine Months Ended September 30	
	2021	2020
Interest income	\$ 480,335	\$ 512,326
Interest expense	<u>(114,802)</u>	<u>(121,740)</u>
Net interest income	365,533	390,586
Net income and gains other than interest income	<u>26,080</u>	<u>37,364</u>
Profit from operations	<u>391,613</u>	<u>427,950</u>
Provision for bad debt, commitments and guarantee reserve	(5,966)	(90,124)
Operating expenses	<u>(278,767)</u>	<u>(267,176)</u>
Profit before income tax	106,880	70,650
Income tax expense	<u>(14,676)</u>	<u>(3,445)</u>
Net income	92,204	67,205
Other comprehensive loss	<u>(67,427)</u>	<u>(83,641)</u>
 Total comprehensive income (loss)	 <u>\$ 24,777</u>	 <u>\$ (16,436)</u>
 Basic earnings per share	 <u>\$0.92</u>	 <u>\$0.67</u>

Cathay United Bank (China) Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Cash and cash equivalents	\$ 4,195,137	\$ 217,745
Due from the Central Bank and call loans to banks	18,457,271	14,784,757
Financial assets at fair value through profit or loss	753,763	797,207
Financial assets at fair value through other comprehensive income	23,995,775	20,620,206
Debt instruments at amortized cost	539,900	448,634
Receivables	9,611,164	7,131,464
Loans	25,115,971	20,811,196
Current tax assets	7,552	-
Property and equipment	226,886	178,513
Right-of-use assets	335,471	201,983
Intangible assets	115,665	119,756
Deferred tax assets	-	138,206
Other assets	<u>225,582</u>	<u>3,468,126</u>
Total	\$ <u>83,580,137</u>	\$ <u>68,917,793</u>
Liabilities		
Deposits from the Central Bank and banks	\$ 13,855,700	\$ 10,044,338
Financial liabilities at fair value through profit or loss	742,497	828,256
Notes and bonds sold under repurchase agreements	7,013,838	7,306,075
Payables	10,029,762	7,880,835
Current tax liabilities	20,710	27,513
Deposits and remittances	30,903,528	20,550,114
Other financial liabilities	4,280,380	6,266,813
Provisions	21,801	4,229
Lease liabilities	360,959	221,644
Deferred tax liabilities	18,411	5,357
Other liabilities	<u>135,030</u>	<u>59,365</u>
Total liabilities	<u>67,382,616</u>	<u>53,194,539</u>
Equity		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	722,382	631,654
Other equity	<u>(1,425,093)</u>	<u>(1,808,632)</u>
Total equity	<u>16,197,521</u>	<u>15,723,254</u>
Total	\$ <u>83,580,137</u>	\$ <u>68,917,793</u>

Cathay United Bank (China) Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Interest income	\$ 1,485,100	\$ 1,375,272
Interest expense	<u>(903,568)</u>	<u>(642,207)</u>
Net interest income	581,532	733,065
Net income and gains other than interest income	<u>374,739</u>	<u>278,955</u>
Profit from operations	<u>956,271</u>	<u>1,012,020</u>
Provision for bad debt, commitments and guarantee reserve	(79,067)	(38,933)
Operating expenses	<u>(631,729)</u>	<u>(593,879)</u>
Profit before income tax	245,475	379,208
Income tax expense	<u>(58,602)</u>	<u>(106,857)</u>
Net income	186,873	272,351
Other comprehensive loss	<u>(229,685)</u>	<u>(392,630)</u>
Total comprehensive loss	<u>\$ (42,812)</u>	<u>\$ (120,279)</u>
Basic earnings per share	Note	Note

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

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

Assets	September 30	
	2021	2020
Current assets	\$ 40,425,041	\$ 33,598,446
Financial assets at fair value through other comprehensive income - non-current	319	217
Investments accounted for using the equity method	2,455,933	2,148,934
Property and equipment	261,532	226,195
Right-of-use assets	48,654	71,361
Intangible assets	62,199	73,125
Deferred tax assets	56,404	47,627
Other non-current assets	612,614	669,686
Total	\$ 43,922,696	\$ 36,835,591
Liabilities		
Current liabilities	\$ 31,490,962	\$ 25,816,412
Lease liabilities - non-current	21,402	16,562
Other non-current liabilities	33,930	28,264
Total liabilities	31,546,294	25,861,238
Equity		
Share capital	7,300,000	7,300,000
Capital surplus	898,167	898,167
Retained earnings	3,321,095	2,179,604
Other equity	857,140	596,582
Total equity	12,376,402	10,974,353
Total	\$ 43,922,696	\$ 36,835,591

Cathay Securities Corporation

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

	For the Nine Months Ended September 30	
	2021	2020
Revenues	\$ 5,251,902	\$ 3,961,588
Service fee expenses	(348,667)	(134,003)
Employee benefit expenses	(1,385,786)	(1,216,799)
Operating expenses	(1,438,846)	(1,424,563)
Share of profit of subsidiaries and associates accounted for using the equity method	22,254	(7,082)
Non-operating income and expenses	36,831	29,543
Profit before income tax	2,137,688	1,208,684
Income tax expense	(389,795)	(187,944)
Net income	1,747,893	1,020,740
Other comprehensive income	311,608	136,963
 Total comprehensive income	 \$ 2,059,501	 \$ 1,157,703
 Basic earnings per share	 \$2.39	 \$1.57

Cathay Futures Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30	
	2021	2020
Current assets	\$ 12,095,561	\$ 15,736,533
Financial assets at fair value through other comprehensive income - non-current	978,244	667,084
Property and equipment	67,751	61,020
Investment property	291,175	291,175
Right-of-use assets	5,274	4,233
Intangible assets	12,534	18,488
Deferred tax assets	181	100
Other non-current assets	160,683	161,701
Total	\$ 13,611,403	\$ 16,940,334
Liabilities		
Current liabilities	\$ 11,698,837	\$ 15,360,567
Deferred tax liabilities	6,646	6,923
Other non-current liabilities	4,843	2,178
Total liabilities	11,710,326	15,369,668
Equity		
Share capital	667,000	667,000
Capital surplus	680	680
Retained earnings	285,590	266,028
Other equity	947,807	636,958
Total equity	1,901,077	1,570,666
Total	\$ 13,611,403	\$ 16,940,334

Cathay Futures Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Revenues	\$ 287,547	\$ 265,889
Operating expenses	<u>(293,969)</u>	<u>(277,405)</u>
Operating loss	(6,422)	(11,516)
Non-operating income and expenses	<u>58,194</u>	<u>68,285</u>
Profit before income tax	51,772	56,769
Income tax expense	<u>(6,493)</u>	<u>(11,322)</u>
Net income	45,279	45,447
Other comprehensive income	<u>335,165</u>	<u>129,294</u>
 Total comprehensive income	 <u>\$ 380,444</u>	 <u>\$ 174,741</u>
 Basic earnings per share	 <u>\$0.68</u>	 <u>\$0.68</u>

Cathay Securities (Hong Kong) Limited

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
	2021	2020
Assets		
Current assets	\$ 1,128,688	\$ 1,191,018
Investments accounted for using the equity method	23,045	3,416
Property and equipment	2,811	5,809
Right-of-use assets	33,775	12,268
Intangible assets	1,781	1,871
Other non-current assets	<u>40,158</u>	<u>34,085</u>
 Total	 <u>\$ 1,230,258</u>	 <u>\$ 1,248,467</u>
 Liabilities		
Current liabilities	\$ 654,675	\$ 668,772
Non-current liabilities	<u>20,548</u>	<u>1,280</u>
Total liabilities	<u>675,223</u>	<u>670,052</u>
 Equity		
Capital	1,108,244	1,108,244
Retained earnings	(466,590)	(472,912)
Other equity	<u>(86,619)</u>	<u>(56,917)</u>
Total equity	<u>555,035</u>	<u>578,415</u>
 Total	 <u>\$ 1,230,258</u>	 <u>\$ 1,248,467</u>

Cathay Securities (Hong Kong) Limited
Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2021	2020
Revenues	\$ 66,784	\$ 54,583
Service fee expenses	(2,534)	(2,062)
Employee benefit expenses	(41,997)	(38,141)
Operating expenses	(65,393)	(68,893)
Non-operating income and expenses	<u>20,120</u>	<u>1,990</u>
Loss before income tax	(23,020)	(52,523)
Income tax expense	<u>-</u>	<u>-</u>
Net loss	(23,020)	(52,523)
Other comprehensive loss	<u>(15,807)</u>	<u>(8,994)</u>
 Total comprehensive loss	 <u>\$ (38,827)</u>	 <u>\$ (61,517)</u>
 Basic earnings per share	 Note	 Note

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

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

	September 30	
	2021	2020
Assets		
Current assets	\$ <u>849,905</u>	\$ <u>3,645</u>
Total	\$ <u>849,905</u>	\$ <u>3,645</u>
 Liabilities		
Current liabilities	\$ <u>826,860</u>	\$ <u>228</u>
Total liabilities	<u>826,860</u>	<u>228</u>
 Equity		
Capital	3,875	3,875
Retained earnings	19,640	(349)
Other equity	<u>(470)</u>	<u>(109)</u>
Total equity	<u>23,045</u>	<u>3,417</u>
 Total	 <u>\$ 849,905</u>	 <u>\$ 3,645</u>

Cathay Capital (Asia) Limited

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

	For the Nine Months Ended September 30, 2021	From February 24 to September 30, 2020
Revenues	\$ 34,789	\$ (1)
Operating costs	(7,975)	(30)
Operating expenses	(2,822)	(323)
Non-operating income and expenses	<u>2</u>	<u>5</u>
Profit (loss) before income tax	<u>23,994</u>	<u>(349)</u>
Income tax expense	<u>(3,915)</u>	<u>-</u>
Net income (loss)	20,079	(349)
Other comprehensive loss	<u>(288)</u>	<u>(109)</u>
Total comprehensive income (loss)	<u>\$ 19,791</u>	<u>\$ (458)</u>
Basic earnings per share	Note	Note

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

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

Cathay Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
Assets	2021	2020
Current assets	\$ 3,210,083	\$ 2,564,356
Financial assets at fair value through other comprehensive income - non-current	11,268	9,566
Investments accounted for using the equity method	448,715	482,122
Property and equipment	38,795	29,749
Right-of-use assets	32,435	61,392
Intangible assets	19,365	17,049
Deferred tax assets	30,311	24,205
Other non-current assets	<u>298,129</u>	<u>255,252</u>
Total	<u>\$ 4,089,101</u>	<u>\$ 3,443,691</u>
Liabilities		
Current liabilities	\$ 659,119	\$ 604,272
Non-current liabilities	<u>165,803</u>	<u>134,071</u>
Total liabilities	<u>824,922</u>	<u>738,343</u>
Equity		
Share capital	1,500,000	1,500,000
Capital surplus	16,453	16,453
Retained earnings	1,857,426	1,282,060
Other equity	<u>(109,700)</u>	<u>(93,165)</u>
Total equity	<u>3,264,179</u>	<u>2,705,348</u>
Total	<u>\$ 4,089,101</u>	<u>\$ 3,443,691</u>

Cathay Securities Investment Trust Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 2,843,334	\$ 2,108,831
Operating expenses	<u>(1,430,927)</u>	<u>(1,315,509)</u>
Operating profit	1,412,407	793,322
Non-operating income and expenses	<u>(32,401)</u>	<u>(8,683)</u>
Profit before income tax	1,380,006	784,639
Income tax expense	<u>(282,865)</u>	<u>(159,880)</u>
Net income	1,097,141	624,759
Other comprehensive loss	<u>(2,805)</u>	<u>(3,996)</u>
Total comprehensive income	<u>\$ 1,094,336</u>	<u>\$ 620,763</u>
Basic earnings per share	<u>\$7.31</u>	<u>\$4.17</u>

Cathay Private Equity Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
	2021	2020
Assets		
Current assets	\$ 43,759	\$ 67,131
Other non-current assets	<u>36,220</u>	<u>20,181</u>
Total	<u>\$ 79,979</u>	<u>\$ 87,312</u>
Liabilities		
Current liabilities	\$ 12,990	\$ 7,463
Other non-current liabilities	<u>3,136</u>	<u>139</u>
Total liabilities	<u>16,126</u>	<u>7,602</u>
Equity		
Share capital	100,000	100,000
Capital surplus	63	63
Retained earnings	<u>(36,210)</u>	<u>(20,353)</u>
Total equity	<u>63,853</u>	<u>79,710</u>
Total	<u>\$ 79,979</u>	<u>\$ 87,312</u>

Cathay Private Equity Co., Ltd.

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 12,506	\$ 6,466
Operating expenses	<u>(27,972)</u>	<u>(15,409)</u>
Operating loss	(15,466)	(8,943)
Non-operating income and expenses	<u>(1,154)</u>	<u>(682)</u>
Loss before income tax	(16,620)	(9,625)
Income tax benefit	<u>3,067</u>	<u>1,779</u>
Net loss	<u>(13,553)</u>	<u>(7,846)</u>
Total comprehensive loss	\$ (13,553)	\$ (7,846)
Basic loss per share	\$ (1.36)	\$ (0.78)

Cathay Venture Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
	2021	2020
Assets		
Current assets	\$ 1,342,230	\$ 1,276,507
Financial assets at fair value through profit or loss - non-current	4,597,043	4,358,405
Investments accounted for using the equity method	306,556	313,783
Property and equipment	2,036	2,936
Right-of-use assets	6,729	12,513
Deferred tax assets	63,433	62,165
Other non-current assets	<u>1,267</u>	<u>1,267</u>
Total	\$ 6,319,294	\$ 6,027,576
Liabilities		
Current liabilities	\$ 42,088	\$ 19,666
Non-current liabilities	<u>9,905</u>	<u>14,641</u>
Total liabilities	<u>51,993</u>	<u>34,307</u>
Equity		
Share capital	5,181,730	4,842,362
Capital surplus	576,667	576,667
Retained earnings	508,759	574,165
Other equity	<u>145</u>	<u>75</u>
Total equity	<u>6,267,301</u>	<u>5,993,269</u>
Total	\$ 6,319,294	\$ 6,027,576

Cathay Venture Inc.

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 349,715	\$ 420,231
Operating costs	(27,872)	(28,787)
Operating expenses	(11,288)	(8,379)
Non-operating income and expenses	(1,233)	(888)
Profit before income tax	309,322	382,177
Income tax expense	(30,622)	(363)
Net income	278,700	381,814
Total comprehensive income	\$ 278,700	\$ 381,814
Basic earnings per share	\$0.54	\$0.74

Cathay Investment Inc.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	September 30	
	2021	2020
Assets		
Current assets	\$ 34,070	\$ 19,573
Non-current assets	190	15,879
Total	\$ 34,260	\$ 35,452
Liabilities		
Current liabilities	\$ 38	\$ 824
Total liabilities	38	824
Equity		
Share capital	35,000	35,000
Retained earnings	(778)	(372)
Total equity	34,222	34,628
Total	\$ 34,260	\$ 35,452

Cathay Investment Inc.

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

	For the Nine Months Ended September 30	
	2021	2020
Operating revenue	\$ 45	\$ 84
Operating expenses	(211)	(510)
Non-operating income and expenses	(3)	(8)
Loss before income tax	(169)	(434)
Income tax (expense) benefit	(141)	104
Net loss	(310)	(330)
Other comprehensive income	-	-
Total comprehensive loss	\$ (310)	\$ (330)
Basic loss per share	\$ (0.09)	\$ (0.09)

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

For the nine months ended September 30, 2021

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	1.24	1.10	15.56	13.79	25.62
The Company	12.36	12.25	14.01	13.88	98.07
Cathay Life	1.42	1.29	15.60	14.13	14.52
Cathay Century	5.39	4.65	18.28	15.77	12.92
Cathay United Bank	0.66	0.58	8.79	7.69	39.96
Cathay Securities	4.68	3.82	18.00	14.72	33.28

For the nine months ended September 30, 2020

Unit: %

	Return on Assets		Return on Equity		Net Income Ratio
	Before Tax	After Tax	Before Tax	After Tax	
The Group	0.69	0.62	8.87	8.02	13.59
The Company	7.42	7.12	8.32	7.99	94.41
Cathay Life	0.61	0.61	7.19	7.17	6.78
Cathay Century	5.23	4.46	17.67	15.08	12.24
Cathay United Bank	0.73	0.64	9.29	8.14	41.32
Cathay Securities	3.80	3.21	12.34	10.42	25.77

Note: Net income ratio = Net income/Net revenue

33. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES

a. Integration of business activities

In order to improve the Group's competitiveness and enhance its operation synergy, the Company integrates various services, such as banking, insurance, and securities, and builds up a full-functioning financial platform; with 664 operating location all over Taiwan and about 30 thousand professional salesperson, the Company provides comprehensive financial planning and one-stop shopping services to its clients.

b. Cross utilization of information

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

c. Business facilities and locations

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

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

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

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

34. SEGMENT INFORMATION

a. General information on operating segments

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

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

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

b. Information of reporting segment income was as follows:

For the three months ended September 30, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 9,897,017	\$ 38,844,789	\$ 135,720	\$ 141,602	\$ (158,653)	\$ 48,860,475
Net income and gains other than interest income	4,211,020	71,737,295	2,292,432	1,541,164	3,170,223	82,952,134
Profit from operations	14,108,037	110,582,084	2,428,152	1,682,766	3,011,570	131,812,609
Provision for bad debt, commitments and guarantee reserve	(621,739)	(410,036)	-	(1,974)	-	(1,033,749)
Net changes in insurance liability reserve	-	(75,186,985)	(67,801)	-	-	(75,254,786)
Operating expenses	(8,632,441)	(8,657,860)	(929,756)	(821,415)	(2,592,767)	(21,634,239)
Profit from continuing operations before taxes	4,853,857	26,327,203	1,430,595	859,377	418,803	33,889,835
Income tax expense	(1,041,918)	(1,397,059)	(157,729)	(150,046)	(289,636)	(3,036,388)
Net income from continuing operations	3,811,939	24,930,144	1,272,866	709,331	129,167	30,853,447

For the three months ended September 30, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 8,352,892	\$ 38,675,203	\$ 131,029	\$ 52,867	\$ (132,552)	\$ 47,079,439
Net income and gains other than interest income	5,428,995	94,008,933	1,791,845	1,351,941	3,339,183	105,920,897
Profit from operations	13,781,887	132,684,136	1,922,874	1,404,808	3,206,631	153,000,336
Provision for bad debt, commitments and guarantee reserve	(635,684)	(196,191)	-	2,692	(45)	(829,228)
Net changes in insurance liability reserve	-	(98,253,392)	(185,921)	-	-	(98,439,313)
Operating expenses	(7,949,652)	(8,271,187)	(775,207)	(792,843)	(2,477,935)	(20,266,824)
Profit from continuing operations before taxes	5,196,551	25,963,366	961,746	614,657	728,651	33,464,971
Income tax expense	(696,992)	(683,188)	(82,798)	(94,059)	(194,212)	(1,751,249)
Net income from continuing operations	4,499,559	25,280,178	878,948	520,598	534,439	31,713,722

For the nine months ended September 30, 2021

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 28,641,056	\$ 116,227,254	\$ 396,044	\$ 341,038	\$ (432,007)	\$ 145,173,385
Net income and gains other than interest income	14,316,778	298,226,590	5,608,806	4,525,306	9,738,185	332,415,665
Profit from operations	42,957,834	414,453,844	6,004,850	4,866,344	9,306,178	477,589,050
Provision for bad debt, commitments and guarantee reserve	(2,742,840)	(468,789)	-	(2,646)	-	(3,214,275)
Net changes in insurance liability reserve	-	(273,333,152)	(391,063)	-	-	(273,724,215)
Operating expenses	(23,665,266)	(26,333,650)	(2,631,649)	(2,438,388)	(7,503,418)	(62,572,371)
Profit from continuing operations before taxes	16,549,728	114,318,253	2,982,138	2,425,310	1,802,760	138,078,189
Income tax expense	(2,869,302)	(10,194,237)	(345,550)	(389,763)	(1,909,877)	(15,708,729)
Net income (loss) from continuing operations	13,680,426	104,124,016	2,636,588	2,035,547	(107,117)	122,369,460

For the nine months ended September 30, 2020

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 26,328,237	\$ 116,489,574	\$ 408,752	\$ 133,727	\$ (375,448)	\$ 142,984,842
Net income and gains other than interest income	16,553,041	297,149,311	4,451,212	3,473,214	9,539,335	331,166,113
Profit from operations	42,881,278	413,638,885	4,859,964	3,606,941	9,163,887	474,150,955
Provision for bad debt, commitments and guarantee reserve	(1,907,639)	155,528	-	2,823	(74)	(1,749,362)
Net changes in insurance liability reserve	-	(340,475,712)	127,197	-	-	(340,348,515)
Operating expenses	(23,201,186)	(26,076,827)	(2,362,770)	(2,276,813)	(6,846,773)	(60,764,369)
Profit from continuing operations before taxes	17,772,453	47,241,874	2,624,391	1,332,951	2,317,040	71,288,709
Income tax expense	(2,941,347)	(358,197)	(326,264)	(187,952)	(3,059,515)	(6,873,275)
Net income (loss) from continuing operations	14,831,106	46,883,677	2,298,127	1,144,999	(742,475)	64,415,434

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

35. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

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

a) Objectives of risk management

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

b) Framework, organizational structure and responsibilities of risk management.

i. The board of directors

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

ii. Risk management committee

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

iii. Chief risk officer

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

- ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
 - iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
 - iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.
- iv. Risk management department
- i) The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.
 - ii) The department should perform the following functions with regard to different business activities:
 - Propose and execute the risk management policies set by the board of directors.
 - Propose the risk limits based on risk appetite.
 - Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
 - Regularly present risk management reports.
 - Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.
 - Assist to execute stress testing.
 - Execute back testing if necessary.
 - Other risk management related issues.
- v. Business units
- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
 - ii) The duties of the risk management include the following:
 - Identify and measure risks and report risk exposures and potential impacts on time.
 - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
 - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
 - Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.
 - Assist to collect data related to operational risk.

- Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
- Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.

vi. Audit department

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

vii. Subsidiaries

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

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

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

ii. Credit risk

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

iii. Country risk

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

iv. Liquidity risk

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

v. Operational risk

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

vi. Insurance risk

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

vii. Asset and liability matching risk

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

viii. Capital adequacy

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

ix. Risk of information security and personal data management

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

x. Emerging risks

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

xi. ESG and climate risks

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

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

i. The process of assuming, measuring, monitoring and controlling insurance risks

- i) Stipulate Cathay Life's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.
- ii) Establish methods to evaluate insurance risks.
- iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.
- iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life and that of the Company.

- ii. The underwriting policies to determine proper risk classification and premium levels
 - i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
 - ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards
 - iii) Cathay Life has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
 - i. Insurance risk assessment covers the following risks:
 - i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
 - ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
 - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
 - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
 - v) Claim risk: This risk arises from mishandling claims.
 - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
 - ii. The scope of management of insurance risk
 - i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
 - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.
 - iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
 - iv) Determine methods to measure insurance risks.
 - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

- vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

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

- g) Asset/liability management
 - i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
 - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management committee of the Company.
 - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and that of the Company.
- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, Cathay Life's RBC ratio and equity ratio should be higher than a certain number. In order to enhance Cathay Life's capital management and to maintain a proper RBC ratio and equity ratio, Cathay Life has established a set of capital adequacy management standards as follows:

- i. Capital adequacy management
 - i) Regularly provide capital adequacy management reports and analysis to the finance department of the Company
 - ii) Regularly provide the analysis report to the risk management committee.
 - iii) Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.
 - iv) Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.
- ii. Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

- i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments
- i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.
 - ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.
 - iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.
- j) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

2) Information of insurance risk

- a) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features
- i. Cathay Life

For the 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

ii. 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

iii. 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	×1.10 (×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	×1.10 (×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 Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.
- iii) Sensitivity test
- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
 - Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
 - Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

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

b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1			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			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 Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

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

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment	
	1	2	3	4	5	6	7		
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							Expected Future Payment
	1	2	3	4	5	6	7	
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
								\$ 510,365
								Less: Expected claims filed but not yet paid (2,130)
								Add: Claims filed but not yet paid 34,284
								<u>\$ 542,519</u>
								Retained loss reserve balance

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

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

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

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
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 judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life's reinsurers are above a certain level, complying with Cathay Life's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life's total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In 100 Millions of NTD

	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.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

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

a) Framework of risk management, organizational structure and responsibilities

i. Board of directors

- i) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
- ii) The board of directors should establish an appropriate risk management framework and culture, ratify the appropriate risk management policy and allocate resources in the most effective manner.

iii) The board of directors should consider the effect of the aggregated risks from Cathay Century's overall perspective; the board of directors should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

ii. Risk management department

i) Risk management committee

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

ii) Chief risk officer

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

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

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.

- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

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

iv. Audit department

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

b) Risk reporting and the scope and nature of risk assessment for property insurance business

i. Risk management reports

- i) Each business unit should regularly deliver risk information to the risk management department, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.

- ii) The risk management department summarizes the risk information provided by each department, tracks the uses of major risk limit, submits a monthly risk management report to the general manager, and makes quarterly report to the risk management committee and the board of directors.

- ii. The scope and nature of risk assessment

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

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

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

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

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

- e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

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

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

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

Insurance Type	For the Year Ended December 31	
	2021	2020
Fire insurance	\$ 1,200,000	\$ 1,200,000
Marine insurance	1,200,000	1,200,000
Engineering insurance	1,200,000	1,200,000
Miscellaneous insurance/liability insurance	1,200,000	1,200,000
Healthy and accident insurance	1,200,000	1,200,000
Automobile insurance	50,000	50,000
Liability insurance	250,000	250,000

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

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

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's CAR.

2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

Insurance Type	Claims Filed and Paid		
	September 30, 2021	December 31, 2020	September 30, 2020
Fire insurance	\$ 132,723	\$ 13,274	\$ 12,573
Marine insurance	15,652	11,468	19,974
Land and air insurance	33,981	37,194	35,919
Liability insurance	59,982	45,977	27,498
Guarantee insurance	137	157	2,935
Other property insurance	25,032	19,898	41,756
Accident insurance	16,596	15,417	14,575
Health insurance	42,809	-	-
Policy-oriented residential earthquake insurance	-	-	-
Compulsory automobile liability insurance	186,552	161,235	214,037
	<u>513,464</u>	<u>304,620</u>	<u>369,267</u>
Less: Loss allowance	<u>(5,135)</u>	<u>(15,231)</u>	<u>(18,463)</u>
Net amount	<u>\$ 508,329</u>	<u>\$ 289,389</u>	<u>\$ 350,804</u>

3) Receivables and payables of insurance contracts

a) Receivables

Insurance Type	Premiums Receivable		
	September 30, 2021	December 31, 2020	September 30, 2020
Fire insurance	\$ 752,313	\$ 936,657	\$ 657,297
Marine insurance	341,528	356,045	236,606
Land and air insurance	99,494	137,421	161,678
Liability insurance	345,459	304,996	258,649
Guarantee insurance	42,187	34,644	32,190
Other property insurance	123,797	237,919	154,478
Accident insurance	118,512	119,462	110,214
Health insurance	4,308	4,849	5,091
Policy-oriented residential earthquake insurance	30,783	30,466	29,411
Compulsory automobile liability insurance	16,748	19,596	19,149
	<u>1,875,129</u>	<u>2,182,055</u>	<u>1,664,763</u>
Less: Loss allowance	<u>(27,031)</u>	<u>(36,713)</u>	<u>(33,138)</u>
Net amount	<u>\$ 1,848,098</u>	<u>\$ 2,145,342</u>	<u>\$ 1,631,625</u>

Aging analysis of receivable:

	September 30, 2021	December 31, 2020	September 30, 2020
Up to 90 days	\$ 1,243,755	\$ 1,845,819	\$ 978,246
Over 90 days	<u>631,374</u>	<u>336,236</u>	<u>686,517</u>
	<u>\$ 1,875,129</u>	<u>\$ 2,182,055</u>	<u>\$ 1,664,763</u>

The overdue amounts as of September 30, 2021, December 31, 2020 and September 30, 2020 in the above premiums receivable were \$631,374 thousand, \$336,236 thousand and \$686,517 thousand, respectively, and loss allowance of \$13,735 thousand, \$18,347 thousand and \$23,468 thousand were provided, respectively.

b) Payables

	September 30, 2021		
Insurance Type	Commission Payable	Others	Total
Fire insurance	\$ 32,078	\$ 17,348	\$ 49,426
Marine insurance	12,554	13,829	26,383
Land and air insurance	129,381	137,262	266,643
Liability insurance	29,201	31,497	60,698
Guarantee insurance	4,861	615	5,476
Other property insurance	6,144	8,442	14,586
Accident insurance	9,828	38,807	48,635
Health insurance	1,991	3,159	5,150
Policy-oriented residential earthquake insurance	279	3,740	4,019
Compulsory automobile liability insurance	<u>18,041</u>	<u>-</u>	<u>18,041</u>
	<u>\$ 244,358</u>	<u>\$ 254,699</u>	<u>\$ 499,057</u>

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

Insurance Type	September 30, 2020		
	Commission Payable	Others	Total
Fire insurance	\$ 26,392	\$ 11,293	\$ 37,685
Marine insurance	8,658	11,526	20,184
Land and air insurance	86,181	95,288	181,469
Liability insurance	9,885	21,737	31,622
Guarantee insurance	4,648	586	5,234
Other property insurance	6,668	9,930	16,598
Accident insurance	9,828	29,401	39,229
Health insurance	1,362	901	2,263
Policy-oriented residential earthquake insurance	1,593	1,223	2,816
Compulsory automobile liability insurance	<u>29,583</u>	<u>-</u>	<u>29,583</u>
	<u>\$ 184,798</u>	<u>\$ 181,885</u>	<u>\$ 366,683</u>

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

Items	September 30, 2021	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 133,676	\$ 317,532
Marsh	253,948	236,194
AON	146,609	59,834
Central Re	34,603	346,920
Willis	110,153	78,426
Others (individually below 5%)	<u>539,943</u>	<u>1,058,781</u>
	1,218,932	2,097,687
Less: Loss allowance	<u>(62,650)</u>	<u>-</u>
Net amount	<u>\$ 1,156,282</u>	<u>\$ 2,097,687</u>

Items	December 31, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 130,467	\$ 360,600
AON	44,900	188,748
Central Re	11,634	131,069
Cosmos	1,248	117,131
Guy Carpenter	47,162	25,353
Marsh	85,855	225,611
Swiss Re	19,000	113,884
Willis	58,826	57,680
Others (individually below 5%)	<u>353,052</u>	<u>558,117</u>
	752,144	1,778,193
Less: Loss allowance	<u>(43,501)</u>	<u>-</u>
Net amount	<u>\$ 708,643</u>	<u>\$ 1,778,193</u>

Items	September 30, 2020	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	\$ 135,489	\$ 343,064
AON	88,203	80,175
Central Re	19,594	120,847
Guy Carpenter	50,572	16,995
Marsh	19,937	81,011
Swiss Re	20,144	84,616
Others (individually below 5%)	<u>390,900</u>	<u>532,330</u>
	724,839	1,259,038
Less: Loss allowance	<u>(44,025)</u>	<u>-</u>
Net amount	<u>\$ 680,814</u>	<u>\$ 1,259,038</u>

The overdue amounts as of September 30, 2021, December 31, 2020 and September 30, 2020 in the above due from (to) reinsurers and ceding companies were \$16,742 thousand, \$11,495 thousand and \$13,093 thousand, respectively, and loss allowances of \$16,742 thousand, \$11,495 thousand and \$13,093 thousand were provided, respectively.

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

4) Acquisition cost of insurance contracts

For the Three Months Ended September 30, 2021					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 65,559	\$ 3,002	\$ 43,311	\$ 10,280	\$ 122,152
Marine insurance	15,673	106	387	623	16,789
Land and air insurance	332,358	1	2,997	134,323	469,679
Liability insurance	65,778	14	794	11,325	77,911
Guarantee insurance	2,157	(4)	1,394	172	3,719
Other property insurance	27,505	516	2,967	1,515	32,503
Accident insurance	92,599	439	(499)	27,585	120,124
Health insurance	37,497	229	1,002	1,015	39,743
Policy-oriented residential earthquake insurance	2,934	54	-	3,208	6,196
Compulsory automobile liability insurance	-	86,387	-	-	86,387
	<u>\$ 642,060</u>	<u>\$ 90,744</u>	<u>\$ 52,353</u>	<u>\$ 190,046</u>	<u>\$ 975,203</u>

For the Three Months Ended September 30, 2020					
Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 47,774	\$ 3,923	\$ 34,848	\$ 3,964	\$ 90,509
Marine insurance	12,180	227	1,983	381	14,771
Land and air insurance	251,744	210	7,920	95,765	355,639
Liability insurance	51,382	129	(42)	6,764	58,233
Guarantee insurance	2,656	69	1,889	55	4,669
Other property insurance	19,559	962	6,617	925	28,063
Accident insurance	90,999	419	(310)	19,420	110,528
Health insurance	8,577	69	273	291	9,210
Policy-oriented residential earthquake insurance	5,093	58	-	575	5,726
Compulsory automobile liability insurance	-	104,979	-	-	104,979
	<u>\$ 489,964</u>	<u>\$ 111,045</u>	<u>\$ 53,178</u>	<u>\$ 128,140</u>	<u>\$ 782,327</u>

For the Nine Months Ended September 30, 2021

Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 145,883	\$ 14,638	\$ 118,629	\$ 18,415	\$ 297,565
Marine insurance	50,515	454	3,546	1,396	55,911
Land and air insurance	915,095	508	19,010	349,083	1,283,696
Liability insurance	162,463	62	1,226	26,280	190,031
Guarantee insurance	9,328	71	2,473	624	12,496
Other property insurance	64,634	3,563	13,831	3,126	85,154
Accident insurance	255,604	1,235	(390)	64,629	321,078
Health insurance	175,835	309	1,322	1,642	179,108
Policy-oriented residential earthquake insurance	13,219	111	-	4,490	17,820
Compulsory automobile liability insurance	-	273,823	-	-	273,823
	<u>\$ 1,792,576</u>	<u>\$ 294,774</u>	<u>\$ 159,647</u>	<u>\$ 469,685</u>	<u>\$ 2,716,682</u>

For the Nine Months Ended September 30, 2020

Insurance Type	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 133,215	\$ 15,721	\$ 130,965	\$ 11,948	\$ 291,849
Marine insurance	41,322	1,021	7,448	1,264	51,055
Land and air insurance	776,273	980	31,843	306,748	1,115,844
Liability insurance	126,315	195	315	20,617	147,442
Guarantee insurance	9,807	268	7,408	184	17,667
Other property insurance	57,665	4,912	28,293	3,431	94,301
Accident insurance	257,676	1,100	(186)	62,748	321,338
Health insurance	28,001	497	1,987	3,226	33,711
Policy-oriented residential earthquake insurance	15,572	199	-	1,924	17,695
Compulsory automobile liability insurance	-	292,666	-	-	292,666
	<u>\$ 1,445,846</u>	<u>\$ 317,559</u>	<u>\$ 208,073</u>	<u>\$ 412,090</u>	<u>\$ 2,383,568</u>

Acquisition costs of the insurance contracts were not deferred.

5) Profit and loss analysis of the insurance business

Direct underwriting business

For the Three Months Ended September 30, 2021						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 691,899	\$ (200,600)	\$ 78,843	\$ 484,655	\$ (80,790)	\$ 409,791
Marine insurance	143,361	(68,238)	16,402	56,769	(143,005)	281,433
Land and air insurance	2,725,773	29,233	466,683	1,365,096	(96,518)	961,279
Liability insurance	588,939	159,432	77,118	218,542	(112,429)	246,276
Guarantee insurance	26,465	(2,583)	2,326	726	2,627	23,369
Other property insurance	208,687	(67,608)	29,531	54,839	43,710	148,215
Accident insurance	754,680	36,050	120,622	300,058	9,980	287,970
Health insurance	220,695	(37,485)	38,742	80,110	45,320	94,008
Policy-oriented residential earthquake insurance	110,650	(883)	6,196	-	(12)	105,349
Compulsory automobile liability insurance	753,965	485	86,387	525,363	18,515	123,215
	<u>\$ 6,225,114</u>	<u>\$ (152,197)</u>	<u>\$ 922,850</u>	<u>\$ 3,086,158</u>	<u>\$ (312,602)</u>	<u>\$ 2,680,905</u>

For the Three Months Ended September 30, 2020						
Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 660,784	\$ (141,227)	\$ 55,660	\$ 81,773	\$ 242,797	\$ 421,781
Marine insurance	118,148	(35,053)	12,786	90,008	(42,562)	92,969
Land and air insurance	2,489,589	23,239	347,719	1,425,680	(7,059)	700,010
Liability insurance	475,599	96,120	58,275	147,794	82,893	90,517
Guarantee insurance	25,377	(464)	2,780	11,508	(11,474)	23,027
Other property insurance	155,803	(77,372)	21,449	105,706	(10,987)	117,007
Accident insurance	767,700	36,437	110,839	324,272	1,157	294,995
Health insurance	42,789	8,351	8,936	16,970	(7,901)	16,433
Policy-oriented residential earthquake insurance	109,099	193	5,726	-	-	103,180
Compulsory automobile liability insurance	750,197	1,500	104,979	505,148	8,371	130,199
	<u>\$ 5,595,085</u>	<u>\$ (88,276)</u>	<u>\$ 729,149</u>	<u>\$ 2,708,859</u>	<u>\$ 255,235</u>	<u>\$ 1,990,118</u>

For the Nine Months Ended September 30, 2021

Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 2,427,098	\$ (107,730)	\$ 178,937	\$ 844,307	\$ 1,401,140	\$ 110,444
Marine insurance	583,245	(43,103)	52,365	181,465	109,288	283,230
Land and air insurance	7,941,114	119,510	1,264,687	4,342,478	(30,491)	2,244,930
Liability insurance	1,396,287	169,860	188,806	527,693	(11,971)	521,899
Guarantee insurance	92,542	9,372	10,023	(28,331)	(8,094)	109,572
Other property insurance	768,458	(57,341)	71,319	248,468	(56,416)	562,428
Accident insurance	2,149,914	42,594	321,467	914,543	(12,363)	883,673
Health insurance	976,982	572,404	177,787	135,864	62,116	28,811
Policy-oriented residential earthquake insurance	331,762	(2,016)	17,821	-	-	315,957
Compulsory automobile liability insurance	<u>2,119,240</u>	<u>(2,004)</u>	<u>273,823</u>	<u>1,486,981</u>	<u>(82,968)</u>	<u>443,408</u>
	<u>\$ 18,786,642</u>	<u>\$ 701,546</u>	<u>\$ 2,557,035</u>	<u>\$ 8,653,468</u>	<u>\$ 1,370,241</u>	<u>\$ 5,504,352</u>

For the Nine Months Ended September 30, 2020

Insurance Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Cost of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 2,408,722	\$ 108,223	\$ 160,883	\$ 335,651	\$ 333,633	\$ 1,470,332
Marine insurance	450,986	(30,655)	43,606	184,948	146,696	106,391
Land and air insurance	7,254,973	2,852	1,084,000	4,226,570	(94,549)	2,036,100
Liability insurance	1,127,768	12,840	147,127	535,601	35,146	397,054
Guarantee insurance	92,356	14,403	10,259	(58,588)	10,791	115,491
Other property insurance	756,987	4,220	66,010	306,340	2,774	377,643
Accident insurance	2,187,906	652	321,525	1,063,076	(29,092)	831,745
Health insurance	147,445	(6,628)	31,724	66,300	(22,223)	78,272
Policy-oriented residential earthquake insurance	332,209	10,372	17,695	-	-	304,142
Compulsory automobile liability insurance	<u>2,111,081</u>	<u>(18,199)</u>	<u>292,666</u>	<u>1,599,965</u>	<u>(34,656)</u>	<u>271,305</u>
	<u>\$ 16,870,433</u>	<u>\$ 98,080</u>	<u>\$ 2,175,495</u>	<u>\$ 8,259,863</u>	<u>\$ 348,520</u>	<u>\$ 5,988,475</u>

Reinsurance inward business

For the Three Months Ended September 30, 2021

Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 189,995	\$ (9,649)	\$ 43,311	\$ 82,555	\$ 4,259	\$ 69,519
Marine insurance	4,831	(2,446)	387	14,793	(8,345)	442
Land and air insurance	12,013	(5,780)	2,997	4,374	2,191	8,231
Liability insurance	2,117	668	793	143	(49)	562
Guarantee insurance	6,016	1,138	1,394	1,498	785	1,201
Other property insurance	17,750	(11,290)	2,968	32,486	6,186	(12,600)
Accident insurance	1,369	(643)	(499)	3,035	(2,041)	1,517
Health insurance	9,172	2,924	1,002	5,499	1,371	(1,624)
Policy-oriented residential earthquake insurance	14,588	911	-	-	-	13,677
Compulsory automobile liability insurance	<u>188,284</u>	<u>(4,698)</u>	<u>-</u>	<u>163,489</u>	<u>(2,283)</u>	<u>31,776</u>
	<u>\$ 446,135</u>	<u>\$ (28,865)</u>	<u>\$ 52,353</u>	<u>\$ 307,872</u>	<u>\$ 2,074</u>	<u>\$ 112,701</u>

For the Three Months Ended September 30, 2020

Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 148,469	\$ (6,215)	\$ 34,848	\$ 95,781	\$ 36,091	\$ (12,036)
Marine insurance	9,090	(5,359)	1,983	7,570	(47)	4,943
Land and air insurance	33,717	11,199	7,920	23,623	5,280	(14,305)
Liability insurance	908	347	(42)	210	(120)	513
Guarantee insurance	7,097	(1,473)	1,889	1,782	(23,413)	28,312
Other property insurance	38,935	1,022	6,617	23,586	12,807	(5,097)
Accident insurance	3,585	490	(310)	1,028	91	2,286
Health insurance	2,735	(1,120)	273	7,573	70	(4,061)
Policy-oriented residential earthquake insurance	13,486	619	-	-	-	12,867
Compulsory automobile liability insurance	<u>192,322</u>	<u>(4,149)</u>	<u>-</u>	<u>225,030</u>	<u>(2,090)</u>	<u>(26,469)</u>
	<u>\$ 450,344</u>	<u>\$ (4,639)</u>	<u>\$ 53,178</u>	<u>\$ 386,183</u>	<u>\$ 28,669</u>	<u>\$ (13,047)</u>

For the Nine Months Ended September 30, 2021

Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 556,894	\$ 108,896	\$ 118,629	\$ 276,719	\$ 127,497	\$ (74,847)
Marine insurance	24,157	(1,706)	3,546	38,929	1,229	(17,841)
Land and air insurance	110,404	11,740	19,010	35,136	13,793	30,725
Liability insurance	6,072	2,181	1,226	239	(175)	2,601
Guarantee insurance	8,787	(3,881)	2,473	3,288	(295)	7,202
Other property insurance	113,889	(4,828)	13,831	129,593	(11,894)	(12,813)
Accident insurance	9,791	730	(390)	5,705	(1,153)	4,899
Health insurance	12,371	2,439	1,322	8,477	2,037	(1,904)
Policy-oriented residential earthquake insurance	45,605	4,853	-	-	-	40,752
Compulsory automobile liability insurance	<u>550,338</u>	<u>(7,667)</u>	<u>-</u>	<u>600,518</u>	<u>(197)</u>	<u>(42,316)</u>
	<u>\$ 1,438,308</u>	<u>\$ 112,757</u>	<u>\$ 159,647</u>	<u>\$ 1,098,604</u>	<u>\$ 130,842</u>	<u>\$ (63,542)</u>

For the Nine Months Ended September 30, 2020

Insurance Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	\$ 626,415	\$ 92,733	\$ 130,964	\$ 336,731	\$ 17,185	\$ 48,802
Marine insurance	38,941	569	7,448	30,715	(959)	1,168
Land and air insurance	73,776	19,713	31,842	43,347	19,489	(40,615)
Liability insurance	3,703	1,562	315	354	1,210	262
Guarantee insurance	26,055	1,258	7,408	3,570	(6,856)	20,675
Other property insurance	168,777	5,831	28,295	158,379	(4,188)	(19,540)
Accident insurance	10,661	460	(186)	4,090	117	6,180
Health insurance	19,873	1,279	1,987	20,318	84	(3,795)
Policy-oriented residential earthquake insurance	42,004	3,993	-	65	(136)	38,082
Compulsory automobile liability insurance	<u>555,660</u>	<u>(6,563)</u>	<u>-</u>	<u>673,030</u>	<u>3,459</u>	<u>(114,266)</u>
	<u>\$ 1,565,865</u>	<u>\$ 120,835</u>	<u>\$ 208,073</u>	<u>\$ 1,270,599</u>	<u>\$ 29,405</u>	<u>\$ (63,047)</u>

Ceded reinsurance business

Insurance Type	For the Three Months Ended September 30, 2021					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 365,853	\$ (177,796)	\$ 41,354	\$ 435,469	\$ (153,179)	\$ 220,005
Marine insurance	74,317	(61,373)	12,408	27,452	(145,635)	241,465
Land and air insurance	109,862	10,347	26,527	33,983	(20,810)	59,815
Liability insurance	230,480	102,624	39,645	97,749	(67,191)	57,653
Guarantee insurance	18,796	3,054	3,318	(30)	157	12,297
Other property insurance	136,929	(23,824)	27,768	28,639	25,710	78,636
Accident insurance	58,456	(2,375)	15,778	18,103	170	26,780
Health insurance	43,273	(81,323)	17,005	42,809	18,172	46,610
Policy-oriented residential earthquake insurance	110,650	(883)	-	-	-	111,533
Compulsory automobile liability insurance	318,143	292	-	309,156	14,121	(5,426)
	<u>\$ 1,466,759</u>	<u>\$ (231,257)</u>	<u>\$ 183,803</u>	<u>\$ 993,330</u>	<u>\$ (328,485)</u>	<u>\$ 849,368</u>

Insurance Type	For the Three Months Ended September 30, 2020					
	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 334,887	\$ (83,974)	\$ 35,189	\$ 20,274	\$ 70,508	\$ 292,890
Marine insurance	58,484	(44,027)	9,583	45,325	(23,979)	71,582
Land and air insurance	84,493	(10,655)	21,403	35,919	1,105	36,721
Liability insurance	201,798	84,989	21,059	30,671	59,217	5,862
Guarantee insurance	14,258	(2,098)	2,706	3,012	(5,976)	16,614
Other property insurance	91,363	(93,358)	23,553	54,002	(31,167)	138,333
Accident insurance	58,863	(4,483)	14,918	17,588	419	30,421
Health insurance	9	6	4	-	-	(1)
Policy-oriented residential earthquake insurance	109,099	193	-	-	-	108,906
Compulsory automobile liability insurance	314,975	899	-	300,369	(973)	14,680
	<u>\$ 1,268,229</u>	<u>\$ (152,508)</u>	<u>\$ 128,415</u>	<u>\$ 507,160</u>	<u>\$ 69,154</u>	<u>\$ 716,008</u>

For the Nine Months Ended September 30, 2021

Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 1,596,377	\$ (7,193)	\$ 115,547	\$ 650,691	\$ 1,135,120	\$ (297,788)
Marine insurance	353,888	(48,370)	46,016	114,001	55,342	186,899
Land and air insurance	313,090	19,360	76,510	115,215	24,847	77,158
Liability insurance	407,166	35,773	83,567	166,907	(1,085)	122,004
Guarantee insurance	58,978	12,599	9,836	(32,661)	(14,544)	83,748
Other property insurance	570,630	32,586	91,840	150,722	(42,100)	337,582
Accident insurance	171,503	24,069	45,064	61,944	738	39,688
Health insurance	520,012	335,791	207,700	59,787	23,373	(106,639)
Policy-oriented residential earthquake insurance	331,762	(2,016)	-	-	-	333,778
Compulsory automobile liability insurance	889,113	(1,202)	-	870,336	(52,360)	72,339
	<u>\$ 5,212,519</u>	<u>\$ 401,397</u>	<u>\$ 676,080</u>	<u>\$ 2,156,942</u>	<u>\$ 1,129,331</u>	<u>\$ 848,769</u>

For the Nine Months Ended September 30, 2020

Insurance Type	Reinsurance Expenses	Net Changes in Ceded Unearned Premium Reserve	Reinsurance Commission Income	Claims and Payments (Recovered from Reinsurers)	Net Changes in Ceded Loss Reserve	(Profit) Loss
Fire insurance	\$ 1,368,424	\$ 147,629	\$ 113,746	\$ 83,639	\$ 242,254	\$ 781,156
Marine insurance	306,883	(20,131)	34,560	112,241	128,060	52,153
Land and air insurance	281,574	10,494	66,516	109,680	(6,005)	100,889
Liability insurance	374,797	15,055	62,963	197,898	(8,784)	107,665
Guarantee insurance	58,377	12,542	10,802	(71,304)	4,006	102,331
Other property insurance	520,501	(21,937)	78,511	172,044	11,237	280,646
Accident insurance	180,156	29,878	44,449	51,407	(5,365)	59,787
Health insurance	13	10	5	-	-	(2)
Policy-oriented residential earthquake insurance	332,209	10,372	-	(996)	-	322,833
Compulsory automobile liability insurance	881,851	(10,920)	-	938,330	(26,899)	(18,660)
	<u>\$ 4,304,785</u>	<u>\$ 172,992</u>	<u>\$ 411,552</u>	<u>\$ 1,592,939</u>	<u>\$ 338,504</u>	<u>\$ 1,788,798</u>

6) Sensitivity to insurance risk

a) Cathay Century

For the nine months ended September 30, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 2,245,437	48.06%	\$ (112,272)	\$ (68,607)
Marine insurance	575,894	45.03%	(28,795)	(13,531)
Land and air insurance	7,821,746	62.59%	(391,087)	(382,636)
Liability insurance	1,395,276	50.74%	(69,764)	(46,556)
Guarantee insurance	92,542	38.81%	(4,627)	(963)
Other property insurance	764,127	51.20%	(38,206)	(8,614)
Accident insurance	2,124,112	43.81%	(106,206)	(101,506)
Health insurance	976,982	32.94%	(48,849)	(39,983)
Policy-oriented residential earthquake insurance	331,762	11.00%	(16,588)	(3,318)
Compulsory automobile liability insurance	<u>2,119,240</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 18,447,118</u>		<u>\$ (816,394)</u>	<u>\$ (665,714)</u>

For the nine months ended September 30, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Increase in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Fire insurance	\$ 2,291,298	48.91%	\$ (114,565)	\$ (114,565)
Marine insurance	443,777	36.22%	(22,189)	(10,761)
Land and air insurance	7,107,779	63.32%	(355,389)	(344,895)
Liability insurance	1,126,793	50.58%	(56,340)	(35,979)
Guarantee insurance	92,356	265.16%	(4,618)	(2,712)
Other property insurance	752,173	63.64%	(37,609)	(29,579)
Accident insurance	2,166,816	42.68%	(108,341)	(102,606)
Health insurance	147,445	36.07%	(7,372)	(7,372)
Policy-oriented residential earthquake insurance	332,209	10.65%	(16,610)	(8,305)
Compulsory automobile liability insurance	<u>2,111,080</u>	Not applicable	<u>Not applicable</u>	<u>Not applicable</u>
	<u>\$ 16,571,726</u>		<u>\$ (723,033)</u>	<u>\$ (656,774)</u>

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

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

b) Cathay Insurance (Vietnam)

For the nine months ended September 30, 2021

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 119,368	21.52%	\$ (5,968)	\$ (5,952)
Marine insurance	7,351	18.45%	(368)	(104)
Fire insurance	181,661	31.49%	(9,083)	(2,007)
Engineering insurance	4,331	65.21%	(217)	(37)
Accident insurance	25,802	39.86%	(1,290)	(1,290)
Liability insurance	<u>1,011</u>	12.16%	<u>(51)</u>	<u>(20)</u>
	\$ 339,524		\$ (16,977)	\$ (9,410)

For the nine months ended September 30, 2020

Insurance Type	Premium Income	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate	
			Before Reinsurance	After Reinsurance
Automobile insurance	\$ 147,194	30.61%	\$ (7,360)	\$ (7,328)
Marine insurance	7,209	15.16%	(360)	(83)
Fire insurance	117,424	53.38%	(5,871)	(1,364)
Engineering insurance	4,815	28.25%	(241)	(73)
Accident insurance	21,089	36.75%	(1,054)	(1,054)
Liability insurance	<u>975</u>	14.24%	<u>(49)</u>	<u>(16)</u>
	\$ 298,706		\$ (14,935)	\$ (9,918)

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

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

7) Risk concentration

a) Cathay Century

i. Situations that may cause concentration of insurance risk:

i) Single insurance contract or several related contracts

As of September 30, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated changes in trend

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

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

“The Regulations for Assisting in Filing Lawsuit Cases of Cathay Century Insurance” were set up to safeguard the rights of Cathay Century and the insured and to monitor the progress of insurance claim lawsuits. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of September 30, 2021, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Century established “points for handling teams of catastrophe and major event” and “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Century and to keep financial stability. As of September 30, 2021, measures have been taken to deal with the impact of COVID-19 on operating, insurance and investment business.

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

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

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

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

v) Concentration of geographic regions and operating segments

Cathay Century's catastrophe insurance for earthquakes and floods are mainly in the areas of Taoyuan, Hsinchu, Taichung, Chiayi, Tainan, Kaohsiung and Pingtung.

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

The following table summarizes Cathay Century's concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended September 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 649,292	\$ 188,499	\$ 326,378	\$ 511,413	9.91
Marine insurance	140,812	4,831	72,594	73,049	1.42
Land and air insurance	2,695,420	12,014	109,862	2,597,572	50.34
Liability insurance	588,865	2,117	230,435	360,547	6.99
Guarantee insurance	26,465	6,016	18,796	13,685	0.27
Other property insurance	207,562	17,727	136,194	89,095	1.72
Accident insurance	745,678	1,332	58,456	688,554	13.35
Health insurance	220,695	9,172	43,273	186,594	3.62
Policy-oriented residential earthquake insurance	110,650	14,588	110,650	14,588	0.28
Compulsory automobile liability insurance	753,965	188,284	318,143	624,106	12.10
Total	\$ 6,139,404	\$ 444,580	\$ 1,424,781	\$ 5,159,203	100.00

Insurance Type	For the Three Months Ended September 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 609,752	\$ 160,870	\$ 302,726	\$ 467,896	9.92
Marine insurance	115,474	9,090	56,617	67,947	1.44
Land and air insurance	2,448,467	33,717	84,493	2,397,691	50.82
Liability insurance	475,423	908	201,666	274,665	5.82
Guarantee insurance	25,377	7,098	14,258	18,217	0.39
Other property insurance	153,595	38,909	90,150	102,354	2.17
Accident insurance	757,837	3,585	58,863	702,559	14.89
Health insurance	42,789	2,735	9	45,515	0.97
Policy-oriented residential earthquake insurance	109,099	13,486	109,099	13,486	0.28
Compulsory automobile liability insurance	750,196	192,322	314,975	627,543	13.30
Total	\$ 5,488,009	\$ 462,720	\$ 1,232,856	\$ 4,717,873	100.00

Insurance Type	For the Nine Months Ended September 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 2,245,437	\$ 561,938	\$ 1,434,133	\$ 1,373,242	9.25
Marine insurance	575,894	24,157	349,043	251,008	1.69
Land and air insurance	7,821,746	110,339	313,072	7,619,013	51.31
Liability insurance	1,395,276	6,036	406,490	994,822	6.70
Guarantee insurance	92,542	8,787	58,978	42,351	0.29
Other property insurance	764,127	112,655	566,450	310,332	2.08
Accident insurance	2,124,112	9,754	171,503	1,962,363	13.22
Health insurance	976,982	12,371	520,012	469,341	3.16
Policy-oriented residential earthquake insurance	331,762	45,605	331,762	45,605	0.31
Compulsory automobile liability insurance	2,119,240	550,338	889,113	1,780,465	11.99
Total	\$ 18,447,118	\$ 1,441,980	\$ 5,040,556	\$ 14,848,542	100.00

Insurance Type	For the Nine Months Ended September 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Fire insurance	\$ 2,291,298	\$ 637,794	\$ 1,278,086	\$ 1,651,006	11.84
Marine insurance	443,777	38,941	301,835	180,883	1.30
Land and air insurance	7,107,779	73,776	281,538	6,900,017	49.49
Liability insurance	1,126,793	3,703	374,163	756,333	5.42
Guarantee insurance	92,356	26,055	58,377	60,034	0.43
Other property insurance	752,173	168,752	517,485	403,440	2.89
Accident insurance	2,166,816	10,661	180,156	1,997,321	14.33
Health insurance	147,445	19,873	13	167,305	1.20
Policy-oriented residential earthquake insurance	332,209	42,004	332,209	42,004	0.30
Compulsory automobile liability insurance	2,111,080	555,660	881,851	1,784,889	12.80
Total	\$ 16,571,726	\$ 1,577,219	\$ 4,205,713	\$ 13,943,232	100.00

- iii. Disclosure of the management's past performance regarding the risks with low frequency of occurrence but enormous impact on property insurance business to assist the user of financial statements assess the uncertainty of cash flows related to such risks.

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

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

b) Cathay Insurance (Vietnam)

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

i) Single insurance contract or several related contracts

As of September 30, 2021, commercial insurance products with low frequency of occurrence and enormous possible losses have been reviewed and discussed in compliance with the underwriting guidelines by the underwriting department, reinsurance department and risk management department or in project meeting.

ii) Exposure to unanticipated changes in trend

As of September 30, 2021, the premium income of comprehensive travel insurance have decreased due to the reduced demand for traveling in case of COVID-19; however, there is no effect to business risk so far, and Cathay Insurance (Vietnam) will keep on observing risk exposure.

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

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Century and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each unit has appointed a staff for compliance matters to minimize possible legal risk. As of September 30, 2021, there are no material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts.

- iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may be derived accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, Cathay Insurance (Vietnam) established the Points for Handling Major Events of Cathay Insurance (Vietnam) under which crisis handling team is set up in reaction to the event and executes emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of September 30, 2021, there is no interaction among risks resulting from a catastrophe.

- v) Concentration of geographic regions and operating segments

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

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

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Three Months Ended September 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 30,352	\$ -	\$ -	\$ 30,352	67.02
Flood insurance	2,550	-	1,724	826	1.82
Fire insurance	42,607	1,495	39,473	4,629	10.22
Engineering insurance	1,124	22	736	410	0.91
Accident insurance	9,002	36	-	9,038	19.96
Liability insurance	75	-	43	32	0.07
Total	\$ 85,710	\$ 1,553	\$ 41,976	\$ 45,287	100.00

Insurance Type	For the Three Months Ended September 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 41,123	\$ -	\$ -	\$ 41,123	69.31
Flood insurance	2,674	-	1,867	807	1.36
Fire insurance	51,032	2,600	47,162	6,470	10.91
Engineering insurance	2,209	26	1,214	1,021	1.72
Accident insurance	9,862	-	-	9,862	16.62
Liability insurance	175	-	130	45	0.08
Total	\$ 107,075	\$ 2,626	\$ 50,373	\$ 59,328	100.00

Insurance Type	For the Nine Months Ended September 30, 2021				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 119,368	\$ 66	\$ 17	\$ 119,417	72.86
Flood insurance	7,351	-	4,846	2,505	1.53
Fire insurance	181,661	9,898	177,186	14,373	8.77
Engineering insurance	4,331	435	3,472	1,294	0.79
Accident insurance	25,802	36	-	25,838	15.77
Liability insurance	1,011	834	1,383	462	0.28
Total	\$ 339,524	\$ 11,269	\$ 186,904	\$ 163,889	100.00

Insurance Type	For the Nine Months Ended September 30, 2020				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	\$ 147,194	\$ -	\$ 36	\$ 147,158	78.16
Flood insurance	7,209	-	5,048	2,161	1.15
Fire insurance	117,424	3,622	105,339	15,707	8.34
Engineering insurance	4,815	26	3,016	1,825	0.97
Accident insurance	21,089	-	-	21,089	11.20
Liability insurance	975	-	633	342	0.18
Total	\$ 298,706	\$ 3,648	\$ 114,072	\$ 188,282	100.00

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

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

8) Development trends of claims

a) Cathay Century

September 30, 2021

Accident Year	≤ 2014	2015	2016	2017	2018	2019	2020	2021	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 9,508,911	\$ 7,359,606	
After the first year	-	7,418,703	11,455,620	8,025,062	8,574,948	10,063,196	10,985,764	-	
After the second year	-	7,548,387	10,970,548	7,965,701	8,479,083	9,906,931	-	-	
After the third year	-	7,495,744	11,133,431	8,000,179	8,458,053	-	-	-	
After the fourth year	-	7,449,663	11,177,663	7,978,761	-	-	-	-	
After the fifth year	-	7,456,430	11,094,656	-	-	-	-	-	
After the sixth year	-	7,451,630	-	-	-	-	-	-	
Final estimated claim payments	-	7,451,630	11,094,656	7,978,761	8,458,053	9,906,931	10,985,764	7,359,606	
Accumulated claims disbursed	-	7,422,209	11,049,960	7,890,893	8,290,463	9,067,074	8,265,657	3,366,383	
Adjustment	255,816	29,421	44,696	87,868	167,590	839,857	2,720,107	3,993,223	\$ 8,138,578
Amount recognized in balance sheet	\$ 255,816	\$ 29,421	\$ 44,696	\$ 87,868	\$ 167,590	\$ 839,857	\$ 2,720,107	\$ 4,145,206	\$ 8,290,561

December 31, 2020

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

September 30, 2020

Accident Year	≤ 2013	2014	2015	2016	2017	2018	2019	2020	Total
Accumulated estimated claim payments									
End of the underwriting year	\$ -	\$ 7,066,945	\$ 7,559,012	\$ 12,235,424	\$ 8,134,147	\$ 9,090,990	\$ 10,190,448	\$ 7,152,507	
After the first year	-	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	10,099,791	-	
After the second year	-	7,156,309	7,548,387	10,970,548	7,965,701	8,483,677	-	-	
After the third year	-	7,135,341	7,495,744	11,133,431	7,993,330	-	-	-	
After the fourth year	-	7,133,873	7,449,663	11,172,800	-	-	-	-	
After the fifth year	-	7,145,756	7,454,367	-	-	-	-	-	
After the sixth year	-	7,171,701	-	-	-	-	-	-	
Final estimated claim payments	-	7,171,701	7,454,367	11,172,800	7,993,330	8,483,677	10,099,791	7,152,507	
Accumulated claims disbursed	-	6,945,582	7,414,320	11,084,660	7,831,854	8,070,718	8,196,533	3,252,361	
Adjustment	92,794	226,119	40,047	88,140	161,476	412,959	1,903,258	3,900,146	\$ 6,824,939
Amount recognized in balance sheet	\$ 92,794	\$ 226,119	\$ 40,047	\$ 88,140	\$ 161,476	\$ 412,959	\$ 1,903,258	\$ 4,043,379	\$ 6,968,172

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

Note 2: The above tables excludes direct loss reserve of compulsory insurance, policy-oriented residential earthquake insurance and inward loss reserve of \$1,555,818 thousand and \$1,372,002 thousand as of September 30, 2021, \$1,638,786 thousand and \$1,241,160 thousand as of December 31, 2020, \$1,540,932 thousand and \$1,168,001 thousand as of September 30, 2020.

b) Cathay Insurance (Vietnam)

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

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 1,795,781,455	\$ 1,748,081,143	\$ 1,684,851,058
Financial assets at FVTOCI	1,662,374,427	1,562,998,457	1,428,047,111
Financial assets for hedging	244,235	146,959	386,927
Financial assets at amortized cost			
Cash and cash equivalents	476,817,293	536,716,255	494,736,913
Due from the Central Bank and call loans to banks	198,499,396	129,503,924	160,635,656
Debt instruments at amortized cost	3,240,849,350	3,161,044,538	3,125,566,149
Notes and bonds purchased under resale agreements	76,195,818	67,264,342	63,619,193
Discounts and loans, net	2,277,243,022	2,141,276,205	2,086,797,598
Receivables, net	189,383,985	191,916,164	167,753,341
Other financial assets	713,235,519	660,547,975	608,132,840
Guarantee deposits paid	34,425,482	40,044,829	39,005,299
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	84,999,867	140,778,098	121,107,668
Financial liabilities for hedging	42,836	139,858	57,171
Financial liabilities at amortized cost			
Deposits from the Central Bank and banks	82,603,839	66,131,059	67,455,803
Due to the Central Bank and banks	1,076,000	1,076,000	1,000,000
Notes and bonds sold under repurchase agreements	23,767,050	12,299,564	20,121,182
Commercial paper payable, net	62,669,737	39,519,918	38,879,972
Payables	107,446,145	68,696,694	69,580,012
Deposits and remittances	2,816,351,413	2,615,799,063	2,485,831,901
Bonds payable	141,800,000	148,800,000	148,800,000
Other borrowings	1,288,320	1,657,576	372,779
Other financial liabilities	737,975,535	692,760,284	649,688,701
Lease liabilities	14,633,920	13,011,637	12,772,008
Guarantee deposits received	13,001,954	21,314,390	16,145,851

b. The valuation technique and assumptions used in determining the fair value of financial instruments

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

- 1) The carrying amount of cash and cash equivalents, accounts receivable, short-term debts and accounts payable approximates their fair value due to their short maturities.
- 2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 3) Fair values of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of liquidity, P/E ratio of similar entities and Price-Book ratio of similar entities).
- 4) Fair value of debt instruments without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk information).
- 5) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using the interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- 6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determines its credit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experiences of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded on the Taipei Exchange.

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

1) Fair value hierarchy

Items	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	\$ 539,877,145	\$ 520,584,609	\$ 13,034,071	\$ 6,258,465	\$ 538,241,070	\$ 511,087,638	\$ 20,099,118	\$ 7,054,314	\$ 458,465,287	\$ 423,037,029	\$ 27,547,931	\$ 7,880,327
Bonds	333,827,599	30,104,633	300,757,227	2,965,739	213,583,160	7,624,176	203,032,964	2,926,020	241,913,672	8,619,862	230,790,395	2,503,415
Other	868,912,074	510,623,890	190,375,814	167,912,370	895,567,396	541,181,304	234,648,942	119,737,150	888,691,417	546,431,497	232,518,485	109,741,435
Financial assets at FVTOCI												
Stocks	153,444,859	138,239,529	-	15,205,330	123,365,677	113,328,058	-	10,037,619	96,141,199	86,333,634	-	9,807,565
Bonds (Note)	1,485,620,694	187,783,710	1,297,836,984	-	1,401,383,513	171,349,180	1,230,034,333	-	1,244,573,061	151,422,306	1,093,150,755	-
Other	24,446,594	-	24,446,594	-	39,411,018	-	39,411,018	-	88,490,022	-	88,490,022	-
Liabilities												
Financial liabilities at FVTPL												
Financial liabilities designated as at FVTPL	41,484,266	-	41,484,266	-	44,204,582	-	44,204,582	-	44,924,947	-	44,924,947	-
Held for trading	269,388	269,388	-	-	15,146,735	15,146,735	-	-	7,145,358	7,145,358	-	-
Derivative instruments												
Assets												
Financial assets at FVTPL	53,164,637	282,772	48,513,697	4,368,168	100,689,517	1,504,002	93,823,683	5,361,832	95,780,682	912,060	86,826,955	8,041,667
Financial assets for hedging	244,235	-	244,235	-	146,959	-	146,959	-	386,927	-	386,927	-
Liabilities												
Financial liabilities at FVTPL	43,246,213	434,357	38,443,688	4,368,168	81,426,781	611,466	75,453,483	5,361,832	69,037,363	388,357	60,607,339	8,041,667
Derivative 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.

2) Reconciliation for movements in Level 3 fair value measurements

	For the Nine Months Ended September 30, 2021		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 135,079,316	\$ 10,037,619	\$ 5,361,832
Recognized in profit or loss			
Gain (loss) on financial assets and liabilities at FVTPL	31,933,978	-	(992,746)
Loss on reclassification using the overlay approach	(23,061,972)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(32,532)	(131)	-
Other comprehensive income reclassified using the overlay approach	23,061,972	-	-
Gain on financial assets at FVTOCI	-	1,779,618	-
Acquisitions or issuances	37,074,214	3,602,885	294,961
Disposals or settlements	(21,247,721)	(214,661)	(295,879)
Transfers out of Level 3	(1,302,513)	-	-
Ending balance	<u>\$ 181,504,742</u>	<u>\$ 15,205,330</u>	<u>\$ 4,368,168</u>
	For the Nine Months Ended September 30, 2020		
	Financial Assets		Financial Liabilities
	At FVTPL	At FVTOCI	At FVTPL
Beginning balance	\$ 113,469,910	\$ 11,107,719	\$ 10,681,179
Recognized in profit or loss			
Loss on financial assets and liabilities at FVTPL	(698,502)	-	(1,809,202)
Gain on reclassification using the overlay approach	3,340,256	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(70,240)	(201)	-
Other comprehensive loss reclassified using the overlay approach	(3,340,256)	-	-
Loss on financial assets at FVTOCI	-	(891,765)	-
Acquisitions or issuances	28,692,289	115,542	88,630
Disposals or settlements	(13,052,185)	(60,000)	(918,940)
Transfers out of Level 3	(174,428)	(463,730)	-
Ending balance	<u>\$ 128,166,844</u>	<u>\$ 9,807,565</u>	<u>\$ 8,041,667</u>

Regarding the above amounts recognized in profit or loss for the nine months ended September 30, 2021 and 2020, unrealized gains of \$680,989 thousand and unrealized losses of \$2,136,035 thousand were related to financial assets held at the end of the period, respectively.

Regarding the above amounts recognized in profit or loss for the nine months ended September 30, 2021 and 2020, unrealized gains of \$992,746 thousand and \$1,809,202 thousand were related to financial liabilities held at the end of the period, respectively.

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

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

Cathay Life and its subsidiaries

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%
		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%
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

September 30, 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	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%
		Dividend payout ratio	85%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

September 30, 2021				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

December 31, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

September 30, 2020				
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets, the higher the fair value of the shares

Cathay Century and its subsidiaries

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

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

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

Cathay Securities and its subsidiaries

September 30, 2021					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

December 31, 2020					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

September 30, 2020					
Items	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value	Sensitivity of the Input to Fair Value
Equity instruments at FVTOCI	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

4) Valuation process for Level 3 fair value measurements

The Group's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

d. Fair values of financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, due from the Central Bank and call loans to banks, notes and bonds purchased under resale agreements, receivables, loans, guarantee deposits paid, deposits from the Central Bank and banks, due to the Central Bank and banks, notes and bonds sold under repurchase agreements, commercial paper payable, bonds payable, other borrowings, payables, deposits and remittances, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

September 30, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,251,123,677	\$ 35,928,379	\$ 3,434,680,897	\$ 5,357,439	\$ 3,475,966,715

December 31, 2020

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

September 30, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 3,135,466,472	\$ 125,307,990	\$ 3,342,185,424	\$ 1,343,293	\$ 3,468,836,707

Note: Including those serving as refundable deposits.

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

e. Hedge accounting disclosures

Cathay Life and its subsidiaries

1) Cash flow hedges

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

a) Hedging instruments

September 30, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 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 Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 4,000,000	\$ 146,959	\$ -	Financial assets for hedging	\$ 31,333
IRS	1,086,868	-	48,887	Financial liabilities for hedging	(20,076)
September 30, 2020					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
IRS	\$ 6,200,000	\$ 167,772	\$ -	Financial assets for hedging	\$ 36,538
IRS	1,155,938	-	57,171	Financial liabilities for hedging	(27,950)

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

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>September 30, 2021</u>					
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
<u>December 31, 2020</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 195,993	\$ 4,890,875	\$ -
Average fixed rate	-	-	2.5%	1.7%-2.5%	-

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

c) 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	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (2,277)	\$ 113,216	N/A	\$ 2,277	\$ -	\$ -	\$ (36,020)	Net other noninterest gain
Payables	(15,350)	(28,746)	N/A	15,350	-	-	-	Net other noninterest gain
Discontinued hedge - bond investments	N/A	N/A	(239)	N/A	N/A	N/A	6	Net other noninterest gain

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	Change in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Item Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	\$ (36,538)	\$ 167,772	N/A	\$ 36,538	\$ -	\$ -	\$ (53,973)	Net other non-interest gain
Payables	27,950	(57,171)	N/A	(27,950)	-	-	-	Net other non-interest gain
Discontinued hedge - bond investments	N/A	N/A	(259)	N/A	N/A	N/A	7	Net other non-interest gain

d) 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	\$ 116,269
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	17,634	8,596
Amount reclassified from the cash flow hedge reserve to profit or loss	(36,014)	(53,966)
Tax effects	<u>6,661</u>	<u>13,440</u>
Ending balance	<u>\$ 63,241</u>	<u>\$ 84,339</u>

2) Fair value hedges

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

a) Hedging instruments

September 30, 2021					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
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 liability for hedging	14,400

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

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

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

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>September 30, 2021</u>					
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	-
<u>December 31, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,825,692
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285
<u>September 30, 2020</u>					
CCS					
Nominal principal	\$ -	\$ -	\$ -	\$ -	\$ 4,930,304
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

c) Hedged items

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

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

d) 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
<u>Foreign currency basis-related period</u>		
Beginning balance	\$ 272,911	\$ 215,661
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive income	(105,063)	145,306
Amount reclassified to profit or loss	24,460	-
Tax effects	<u>16,120</u>	<u>(29,061)</u>
Ending balance	<u>\$ 208,428</u>	<u>\$ 331,906</u>

f. Offsetting of financial assets and financial liabilities

Cathay Life and its subsidiaries

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

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

September 30, 2021

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
				Derivative financial instruments	\$ 12,756,332	

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
				Derivative financial instruments	\$ 7,487,071	

December 31, 2020

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
				Derivative financial instruments	\$ 28,176,353	

Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet (b)	Net Financial Liabilities Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
				Derivative financial instruments	\$ 11,778,038	

September 30, 2020

Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
				Derivative financial instruments	\$ 24,311,690	

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

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: Global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

September 30, 2021

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 40,886,248	\$ -	\$ 40,886,248	\$ 35,733,649	\$ 4,164,974	\$ 987,625

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 35,733,649	\$ -	\$ 35,733,649	\$ 35,733,649	\$ -	\$ -
Repurchase agreement	21,300,298	-	21,300,298	20,844,379	455,919	-

December 31, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 73,217,904	\$ -	\$ 73,217,904	\$ 71,410,047	\$ 1,807,857	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 71,410,047	\$ -	\$ 71,410,047	\$ 71,410,047	\$ -	\$ -
Repurchase agreement	10,092,058	-	10,092,058	9,278,702	813,356	-

September 30, 2020

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 72,282,946	\$ -	\$ 72,282,946	\$ 68,313,055	\$ 3,969,891	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 68,313,055	\$ -	\$ 68,313,055	\$ 68,313,055	\$ -	\$ -
Repurchase agreement	17,722,825	-	17,722,825	16,361,078	1,361,747	-

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

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

September 30, 2021

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Repurchase bonds	\$ 2,466,752	\$ -	\$ 2,466,752	\$ 2,461,628	\$ -	\$ 5,124

December 31, 2020

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

September 30, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Relevant Amount That Has Not Been Offset on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Repurchase bonds	\$ 2,398,357	\$ -	\$ 2,398,357	\$ 2,418,518	\$ -	\$ (20,161)

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

g. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

September 30, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 20,475,506	\$ 20,015,425	\$ 20,475,506	\$ 20,015,425	\$ 460,081
Debt instruments at amortized cost					
Repurchase agreements	1,312,363	1,284,873	1,364,999	1,284,873	80,126

December 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 9,706,456	\$ 9,175,931	\$ 9,706,456	\$ 9,175,931	\$ 530,525
Debt instruments at amortized cost					
Repurchase agreements	865,651	916,127	961,477	916,127	45,350

September 30, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 17,925,149	\$ 16,837,053	\$ 17,925,149	\$ 16,837,053	\$ 1,088,096
Debt instruments at amortized cost					
Repurchase agreements	890,929	885,772	900,125	885,772	14,353

Cathay Securities and its subsidiaries

Transferred financial assets that are part of Cathay Securities and its subsidiaries' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds sold under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where Cathay Securities and its subsidiaries are obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, Cathay Securities and its subsidiaries will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, Cathay Securities and its subsidiaries are still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses Cathay Securities and its subsidiaries' financial assets and financial liabilities that have not been fully derecognized:

September 30, 2021					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase bonds	\$ 2,461,628	\$ 2,466,752	\$ 2,461,628	\$ 2,466,752	\$ (5,124)

December 31, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase bonds	\$ 2,218,853	\$ 2,207,506	\$ 2,218,853	\$ 2,207,506	\$ 11,347

September 30, 2020					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI Repurchase bonds	\$ 2,418,518	\$ 2,398,357	\$ 2,418,518	\$ 2,398,357	\$ 20,161

h. Financial risk management objectives and policies

Cathay Life and its subsidiaries

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

1) Market risk analysis

a) Sources of market risk

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

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

i. Value at Risk

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

ii. Stress testing

In addition to the VaR model, Cathay Life and its subsidiaries carry out regular stress testing to measure the potential risk in the case of extreme and abnormal events.

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

i) Simple sensitivity test

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

ii) Scenario analysis

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

- Historical scenario

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

- Hypothetical scenario

Cathay Life and its subsidiaries simulate rational expectations for possible extreme market changes to evaluate the losses incurred on the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing

Risk Factor	Variable (+/-)	For the Nine Months Ended September 30	
		2021	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.

iii. Sensitivity analysis

Summary of Sensitivity Analysis

For the Nine Months Ended September 30, 2021

Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 7,139,701	\$ 5,278,882
	Appreciation of CNY/USD by 1%	341,131	308,074
	Appreciation of HKD/USD by 1%	3,703	255,955
	Appreciation of EUR/USD by 1%	(60,242)	262,677
	Appreciation of GBP/USD by 1%	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 by 1%	\$ 5,890,793	\$ 4,661,714
	Appreciation of CNY/USD by 1%	213,382	267,941
	Appreciation of HKD/USD by 1%	5,164	242,680
	Appreciation of EUR/USD by 1%	(41,912)	192,069
	Appreciation of GBP/USD by 1%	(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.

iv. Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace IBORs, such as USD London Interbank Offered Rate (USD LIBOR) 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 Cathay Life and its subsidiaries' counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are 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, Cathay Life and its subsidiaries made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. Cathay Life and its subsidiaries have identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, Cathay Life and its subsidiaries will complete the required updates on schedule, discuss with counterparties of financial instruments 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):

	<u>Carrying Amount</u>	
	USD LIBOR	Other Interest Rates Benchmarks
<u>Financial assets</u>		
Bonds	\$ 242,307,525	\$ 911,720
Loans	1,609,874	12,923,790

2) Credit risk analysis

a) Sources of credit risk

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

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of underlying assets is the risk that Cathay Life may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration risk

- i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

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 at amortized cost	<u>136,747,215</u>	<u>183,391,050</u>	<u>443,426,880</u>	<u>1,297,665,216</u>	<u>608,065,510</u>	<u>2,669,295,871</u>
	<u>\$ 564,108,831</u>	<u>\$ 254,057,847</u>	<u>\$ 701,023,974</u>	<u>\$ 1,927,043,379</u>	<u>\$ 1,120,854,973</u>	<u>\$ 4,567,089,004</u>
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 at amortized cost	152,627,614	180,749,168	427,807,550	1,224,717,193	663,462,282	2,649,363,807
	<u>\$ 643,047,619</u>	<u>\$ 259,920,798</u>	<u>\$ 640,862,155</u>	<u>\$ 1,825,745,781</u>	<u>\$ 1,091,200,102</u>	<u>\$ 4,460,776,455</u>
Proportion	14.4%	5.8%	14.4%	40.9%	24.5%	100%

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 at amortized cost	156,507,709	178,558,025	433,383,255	1,241,934,198	676,103,230	2,686,486,417
	<u>\$ 564,513,428</u>	<u>\$ 259,111,059</u>	<u>\$ 667,939,301</u>	<u>\$ 1,847,861,089</u>	<u>\$ 1,043,347,327</u>	<u>\$ 4,382,772,204</u>
Proportion	12.9%	5.9%	15.2%	42.2%	23.8%	100%

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

September 30, 2021

Location of Collaterals	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	<u>597,632</u>	<u>22,522</u>	<u>33,491</u>	<u>1,989,366</u>	<u>2,643,011</u>
	<u>\$ 205,001,506</u>	<u>\$ 42,383,703</u>	<u>\$ 58,999,432</u>	<u>\$ 4,214,480</u>	<u>\$ 310,599,121</u>
Proportion	66.0%	13.6%	19.0%	1.4%	100%

December 31, 2020

Location of Collaterals	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	<u>163,381</u>	<u>30,890</u>	<u>47,059</u>	<u>1,800,141</u>	<u>2,041,471</u>
	<u>\$ 210,556,469</u>	<u>\$ 41,531,940</u>	<u>\$ 59,610,355</u>	<u>\$ 4,497,164</u>	<u>\$ 316,195,928</u>
Proportion	66.6%	13.1%	18.9%	1.4%	100%

September 30, 2020

Location of Collaterals	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	<u>194,574</u>	<u>36,054</u>	<u>55,511</u>	<u>1,491,221</u>	<u>1,777,360</u>
	<u>\$ 213,491,608</u>	<u>\$ 40,779,491</u>	<u>\$ 59,667,207</u>	<u>\$ 4,647,358</u>	<u>\$ 318,585,664</u>
Proportion	67.0%	12.8%	18.7%	1.5%	100%

c) Categories for credit risk quality

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

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

d) Determination on the credit risk that has increased significantly since initial recognition

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

e) The definition of default and credit-impaired financial assets

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

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.
- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
 - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
 - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
 - iii) The collaterals of the borrowers are provisionally seized or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.

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

f) Measurement of expected credit loss

i. The methodology and assumptions applied

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

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

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

ii. Forward-looking information considerations

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

g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i. Financial assets of Cathay Life

	September 30, 2021					
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 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 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 at amortized cost	12,502,260	2,633,754	-	-	(172,743)	14,963,271

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

September 30, 2020						
	Stage 1	Stage 2	Stage 3		Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Investment grade						
Debt instruments at FVTOCI	\$ 1,012,820,317	\$ -	\$ -	\$ -	\$ -	\$ 1,012,820,317
Financial assets 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 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 non-accrual receivables of Cathay Life

September 30, 2021							
	Stage 1	Stage 2	Stage 3		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 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		Loss Allowance	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
	12-month Expected Credit Losses		Lifetime Expected Credit Losses	Lifetime Expected Credit Losses			
Secured loans and non-accrual receivables	\$ 308,159,666	\$ 46,631	\$ 7,989,631	\$ -	\$ (640,289)	\$ (4,093,427)	\$ 311,462,212

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

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	Lifetime Expected Credit Losses				Total of Impairment Charged in Accordance with IFRS 9
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
January 1, 2021	\$ 690,084	\$ 3,063	\$ -	\$ -	\$ 693,147
Changes due to financial instruments recognized as at January 1					
Transferred to 12-month expected credit losses	130	(130)	-	-	-
New financial assets originated or purchased	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	<u>(12,344)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(12,356)</u>
September 30, 2021	<u>\$ 344,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,835</u>
	Lifetime Expected Credit Losses				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2020	\$ 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	<u>(17,845)</u>	<u>(5,855)</u>	<u>-</u>	<u>-</u>	<u>(23,700)</u>
September 30, 2020	<u>\$ 653,532</u>	<u>\$ 46,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,992</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 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	<u>(28,013)</u>	<u>(10,222)</u>	<u>-</u>	<u>-</u>	<u>(38,235)</u>
September 30, 2021	<u>\$ 631,528</u>	<u>\$ 160,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,856</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2020	\$ 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	<u>(49,340)</u>	<u>(37,947)</u>	<u>-</u>	<u>-</u>	<u>(87,287)</u>
September 30, 2020	<u>\$ 1,897,173</u>	<u>\$ 766,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,663,845</u>

iii. Secured loans and non-accrual receivable

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 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	<u>(9,465)</u>	<u>(64,579)</u>	<u>237,560</u>	<u>-</u>	<u>163,516</u>	<u>-</u>	<u>163,516</u>
September 30, 2021	<u>\$ 21,214</u>	<u>\$ 3,936</u>	<u>\$ 748,275</u>	<u>\$ -</u>	<u>\$ 773,425</u>	<u>\$ 4,341,517</u>	<u>\$ 5,114,942</u>

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2020	\$ 84,809	\$ 299	\$ 1,146,939	\$ -	\$ 1,232,047	\$ 3,593,929	\$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(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.

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>September 30, 2021</u>					
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
<u>December 31, 2020</u>					
Gross carrying amount (Note)	\$ 16,155,217	\$ 57,342	\$ 4,641	\$ -	\$ 16,217,200
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,147	464	-	1,611

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>September 30, 2020</u>					
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 current period	<u>(442)</u>	<u>213</u>
Ending balance	<u>\$ 1,169</u>	<u>\$ 1,754</u>

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 Cathay Life is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when Cathay Life sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

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

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

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

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

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

Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and report the above issues to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- 4) To analyze the issues that Cathay United Bank's business unit brought up for discussion.
- 5) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

a) Credit risk policy and implementation

i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 89 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion-adverse opinion.
- Auditors' opinion-disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition:

i) Changes in credit rating

- Notch downgrade

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at reporting date would be classified as a significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by Cathay United Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- The lowest credit risk is classified as substandard, doubtful or loss.
- Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

iii. Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

ii) Qualitative indicator

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization.
- Principal or interest could not be paid as scheduled during the settlement period.
- Other internal or external information on judging the deterioration in credit quality.

iv. CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit impaired:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 30 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses based at the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the looking-forward macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody's.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on product characteristics.

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

- i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:
 - For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
 - For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
 - For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.
- ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:
 - The PD is based on the information regularly published by Moody's, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
 - The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking and Insurance Regulatory Commission.

iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Description
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks

i) Loan portfolio

The measurement of expected credit loss of Indovina Bank's loan portfolio is based on its credit category, risk characteristics and product category, and is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probabilities of default and loss given default were built by Cathay United Bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

ii) Bond portfolio

The measurement of expected credit loss of Indovina Bank's bond portfolio is based on its issuer's category, issuer's credit rating and risk characteristics. The probabilities of default and loss given default were built by the delinquent information and calibrated by selected macroeconomic factors for forward-looking adjustment. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

iv. CUBC Bank

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

Category	Description
Loan	Grouped by product characteristics, industry and counterparty type
Credit Card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

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

The indicators for reasonably expected to be unrecoverable include:

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

Financial asset which has been written-off can peruse the recovery of debt and institute legal proceedings continuously under related policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and use the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in 2021 are as follows:

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

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment.

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

Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2021 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2021 are as follows:

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

The valuation techniques or significant assumptions used by Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change as of September 30, 2021.

g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

i. Category of credit asset

The credit risk of Cathay United Bank is classified into five categories. Normal credit assets are classified as "Category One." The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue. Assets that require special mention are classified as "Category Two," assets that are substandard are classified as "Category Three," assets that are doubtful are classified as "Category Four," and assets for which there is loss are classified as "Category Five". For managing the default credits, Cathay United Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

Cathay United Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify credit quality) to proceed with risk management.

In order to measure the credit risk of the clients, Cathay United Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, Cathay United Bank also evaluates default risk of clients by using the credit rating scores developed by Cathay United Bank and the external due diligence services.

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

To ensure the reasonable ness of the estimated values of the credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, Cathay United Bank may use the deposits that the borrowers saved in Cathay United Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, Cathay United Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

iv. Maximum exposure to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equals their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

i) Cathay United Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2021	December 31, 2020	September 30, 2020
Irrevocable loan commitments	\$ 174,242,300	\$ 190,736,959	\$ 168,200,851
Credit card commitments	758,701,645	744,977,230	732,024,180
Unused commercial letters of credit	7,436,618	5,731,441	5,343,430
Guarantees on duties and contracts	18,967,392	17,071,951	15,394,150

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial guarantee contracts	\$ 1,322,375	\$ 1,323,647	\$ 1,271,051
Unused commercial letters of credit	1,158,327	972,917	907,191
Irrevocable loan commitments	683	-	-

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial guarantee contracts	\$ 17,635	\$ 17,406	\$ 16,685
Credit card commitments	273,549	277,491	295,093
Irrevocable loan commitments	251,727	234,582	308,755

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial guarantee contracts	\$ 334,867	\$ 236,475	\$ 327,309
Unused commercial letters of credit	655,611	210,453	210,432
Irrevocable loan commitments	740,957	928,613	899,243

To reduce the risk from any businesses, Cathay United Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, Cathay United Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems Cathay United Bank and its subsidiaries are able to control and minimize the credit risk exposures in off-balance-sheet items as Cathay United Bank and its subsidiaries use stricter rating procedures when extending credits and conduct reviews regularly.

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

September 30, 2021

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,762,693,124	\$ 54,856,901	\$ 13,062,427	\$ -	\$ 1,830,612,452
Less: Allowance impairment	(3,237,428)	(1,465,752)	(5,379,942)	-	(10,083,122)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(20,113,578)	(20,113,578)
	<u>\$ 1,759,455,696</u>	<u>\$ 53,391,149</u>	<u>\$ 7,682,485</u>	<u>\$ (20,113,578)</u>	<u>\$ 1,800,415,752</u>
	Receivable			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 92,579,760	\$ 1,675,703	\$ 2,157,980	\$ -	\$ 96,413,443
Less: Allowance impairment	(410,245)	(225,997)	(1,712,015)	-	(2,348,257)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(68,654)	(68,654)
	<u>\$ 92,169,515</u>	<u>\$ 1,449,706</u>	<u>\$ 445,965</u>	<u>\$ (68,654)</u>	<u>\$ 93,996,532</u>

December 31, 2020

	Discounts and Loans			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,621,545,452	\$ 55,888,623	\$ 12,109,964	\$ -	\$ 1,689,544,039
Less: Allowance impairment	(4,643,771)	(2,095,225)	(5,124,881)	-	(11,863,877)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(16,384,201)	(16,384,201)
	<u>\$ 1,616,901,681</u>	<u>\$ 53,793,398</u>	<u>\$ 6,985,083</u>	<u>\$ (16,384,201)</u>	<u>\$ 1,661,295,961</u>
	Receivable			Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	Stage 1	Stage 2	Stage 3		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 98,245,219	\$ 1,889,559	\$ 2,141,088	\$ -	\$ 102,275,866
Less: Allowance impairment	(465,842)	(202,476)	(1,731,461)	-	(2,399,779)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(62,941)	(62,941)
	<u>\$ 97,779,377</u>	<u>\$ 1,687,083</u>	<u>\$ 409,627</u>	<u>\$ (62,941)</u>	<u>\$ 99,813,146</u>

September 30, 2020

Discounts and Loans					
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,560,568,474	\$ 60,253,970	\$ 12,024,276	\$ -	\$ 1,632,846,720
Less: Allowance impairment	(4,274,189)	(2,451,466)	(5,673,662)	-	(12,399,317)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(15,450,268)	(15,450,268)
	<u>\$ 1,556,294,285</u>	<u>\$ 57,802,504</u>	<u>\$ 6,350,614</u>	<u>\$ (15,450,268)</u>	<u>\$ 1,604,997,135</u>
Receivable					
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 88,252,646	\$ 2,059,746	\$ 2,098,874	\$ -	\$ 92,411,266
Less: Allowance impairment	(440,714)	(200,571)	(1,685,030)	-	(2,326,315)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(63,293)	(63,293)
	<u>\$ 87,811,932</u>	<u>\$ 1,859,175</u>	<u>\$ 413,844</u>	<u>\$ (63,293)</u>	<u>\$ 90,021,658</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-credit line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Manufacturing	\$ 148,288,475	8.00	\$ 136,414,473	7.98	\$ 136,408,281	8.26
Financial institutions and insurance	77,866,945	4.20	77,235,347	4.52	77,074,019	4.67
Leasing and real estate	169,871,620	9.16	151,233,185	8.85	143,620,450	8.70
Individuals	1,120,862,860	60.47	1,029,137,040	60.20	948,513,727	57.45
Others	<u>336,704,310</u>	<u>18.17</u>	<u>315,605,920</u>	<u>18.45</u>	<u>345,456,789</u>	<u>20.92</u>
	<u>\$ 1,853,594,210</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,651,073,266</u>	<u>100.00</u>

Geographic Region	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 1,596,084,242	86.11	\$ 1,432,739,575	83.80	\$ 1,359,824,715	82.36
Asia	198,476,433	10.71	208,251,320	12.18	218,024,949	13.21
America	41,727,209	2.25	47,564,475	2.78	49,427,059	2.99
Others	17,306,326	0.93	21,070,595	1.24	23,796,543	1.44
	<u>\$ 1,853,594,210</u>	<u>100.00</u>	<u>\$ 1,709,625,965</u>	<u>100.00</u>	<u>\$ 1,651,073,266</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means that a bank cannot provide sufficient funding for business growth and for meeting obligations on matured liabilities or that it has to make late payments to counterparties or raise emergency funding to cover funding gaps.

b) Liquidity risk management strategy and principles

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. The Asset and Liability Management Committee is responsible for the planning of liquidity risk management strategy and the Financial Trading Department is responsible for the implementation, including liquidity risk measurement, interest rate sensitivity analysis, scenario simulation analysis and continuous contingency planning with quantitative management requirements and systems. Cathay United Bank adjusts its liquidity gap according to its daily funds and market changes to ensure appropriate liquidity. When the liquidity has or expects significant changes, Cathay United Bank immediately reports to the board of directors.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries hold highly marketable and diverse financial assets to meet payment obligations, i.e., assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, debt instruments at amortized cost, discounts and loans, notes and bonds purchased under resale agreements.

ii. Maturity analysis of non-derivative financial liabilities

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	September 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 51,004,362	\$ 14,744,552	\$ 7,965,043	\$ 114,737	\$ 73,828,694
Central Bank and interbank lending	-	1,076,000	-	-	1,076,000
Non-derivative financial liabilities at FVTPL	363,284	-	231,887	35,947,140	36,542,311
Securities sold under repurchase agreements	10,910,021	3,388,448	-	-	14,298,469
Payables	26,992,955	7,796,010	987,237	400,209	36,176,411
Deposits and remittances	381,212,182	1,203,216,186	1,035,514,417	150,706,817	2,770,649,602
Financial debentures payable	-	-	10,115,249	37,000,000	47,115,249
Lease liabilities	128,787	476,901	563,730	1,976,209	3,145,627
Other capital outflow at maturity	8,439,796	13,839,577	4,642,916	1,318,393	28,240,682

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 21,632,134	\$ 18,939,610	\$ 22,759,390	\$ 174,251	\$ 63,505,385
Central Bank and interbank lending	-	960,000	116,000	-	1,076,000
Non-derivative financial liabilities at FVTPL	-	-	566,549	36,775,320	37,341,869
Securities sold under repurchase agreements	8,782,928	1,322,545	-	-	10,105,473
Payables	16,497,492	2,928,046	113,437	426,011	19,964,986
Deposits and remittances	366,399,102	1,030,683,105	1,016,354,012	148,106,423	2,561,542,642
Financial debentures payable	-	7,518,502	37,213	46,800,000	54,355,715
Lease liabilities	116,107	555,111	680,363	2,409,535	3,761,116
Other capital outflow at maturity	12,868,822	15,291,646	6,218,538	1,037,130	35,416,136

	September 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	\$ 35,293,619	\$ 16,083,093	\$ 8,629,260	\$ 18,303	\$ 60,024,275
Central Bank and interbank lending	-	-	-	1,000,000	1,000,000
Non-derivative financial liabilities at FVTPL	379,711	-	242,372	37,572,540	38,194,623
Securities sold under repurchase agreements	9,865,297	563,327	-	-	10,428,624
Payables	12,958,787	7,113,319	786,245	373,142	21,231,493
Deposits and remittances	315,850,430	1,083,406,828	887,939,880	152,732,013	2,439,929,151
Financial debentures payable	-	1,131	7,334,112	46,800,000	54,135,243
Lease liabilities	128,059	519,064	657,733	2,503,774	3,808,630
Other capital outflow at maturity	12,486,068	20,222,322	6,583,483	1,008,627	40,300,500

Additional information about the maturity analysis for lease liabilities:

	September 30, 2021	December 31, 2020	September 30, 2020
Less than 1 year	\$ 1,169,418	\$ 1,351,581	\$ 1,304,856
1-5 years	1,719,644	2,156,451	2,298,693
5-10 years	256,565	250,974	205,081
Over 10 years	-	2,110	-
	<u>\$ 3,145,627</u>	<u>\$ 3,761,116</u>	<u>\$ 3,808,630</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	September 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 222,866	\$ 26,270	\$ 899	\$ 8	\$ 250,043
Interest rate derivative instruments	16,255	404,687	210,311	16,535,244	17,166,497
	<u>\$ 239,121</u>	<u>\$ 430,957</u>	<u>\$ 211,210</u>	<u>\$ 16,535,252</u>	<u>\$ 17,416,540</u>

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 144,336	\$ 51,523	\$ 17,164	\$ 5	\$ 213,028
Interest rate derivative instruments	25,200	879,624	362,723	23,592,651	24,860,198
	<u>\$ 169,536</u>	<u>\$ 931,147</u>	<u>\$ 379,887</u>	<u>\$ 23,592,656</u>	<u>\$ 25,073,226</u>

	September 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 601,413	\$ 60,932	\$ 24,149	\$ 3	\$ 686,497
Interest rate derivative instruments	<u>43,181</u>	<u>383,671</u>	<u>859,684</u>	<u>31,178,376</u>	<u>32,464,912</u>
	\$ <u>644,594</u>	\$ <u>444,603</u>	\$ <u>883,833</u>	\$ <u>31,178,379</u>	\$ <u>33,151,409</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: Foreign exchange swaps;
- ii) Interest rate derivative instruments: Cross currency swaps;
- iii) Credit derivative instruments: All derivatives shown in gross amount pay a periodic fee in return for a payment by the protection seller on credit event if any occurs.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	September 30, 2021				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (2,300,897)	\$ (3,108,147)	\$ (811,506)	\$ (579,404)	\$ (6,799,954)
Cash inflow	7,010	17,027	641	3	24,681
Interest rate derivative instruments					
Cash outflow	(249)	(48,709)	(198,976)	(407,660)	(655,594)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	<u>(2,301,146)</u>	<u>(3,156,856)</u>	<u>(1,010,482)</u>	<u>(987,064)</u>	<u>(7,455,548)</u>
Cash inflow subtotal	<u>7,010</u>	<u>17,027</u>	<u>641</u>	<u>3</u>	<u>24,681</u>
Net cash flow	\$ <u>(2,294,136)</u>	\$ <u>(3,139,829)</u>	\$ <u>(1,009,841)</u>	\$ <u>(987,061)</u>	\$ <u>(7,430,867)</u>

	December 31, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (6,206,951)	\$ (9,612,506)	\$ (3,966,155)	\$ (543,230)	\$ (20,328,842)
Cash inflow	9,935	2,984	1,329	-	14,248
Interest rate derivative instruments					
Cash outflow	-	(114,986)	(47,427)	(473,217)	(635,630)
Cash inflow	38	-	-	-	38
Cash outflow subtotal	<u>(6,206,951)</u>	<u>(9,727,492)</u>	<u>(4,013,582)</u>	<u>(1,016,447)</u>	<u>(20,964,472)</u>
Cash inflow subtotal	<u>9,973</u>	<u>2,984</u>	<u>1,329</u>	<u>-</u>	<u>14,286</u>
Net cash flow	\$ <u>(6,196,978)</u>	\$ <u>(9,724,508)</u>	\$ <u>(4,012,253)</u>	\$ <u>(1,016,447)</u>	\$ <u>(20,950,186)</u>

	September 30, 2020				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (4,038,403)	\$ (7,069,494)	\$ (2,001,784)	\$ (155,691)	\$ (13,265,372)
Cash inflow	3,684	4,938	-	-	8,622
Interest rate derivative instruments					
Cash outflow	-	(67,494)	(110,701)	(197,504)	(375,699)
Cash inflow	9	-	-	-	9
Cash outflow subtotal	<u>(4,038,403)</u>	<u>(7,136,988)</u>	<u>(2,112,485)</u>	<u>(353,195)</u>	<u>(13,641,071)</u>
Cash inflow subtotal	<u>3,693</u>	<u>4,938</u>	<u>-</u>	<u>-</u>	<u>8,631</u>
Net cash flow	\$ <u>(4,034,710)</u>	\$ <u>(7,132,050)</u>	\$ <u>(2,112,485)</u>	\$ <u>(353,195)</u>	\$ <u>(13,632,440)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items are shown as follows:

September 30, 2021

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 144,752,517	\$ 25,909,994	\$ 3,579,789	\$ 174,242,300
Credit card commitments	35,294,426	205,343,016	518,064,203	758,701,645
Financial guarantee contracts	18,137,523	8,237,181	29,306	26,404,010

December 31, 2020

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 159,685,630	\$ 25,896,936	\$ 5,154,393	\$ 190,736,959
Credit card commitments	52,483,033	233,082,112	459,412,085	744,977,230
Financial guarantee contracts	15,178,359	7,594,933	30,100	22,803,392

September 30, 2020

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 136,571,155	\$ 26,136,664	\$ 5,493,032	\$ 168,200,851
Credit card commitments	38,388,757	232,322,457	461,312,966	732,024,180
Financial guarantee contracts	14,559,479	6,149,179	28,922	20,737,580

3) Market risk

a) Source and definition of market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

b) Market risk management strategy and process

Market risk management process

i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., are used to measure the extent of investment portfolio loss that is influenced by interest risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason for not implementing stop-loss process and response plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent source and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 100bp, equity securities price at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of trading book

Cathay United Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, Cathay United Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

iii. Method of measurement

- i) The assumptions and calculation method are described in the VaR section.
- ii) Cathay United Bank measures the investment portfolio's interest risk exposure with DV01 monthly.

e) Interest risk management of banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

i. Strategy

Interest risk management enhances Cathay United Bank's ability to take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets or liabilities.

ii. Management procedure

When undertaking the operations relating to interest rate instruments, Cathay United Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In addition, Cathay United Bank also measures the potential impact of interest rate changes on the profit and economic value of Cathay United Bank. Cathay United Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets are found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

iii. Method of measurement

The interest risk of Cathay United Bank is mainly measured by the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off-balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, Cathay United Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress testing. Each interest risk indicator and the result of stress testing are reported to the executive management regularly for review.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchanged at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 3% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is avoid the massive fluctuation of equity securities price that worsens Cathay United Bank's financial situation or earnings, as well as to raise the operating efficiency of capital and strengthen the business operation.

iii. Procedure of risk management of equity securities price

Cathay United Bank sets investment limits on industries, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

Cathay United Bank's risk of equity securities prices from its non-trading portfolio is controlled through stress testing of business scale under appropriate scenarios and Cathay United Bank reports the results to the risk management committee.

Cathay United Bank adopts many methods to manage its market risk. Value-at-risk (VaR) is one of the methods. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99% to extrapolate the VaR of one-year fluctuations. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

September 30, 2021				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 103,458	\$ 193,477	\$ 43,133	\$ 193,477
Foreign exchange	110,427	207,113	65,675	70,541
Equity securities price	365,690	629,009	120,573	120,573

December 31, 2020				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 98,733	\$ 194,699	\$ 44,753	\$ 44,753
Foreign exchange	223,146	371,160	121,699	162,748
Equity securities price	364,210	791,984	103,986	431,373

September 30, 2020				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 116,903	\$ 194,699	\$ 72,467	\$ 79,068
Foreign exchange	193,957	371,160	35,686	161,156
Equity securities price	318,495	791,984	103,986	234,264

Note: Above information about factors of market risks is defined by risk management of the trading book.

Cathay United Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities. Cathay United Bank trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank transacts derivative contracts with its clients to meet their demands and also takes proprietary positions for its own accounts within the allowed market risk.

h) Stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

Stress Testing				
Market/Product	Scenarios	September 30, 2021	December 31, 2020	September 30, 2020
Stock market	Major stock exchanges +15%	\$ 859,931	\$ 2,111,674	\$ 1,020,298
	Major stock exchanges -15%	(859,931)	(2,038,832)	(1,020,298)
Interest rate/bond market	Major interest rate +100bp	(712,487)	(1,433,146)	(1,704,028)
	Major interest rate -100bp	784,146	53,539	714,874
Foreign exchange market	Major currencies +3%	431,300	306,945	412,530
	Major currencies -3 %	(415,042)	(306,945)	(399,896)
Composite	Major stock exchanges -15%	(1,141,118)	(3,165,033)	(2,311,796)
	Major interest rate +100bp			
	Major currencies +3%			

Note: The information of stress testing is defined by risk management policy of the trading book.

i) Sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

		September 30, 2021	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 159,260	\$ -
	HKD+1%	(2,191)	-
	JPY+1%	5,396	-
	AUD+1%	560	-
	CNY+1%	(29,249)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(211)	-
	Yield curves (HKD) parallel shift+1bp	(114)	-
	Yield curves (JPY) parallel shift+1bp	(246)	-
	Yield curves (AUD) parallel shift+1bp	(557)	-
	Yield curves (CNY) parallel shift+1bp	(2,312)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	(1,015)	58,344

		December 31, 2020	
Risk Factors	Changes (+/-)	Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 87,303	\$ -
	HKD+1%	9,862	-
	JPY+1%	15,101	-
	AUD+1%	12,843	-
	CNY+1%	(7,927)	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(8,730)	-
	Yield curves (HKD) parallel shift+1bp	147	-
	Yield curves (JPY) parallel shift+1bp	2	-
	Yield curves (AUD) parallel shift+1bp	(131)	-
	Yield curves (CNY) parallel shift+1bp	(1,303)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	22,531	118,190

Risk Factors	Changes (+/-)	September 30, 2020	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	\$ 143,240	\$ -
	HKD+1%	(6,311)	-
	JPY+1%	22	-
	AUD+1%	299	-
	CNY+1%	6,843	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(6,893)	-
	Yield curves (HKD) parallel shift+1bp	170	-
	Yield curves (AUD) parallel shift+1bp	(534)	-
	Yield curves (CNY) parallel shift+1bp	(658)	-
	Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1%	8,225

j) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. As of September 30, 2021, changes required to IT systems and internal processes have been identified and have been partially implemented.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank

The following table contains details of non-derivative financial instruments held by Cathay United Bank as of September 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTOCI	\$ 3,961,336
Investments in debt instruments at amortized cost	3,963,395
Discounts and loans	<u>58,142,944</u>
	<u>66,067,675</u>
Financial assets linked to EUR LIBOR	
Discounts and loans	<u>735,292</u>
Financial assets linked to JPY LIBOR	
Discounts and loans	<u>3,673,379</u>
Financial assets linked to SGD LIBOR	
Discounts and loans	<u>446,949</u>
Financial assets linked to HKD HIBOR	
Discounts and loans	<u>22,650,005</u>
Financial assets linked to USD SIBOR	
Discounts and loans	<u>31,024</u>
Financial assets linked to SGD SOR	
Discounts and loans	<u>8,822,362</u>
Financial assets linked to VND VNIBOR	
Discounts and loans	<u>316,560</u>
	<u>\$ 102,743,246</u>
<u>Non-derivative financial liabilities which are subject to the reform</u>	
Financial liabilities linked to USD LIBOR	
Notes and bonds sold under repurchase agreement	\$ <u>139,330</u>

The following table contains details of derivative financial instruments held by Cathay United Bank at September 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Derivative Financial Instrument	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Financial assets linked to USD			
LIBOR			
IRS	\$ 18,568,757	\$ 633,405	\$ 47,001
Options	<u>2,336,345</u>	<u>-</u>	<u>118</u>
	<u>20,905,102</u>	<u>633,405</u>	<u>47,119</u>
Financial assets linked to SGD SOR			
IRS	1,743,097	695	2,289
CCS	<u>727,144</u>	<u>5,026</u>	<u>-</u>
	<u>2,470,241</u>	<u>5,721</u>	<u>2,289</u>
	<u>\$ 23,375,343</u>	<u>\$ 639,126</u>	<u>\$ 49,408</u>

Cathay Century and its subsidiaries

Cathay Century and its subsidiaries' major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

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

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

a) Value at Risk

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

b) Stress testing

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

Cathay Century and its subsidiaries conduct stress testing regularly on positions by simple sensitivity analysis test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, Cathay Century and its subsidiaries evaluate that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

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

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

Risk Factors	Changes (+/-)	September 30, 2021	December 31, 2020	September 30, 2020
Equity price risk (index)	-10%	\$ (992,985)	\$ (936,002)	\$ (617,186)
Interest rate risk (yield curve)	+20bps	(124,407)	(139,733)	(135,761)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(144,124)	(133,032)	(113,539)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

The carrying amounts of Cathay Century and its subsidiaries' foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 39.

- Interest rate risk

Cathay Century and its subsidiaries is exposed to interest rate risk because entities in the Cathay Century and its subsidiaries hold debt instrument at both fixed and floating interest rates. The risk is managed by the Cathay Century and its subsidiaries by maintaining an appropriate mix of fixed and floating rate debt instrument.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by utilizing futures. That positions of futures do not exceed the hedged positions.

c) Sensitivity analysis

For the Nine Months Ended September 30, 2021			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 24,105	\$ 8,122
	CNY appreciates 1%	2,673	-
	HKD appreciates 1%	2,742	2,205
	EUR appreciates 1%	19	497
	VND appreciates 1%	-	6,302
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,371)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(36)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,192)	(643)
Equity securities price sensitivity	Increases 1% in equity price	-	99,298
For the Year Ended December 31, 2020			
Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 23,146	\$ 6,311
	CNY appreciates 1%	2,637	-
	HKD appreciates 1%	788	4,396
	EUR appreciates 1%	4	499
	VND appreciates 1%	-	6,105
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,006)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(50)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,292)	(712)
Equity securities price sensitivity	Increases 1% in equity price	-	93,600

For the Nine Months Ended September 30, 2020

Risk Factors	Variation (+/-)	Effect on Profit and Loss	Effect on Equity
Foreign currency risk sensitivity	USD appreciates 1%	\$ 21,191	\$ 4,750
	CNY appreciates 1%	2,561	-
	HKD appreciates 1%	983	3,701
	EUR appreciates 1%	120	285
	VND appreciates 1%	-	6,112
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,020)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(54)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,053)	(734)
Equity securities price sensitivity	Increases 1% in equity price	-	61,719

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

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

2) Credit risk

- a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.
- i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations in accordance with agreed conditions due to default, bankruptcy or liquidation.
 - ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
 - iii. Credit risk of underlying assets is the risk that Cathay Century and its subsidiaries may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit concentration risk analysis

- i. The amounts of credit risk exposure for Cathay Century and its subsidiaries' financial assets are as follows:

September 30, 2021

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 11,003,436	\$ -	\$ -	\$ -	\$ 290,077	\$ 11,293,513
Financial assets at FVTPL	353,632	-	-	-	-	353,632
Financial assets at FVTOCI	746,962	-	-	-	-	746,962
Financial assets at amortized cost	2,400,906	69,730	1,213,566	2,610,348	1,585,153	7,879,703
Total	\$ 14,504,936	\$ 69,730	\$ 1,213,566	\$ 2,610,348	\$ 1,875,230	\$ 20,273,810
Proportion	71.55%	0.34%	5.98%	12.88%	9.25%	100.00%

December 31, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,987,740	\$ -	\$ -	\$ -	\$ 248,975	\$ 10,236,715
Financial assets at FVTPL	467,409	-	-	-	-	467,409
Financial assets at FVTOCI	764,184	-	-	-	-	764,184
Financial assets at amortized cost	2,104,756	71,512	1,231,351	2,916,059	1,582,093	7,905,771
Total	\$ 13,324,089	\$ 71,512	\$ 1,231,351	\$ 2,916,059	\$ 1,831,068	\$ 19,374,079
Proportion	68.77%	0.37%	6.36%	15.05%	9.45%	100.00%

September 30, 2020

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	\$ 9,247,560	\$ -	\$ -	\$ -	\$ 284,069	\$ 9,531,629
Financial assets at FVTPL	422,491	-	-	-	-	422,491
Financial assets at FVTOCI	763,782	-	-	-	-	763,782
Financial assets at amortized cost	1,906,640	335,346	1,257,174	3,043,073	1,658,970	8,201,203
Total	\$ 12,340,473	\$ 335,346	\$ 1,257,174	\$ 3,043,073	\$ 1,943,039	\$ 18,919,105
Proportion	65.23%	1.77%	6.64%	16.09%	10.27%	100.00%

c) Determinants for whether the credit risk has increased significantly since initial recognition

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

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

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

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

- ii. Qualitative factors: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
 - iii) The collaterals of the borrowers are seized provisionally or enforced.
 - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
 - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- e) Measurement of expected credit losses
- i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

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

- ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets. For example, the default rate used in the bond measurement is based on the default rate regularly published by the International Credit Rating Agency (Moody's) and adjusted according to general economic information.

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

i. Financial assets of Cathay Century and its subsidiaries

September 30, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 746,962	\$ -	\$ -	\$ -	\$ -	\$ 746,962
<u>Non-investment grade</u>						
Financial assets at amortized cost	7,881,981	-	-	-	(2,278)	7,879,703
September 30, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 764,184	\$ -	\$ -	\$ -	\$ -	\$ 764,184
Financial assets at amortized cost	7,781,007	-	-	-	(6,120)	7,774,887
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	141,195	-	-	(10,311)	130,884
September 30, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
<u>Investment grade</u>						
Debt instruments at FVTOCI	\$ 763,782	\$ -	\$ -	\$ -	\$ -	\$ 763,782
Financial assets at amortized cost	8,075,372	-	-	-	(6,783)	8,068,589
<u>Non-investment grade</u>						
Financial assets at amortized cost	-	144,209	-	-	(11,595)	132,614

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

ii. Secured loans of Cathay Century and its subsidiaries

September 30, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 185,663	\$ -	\$ -	\$ -	\$ (2,401)	\$ 183,262
December 31, 2020						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 197,791	\$ -	\$ -	\$ -	\$ (2,475)	\$ 195,316
September 30, 2021						
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		Loss Allowance	Gross Carrying Amount
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets		
Secured loans	\$ 210,901	\$ -	\$ -	\$ -	\$ (2,572)	\$ 208,329

g) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 91	\$ -	\$ -	\$ -	\$ 91
Changes in models/risk parameters	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68)</u>
September 30, 2021	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66
Changes in models/risk parameters	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>
September 30, 2020	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2021	\$ 6,120	\$ -	\$ 10,311	\$ -	\$ 16,431
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	-	-	-	-	-
Changes in models/risk parameters	<u>(3,842)</u>	<u>-</u>	<u>(10,311)</u>	<u>-</u>	<u>(14,153)</u>
September 30, 2021	<u>\$ 2,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,278</u>
January 1, 2020	\$ 3,909	\$ -	\$ -	\$ -	\$ 3,909
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit loss	(523)	-	523	-	-
Derecognition of financial assets in the current period	-	-	(8,854)	-	(8,854)
Changes in models/risk parameters	<u>3,397</u>	<u>-</u>	<u>19,926</u>	<u>-</u>	<u>23,323</u>
September 30, 2020	<u>\$ 6,783</u>	<u>\$ -</u>	<u>\$ 11,595</u>	<u>\$ -</u>	<u>\$ 18,378</u>

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets			
January 1, 2021	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ 2,453	\$ 2,475
Changes in model/risk parameters	5	-	-	-	5	-	5
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(79)	(79)
September 30, 2021	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 2,374</u>	<u>\$ 2,401</u>
January 1, 2020	\$ 66	\$ -	\$ -	\$ -	\$ 66	\$ 2,737	\$ 2,803
Changes in model/risk parameters	229	-	-	-	229	-	229
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(460)	(460)
September 30, 2020	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295</u>	<u>\$ 2,277</u>	<u>\$ 2,572</u>

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

h) Exposure to credit risk and loss allowance of receivables

Cathay Century applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

September 30, 2021	Due	Overdue	Total
Carrying amount	\$ 1,413,473	\$ 634,208	\$ 2,047,681
Expected loss rate	1.06%	2.61%	
Lifetime expected credit losses	\$ 14,993	\$ 16,568	\$ 31,561
December 31, 2020	Due	Overdue	Total
Carrying amount	\$ 2,017,873	\$ 338,004	\$ 2,355,877
Expected loss rate	1.00%	5.95%	
Lifetime expected credit losses	\$ 20,087	\$ 20,115	\$ 40,202
September 30, 2020	Due	Overdue	Total
Carrying amount	\$ 1,160,737	\$ 688,213	\$ 1,848,950
Expected loss rate	0.99%	3.66%	
Lifetime expected credit losses	\$ 11,495	\$ 25,164	\$ 36,659

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the risk that Cathay Century and its subsidiaries are unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair values when the positions are sold or offset during market disorder.

b) Liquidity risk management

Cathay Century and its subsidiaries established a complete capital liquidity management by assessing the business features, monitoring short-term cash flow, and considering the trading volume and holding position to carefully manage the market liquidity risk.

According to the actual management need or special situations, Cathay Century and its subsidiaries use cash flow model and stress testing to assess cash flow risk. Moreover, Cathay Century and its subsidiaries have drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

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

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

September 30, 2021

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,357,577	\$ 23,232	\$ 7,085	\$ 13,104	\$ 4,808
Lease liabilities	69,973	63,909	111,128	2,379	-
<u>Derivative financial liabilities</u>					
Swap	4,726	-	-	-	-

December 31, 2020

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 3,322,801	\$ 18,618	\$ 8,438	\$ 8,209	\$ 4,850
Lease liabilities	69,228	27,848	7,944	2,033	-
<u>Derivative financial liabilities</u>					
Swap	2,700	-	-	-	-

September 30, 2020

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Payables	\$ 2,454,284	\$ 14,142	\$ 10,089	\$ 25,443	\$ 414
Lease liabilities	72,565	55,461	10,708	1,455	-
<u>Derivative financial liabilities</u>					
Swap	2,257	-	-	-	-

Cathay Securities and its subsidiaries

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls:

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet date and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet date. In addition, capital liquidity simulation operations are regularly conducted to ensure that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability. Investment business units should conduct market liquidity risk control when buying in accordance with market liquidity management index.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract or eligibility of the counterparty being defective.

ii) Controls

The procedures of making and reviewing legal documentation are established. All the documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers' opinions if needed.

vi. Capital adequacy management

i) Definition

Cathay Securities and its subsidiaries implement capital management to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

Cathay Securities established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Securities and its subsidiaries every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures.

2) Market risk analysis

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the following sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.

ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.

iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	For the Nine Months Ended September 30, 2021			
	Average	Highest	Lowest	End of Period
VaR	\$ 39,130	\$ 79,243	\$ 26,261	\$ 29,500
	For the Nine Months Ended September 30, 2020			
	Average	Highest	Lowest	End of Period
VaR	\$ 27,289	\$ 43,375	\$ 11,733	\$ 43,375

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

For the Nine Months Ended September 30, 2021

Stress Test Table

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (306,735)
Interest rate risk (yield curve)	+100bps	(71,100)
Exchange rate risk (exchange rate)	+3%	66,350
Product risk (price)	-10%	-

For the Nine Months Ended September 30, 2020

Stress Test Table

(In Thousands of New Taiwan Dollars, %)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (242,245)
Interest rate risk (yield curve)	+100bps	(94,566)
Exchange rate risk (exchange rate)	+3%	10,374
Product risk (price)	-10%	3,331

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.

- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

b) Determinants for whether the credit risk has increased significantly since initial recognition

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

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

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

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
 - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
 - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
- ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) Measurement of expected credit losses

i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at January 1, 2021	\$ 1,932	\$ 270	\$ 26	\$ 92,222	\$ 305	\$ 28	\$ 74	\$ 94,857
(Decrease) increase	(1,505)	(55)	(11)	2,432	230	50	-	1,141
Written off	-	-	-	(370)	-	-	-	(370)
Balance at September 30, 2021	\$ 427	\$ 215	\$ 15	\$ 94,284	\$ 535	\$ 78	\$ 74	\$ 95,628
Balance at January 1, 2020	\$ 852	\$ 96	\$ 17	\$ 94,993	\$ 166	\$ 16	\$ -	\$ 96,140
Increase (decrease)	1,063	6	9	(2,940)	90	12	74	(1,686)
Balance at September 30, 2020	\$ 1,915	\$ 102	\$ 26	\$ 92,053	\$ 256	\$ 28	\$ 74	\$ 94,454

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of September 30, 2021, December 31, 2020 and September 30, 2020, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$8,652,738 thousand, \$6,610,559 thousand and \$8,622,714 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that Cathay Securities and its subsidiaries are unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that Cathay Securities and its subsidiaries sell assets at a loss to meet the cash flow requirements.

September 30, 2021

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,288,320	\$ -	\$ -	\$ -	\$ 1,288,320
Commercial paper payable	3,859,737	-	-	-	3,859,737
Financial liabilities at FVTPL	712,897	-	-	-	712,897
Liabilities for bonds with repurchase agreements	2,466,752	-	-	-	2,466,752
Short sale margins and payables for short sale collateral received	122,522	245,044	367,566	1,470,260	2,205,392
Securities lending margin - deposit received	341	682	1,023	4,087	6,133
Futures trader's equity	10,679,659	-	-	-	10,679,659
Accounts payable	19,107,640	-	490,317	714,165	20,312,122
Other financial liabilities	146,667	-	-	-	146,667
Lease liabilities	6,881	9,862	9,274	17,825	43,842
Others	1,958,172	-	-	-	1,958,172
Total	<u>\$ 40,349,588</u>	<u>\$ 255,588</u>	<u>\$ 868,180</u>	<u>\$ 2,206,337</u>	<u>\$ 43,679,693</u>
% to the total	<u>92.38%</u>	<u>0.58%</u>	<u>1.99%</u>	<u>5.05%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

September 30, 2021

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 3,834,945	\$ -	\$ -	\$ -	\$ 3,834,945
Financial assets at FVTPL					
Operation securities	3,142,250	-	-	-	3,142,250
Open-end funds and beneficiary certificates	50,127	-	-	-	50,127
Futures trading margin	90,972	-	-	-	90,972
Structured products	1,881	-	-	-	1,881
Financial assets at FVTOCI - current	2,461,628	-	-	-	2,461,628
Securities financing receivables	499,549	986,212	1,479,318	5,917,274	8,882,353
Refinancing margin and refinancing deposits receivable	3,161	6,322	9,483	37,940	56,906
Security lending receivable	131,071	262,142	393,211	-	786,424
Customer's margin accounts	10,685,302	-	-	-	10,685,302
Security lending deposits price and security lending margin deposits paid	49,942	99,884	149,826	599,309	898,961
Receivables	18,580,317	-	-	8,555	18,588,872
Others	2,753,062	-	-	1,200,000	3,953,062
	<u>42,284,207</u>	<u>1,354,560</u>	<u>2,031,838</u>	<u>7,763,078</u>	<u>53,433,683</u>
Residual cash	<u>\$ 1,934,619</u>	<u>\$ 1,098,972</u>	<u>\$ 1,163,658</u>	<u>\$ 5,556,741</u>	<u>\$ 9,753,990</u>

December 31, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 1,657,576	\$ -	\$ -	\$ -	\$ 1,657,576
Commercial paper payable	1,269,918	-	-	-	1,269,918
Financial liabilities at FVTPL	15,745,711	-	-	-	15,745,711
Liabilities for bonds with repurchase agreements	2,207,506	-	-	-	2,207,506
Short sale margins and payables for short sale collateral received	77,180	154,360	231,540	926,156	1,389,236
Securities lending margin - deposit received	7,208	14,416	21,624	86,502	129,750
Futures trader's equity	13,215,030	-	-	-	13,215,030
Equity for each customer in the account	11,744	-	-	-	11,744
Accounts payable	15,094,904	458,671	236,349	322,227	16,112,151
Other financial liabilities	286,668	-	-	-	286,668
Lease liabilities	7,483	15,076	20,443	20,705	63,707
Others	1,335,561	-	-	-	1,335,561
Total	<u>\$ 50,916,489</u>	<u>\$ 642,523</u>	<u>\$ 509,956</u>	<u>\$ 1,355,590</u>	<u>\$ 53,424,558</u>
% to the total	<u>95.31%</u>	<u>1.20%</u>	<u>0.95%</u>	<u>2.54%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2020

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 4,872,595	\$ -	\$ -	\$ -	\$ 4,872,595
Financial assets at FVTPL					
Lent securities	112,858	-	-	-	112,858
Operation securities	10,375,243	-	-	-	10,375,243
Open-end funds and beneficiary certificates	50,097	-	-	-	50,097
Call option-futures	35,075	-	-	-	35,075
Futures trading margin	1,329,790	-	-	-	1,329,790
Structured products	115,583	-	-	-	115,583
Financial assets at FVTOCI - current	2,218,853	-	-	-	2,218,853
Securities financing receivables	294,283	574,748	862,122	3,448,489	5,179,642
Refinancing margin and refinancing deposits receivable	1,696	3,392	5,088	20,348	30,524
Security lending receivable	47,348	94,696	142,044	-	284,088
Customer's margin accounts	13,222,279	-	-	-	13,222,279
Security lending deposits price and security lending margin deposits paid	349,115	698,230	1,047,345	4,189,380	6,284,070
Receivables	14,943,570	-	-	171,879	15,115,449
Others	2,094,005	1,914	2,870	1,200,000	3,298,789
	<u>50,062,390</u>	<u>1,372,980</u>	<u>2,059,469</u>	<u>9,030,096</u>	<u>62,524,935</u>
Residual cash	<u>\$ (854,099)</u>	<u>\$ 730,457</u>	<u>\$ 1,549,513</u>	<u>\$ 7,674,506</u>	<u>\$ 9,100,377</u>

September 30, 2020

Cash Flows Analysis of Financial Liabilities

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 372,779	\$ -	\$ -	\$ -	\$ 372,779
Commercial paper payable	489,972	-	-	-	489,972
Financial liabilities at FVTPL	7,541,791	-	-	-	7,541,791
Liabilities for bonds with repurchase agreements	2,398,357	-	-	-	2,398,357
Deposits for securities borrowed	52,425	104,850	157,275	629,099	943,649
Securities lending margin - deposit received	3,663	7,326	10,989	43,963	65,941
Futures trader's equity	14,001,137	-	-	-	14,001,137
Ledgers of securities firms' settlement accounts customer's equity	37,779	-	-	-	37,779
Payables	8,398,420	-	247,567	268,604	8,914,591
Other financial liabilities	9,998	-	-	-	9,998
Lease liabilities - current	6,753	13,365	20,203	48,296	88,617
Others	5,672,810	-	-	-	5,672,810
Total	<u>\$ 38,985,884</u>	<u>\$ 125,541</u>	<u>\$ 436,034</u>	<u>\$ 989,962</u>	<u>\$ 40,537,421</u>
% to the total	<u>96.17%</u>	<u>0.31%</u>	<u>1.08%</u>	<u>2.44%</u>	<u>100%</u>

Short-term borrowings, commercial paper payable and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

September 30, 2020

Cash Flow Gap

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 5,180,794	\$ -	\$ -	\$ -	\$ 5,180,794
Financial assets at FVTPL					
Lent securities	384	-	-	-	384
Operation securities	5,004,740	-	-	-	5,004,740
Open-end funds and beneficiary certificates	50,050	-	-	-	50,050
Call option-futures	23,103	-	-	-	23,103
Futures trading margin	776,215	-	-	-	776,215
Structured products	87,136	-	-	-	87,136
Financial assets at FVTOCI - current	2,418,518	-	-	-	2,418,518
Securities financing receivables	225,781	447,284	670,926	2,683,707	4,027,698
Refinancing margin and refinancing deposits receivable	1,685	3,370	5,055	20,216	30,326
Security lending receivable	47,254	94,508	141,763	-	283,525
Customer's margin accounts	14,009,319	-	-	-	14,009,319
Security lending deposits price and security lending margin deposits paid	135,183	270,366	405,549	1,622,193	2,433,291
Receivables	7,139,489	-	-	168,618	7,308,107
Others	6,333,169	1,796	2,695	1,200,000	7,537,660
	<u>41,432,820</u>	<u>817,324</u>	<u>1,225,988</u>	<u>5,694,734</u>	<u>49,170,866</u>
Residual cash	<u>\$ 2,446,936</u>	<u>\$ 691,783</u>	<u>\$ 789,954</u>	<u>\$ 4,704,772</u>	<u>\$ 8,633,445</u>

b) Capital liquidity risk stress testing

Cathay Securities and its subsidiaries perform stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that Cathay Securities and its subsidiaries maintain capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure Cathay Securities and its subsidiaries' abilities to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

- i. Cathay Securities and its subsidiaries make fund raising and balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.
- ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper
- iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

i. Structured entities

1) Consolidated structured entities

The consolidated structured entities in Cathay Life and its subsidiaries' consolidated financial statements are the real estate investments and management organizations. As of September 30, 2021, December 31, 2020 and September 30, 2020, Cathay Life and its subsidiaries provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

- a) Cathay Life and its subsidiaries hold interests in structured entities which are not consolidated in Cathay Life and its subsidiaries' consolidated financial statements and Cathay Life and its subsidiaries do not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by Cathay Life and its subsidiaries. The information of these unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entities

- b) As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>September 30, 2021</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 167,891,951	\$ 35,068,784
Financial assets at FVTOCI	-	45,873,634
Debt instruments at amortized cost	-	<u>107,536,164</u>
	<u>\$ 167,891,951</u>	<u>\$ 188,478,582</u>

	December 31, 2020	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 119,715,465	\$ 40,232,961
Financial assets at FVTOCI	-	66,528,618
Debt instruments at amortized cost	<u>-</u>	<u>119,025,227</u>
	<u>\$ 119,715,465</u>	<u>\$ 225,786,806</u>
	September 30, 2020	
	Private Equity Funds	Asset-backed Securities
Financial assets at FVTPL	\$ 109,727,496	\$ 40,724,469
Financial assets at FVTOCI	-	64,314,331
Debt instruments at amortized cost	<u>-</u>	<u>128,346,485</u>
	<u>\$ 109,727,496</u>	<u>\$ 233,385,285</u>

- c) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at FVTOCI	\$ 10,111,570	\$ 14,299,523	\$ 16,313,861
Debt instruments at amortized cost	<u>49,658,067</u>	<u>32,294,807</u>	<u>36,528,004</u>
	<u>\$ 59,769,637</u>	<u>\$ 46,594,330</u>	<u>\$ 52,841,865</u>

- d) Cathay Century and its subsidiaries' does not provide financial support or other support to the unconsolidated structured entities. Cathay Century's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity

As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at FVTOCI	\$ 250,912	\$ 33,637	\$ 31,730
Debt instruments at amortized cost	<u>345,854</u>	<u>459,934</u>	<u>541,995</u>
	<u>\$ 596,766</u>	<u>\$ 493,571</u>	<u>\$ 573,725</u>

37. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

38. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

- a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Global Evolution Holding ApS	Asset Management Services	June 25, 2020	53	<u>\$ 781,317</u>

On June 25, 2020, CHL acquired a further 8% ownership interest in Global Evolution Holding ApS, the ownership interest increased from 45% to 53%, and CHL obtained the control.

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

	Global Evolution Holding ApS
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	<u>(233,440)</u>
	<u>\$ 2,893,793</u>

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Global Evolution Holding ApS
Consideration transferred for 8% shares	\$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,302,994
Plus: Fair value of 45% shares owned before acquisition	<u>4,396,904</u>
	6,481,215
Less: Fair value of identifiable net assets acquired	<u>(2,893,793)</u>
Goodwill recognized on acquisitions	<u>\$ 3,587,422</u>

e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS
Consideration paid in cash	\$ 781,317
Less: Cash and cash equivalent balances acquired	<u>(628,816)</u>
	<u>\$ 152,501</u>

39. SUBSEQUENT EVENTS

On November 8, 2021, the board of directors of Cathay Securities Investment Trust resolved to sell all of its 33.3% of shares of CDBS Cathay to the third party referred by China Development Bank Securities, the joint venture partner of CDBS Cathay, at the price China Development Bank Securities transferred its 66.7% of shares of CDBS Cathay on the Beijing Financial Assets Exchange. Meanwhile, the board resolved to give the chairman and the general manager carte blanche in matters related to the share transfer to the extent permitted by law and regulation.

40. OTHERS

a. Impact of COVID-19

The Group has evaluated the economic impact caused by the COVID-19, and as of the date of approval of the financial report, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

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

	September 30, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 152,732,654	27.8660	\$ 4,256,048,136
CNY	41,572,208	4.3079	179,088,388
AUD	7,154,681	20.0872	143,717,508
Non-monetary items			
USD	13,004,540	27.8660	362,384,512
<u>Financial liabilities</u>			
Monetary items			
USD	20,226,766	27.8660	563,639,061
	December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,841,984	28.5080	\$ 3,901,091,280
CNY	42,150,730	4.3813	184,674,993
AUD	6,327,462	21.9725	139,030,159
Non-monetary items			
USD	11,673,378	28.5080	332,784,660
<u>Financial liabilities</u>			
Monetary items			
USD	17,999,522	28.5080	513,130,373

	September 30, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 136,909,763	29.1260	\$ 3,987,633,757
CNY	23,852,412	4.2766	102,007,225
Non-monetary items			
USD			
<u>Financial liabilities</u>	11,463,460	29.1260	333,884,736
Monetary items			
USD	15,239,763	29.1260	443,873,337

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange losses for the nine months ended September 30, 2021 and 2020 were \$59,496,247 thousand and \$81,538,941 thousand, respectively.

c. Information on discretionary investments

1) Cathay life and its subsidiaries

- a) As of September 30, 2021, December 31, 2020 and September 30, 2020, Cathay life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Domestic shares	\$ 183,648,285	\$ 165,441,030	\$ 144,432,033
Overseas shares	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	<u>216,815</u>	<u>501,910</u>	<u>508,083</u>
	<u>\$ 325,713,557</u>	<u>\$ 312,835,430</u>	<u>\$ 277,500,263</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

b) As of September 30, 2021, December 31, 2020 and September 30, 2020, the discretionary investments limits are as follows (in thousands):

	September 30, 2021	December 31, 2020	September 30, 2020
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

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Domestic shares	\$ 1,748,971	\$ 1,588,344	\$ 1,305,051
Short-term notes	-	200,009	150,047
Cash in banks	743,989	414,548	558,052
Future margins	<u>2,012</u>	<u>2,011</u>	<u>2,011</u>
	<u>\$ 2,494,972</u>	<u>\$ 2,204,912</u>	<u>\$ 2,015,161</u>

The fair values of Cathay Century and its subsidiaries' financial assets under discretionary account management contracts are as the same as their carrying amounts.

As of September 30, 2021, December 31, 2020 and September 30, 2020, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limit of \$1,200,000 thousand.

d. Disclosure information as required by Article 16 of Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality - loans

(In Thousands of New Taiwan Dollars, %)

Period		September 30, 2021					September 30, 2020					
		Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 808,673	\$ 293,616,244	0.28%	\$ 1,520,018	187.96%	\$ 866,166	\$ 245,809,962	0.35%	\$ 3,860,785	445.73%	
	Unsecured	1,047,698	334,601,925	0.31%	8,719,621	832.27%	287,779	347,502,591	0.08%	7,301,184	2537.08%	
Consumer banking	Housing mortgage (Note 4)		237,067	467,037,024	0.05%	7,244,664	3055.96%	365,366	375,526,956	0.10%	5,963,110	1632.09%
	Cash card		-	-	-	-	-	-	-	-	-	
	Small-scale credit loans (Note 5)		245,768	111,323,530	0.22%	4,386,602	1784.85%	242,762	95,958,362	0.25%	3,648,590	1502.95%
	Other (Note 6)	Secured	716,806	525,981,637	0.14%	6,093,518	850.09%	701,827	475,518,974	0.15%	5,319,097	757.89%
Unsecured		47,889	22,775,313	0.21%	317,694	663.40%	23,838	21,610,959	0.11%	298,591	1252.57%	
Total loan		3,103,901	1,755,335,673	0.18%	28,282,117	911.18%	2,487,738	1,561,927,804	0.16%	26,391,357	1060.86%	
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	
Credit cards		\$ 81,554	\$ 79,075,786	0.10%	\$ 2,000,088	2452.48%	\$ 95,343	\$ 76,558,389	0.12%	\$ 1,916,048	2009.64%	
Accounts receivable factored without recourse (Note 7)		-	4,918,618	-	106,817	-	-	6,496,990	-	80,298	-	

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type	Items	September 30, 2021		September 30, 2020	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 1,099	\$ 38,515	\$ 1,561	\$ 55,502
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	89,807	1,183,534	65,664	1,197,627
	Total	\$ 90,906	\$ 1,222,049	\$ 67,225	\$ 1,253,129

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

September 30, 2021			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 29,660,819	12.26
2	Group B - packaging and testing of semi-conductors	12,826,230	5.30
3	Group C - other financial intermediation	6,870,332	2.84
4	Group D - wired telecommunications activities	6,309,642	2.61
5	Group E - real estate development activities	6,000,000	2.48
6	Group F - real estate development activities	5,708,000	2.36
7	Group G - manufacture of computers	5,510,942	2.28
8	Group H - manufacture of computers	4,665,975	1.93
9	Group I - manufacture of computers	4,579,717	1.89
10	Group J - air transportation	4,460,222	1.84

September 30, 2020			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	\$ 25,429,131	10.76
2	Group B - packaging and testing of semi-conductors	11,822,675	5.00
3	Group C - air transportation	8,369,619	3.54
4	Group D - wired telecommunications activities	7,083,375	3.00
5	Group E - other financial intermediation	6,616,953	2.80
6	Group F - real estate development activities	6,200,000	2.62
7	Group G - other financial intermediation	5,178,327	2.19
8	Group H - other financial intermediation	4,787,327	2.03
9	Group I - wired telecommunications activities	4,597,718	1.95
10	Group J - manufacture of computers	4,154,254	1.76

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,077,904,147	\$ 20,652,107	\$ 139,650,687	\$ 167,401,673	\$ 2,405,608,614
Interest rate-sensitive liabilities	174,456,921	1,747,442,642	231,839,055	73,106,532	2,226,845,150
Interest rate-sensitive gap	1,903,447,226	(1,726,790,535)	(92,188,368)	94,295,141	178,763,464
Net worth					242,001,591
Ratio of interest rate-sensitive assets to liabilities					108.03%
Ratio of interest rate sensitivity gap to net worth					73.87%

September 30, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,907,412,976	\$ 26,475,753	\$ 134,818,871	\$ 128,297,142	\$ 2,197,004,742
Interest rate-sensitive liabilities	186,717,285	1,483,800,146	230,016,680	90,477,682	1,991,011,793
Interest rate-sensitive gap	1,720,695,691	(1,457,324,393)	(95,197,809)	37,819,460	205,992,949
Net worth					236,246,742
Ratio of interest rate-sensitive assets to liabilities					110.35%
Ratio of interest rate sensitivity gap to net worth					87.19%

Note 1: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)

(In Thousands of U.S. Dollars, %)

September 30, 2021

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,921,059	\$ 1,395,157	\$ 1,298,211	\$ 8,276,993	\$ 18,891,420
Interest rate-sensitive liabilities	12,396,814	3,883,464	3,859,669	4,593,364	24,733,311
Interest rate-sensitive gap	(4,475,755)	(2,488,307)	(2,561,458)	3,683,629	(5,841,891)
Net worth					8,684,475
Ratio of interest rate-sensitive assets to liabilities					76.38%
Ratio of interest rate sensitivity gap to net worth					(67.27%)

September 30, 2020

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,670,274	\$ 1,628,071	\$ 1,097,394	\$ 6,116,613	\$ 16,512,352
Interest rate-sensitive liabilities	10,454,563	3,442,741	3,327,152	4,265,366	21,489,822
Interest rate-sensitive gap	(2,784,289)	(1,814,670)	(2,229,758)	1,851,247	(4,977,470)
Net worth					8,111,198
Ratio of interest rate-sensitive assets to liabilities					76.84%
Ratio of interest rate sensitivity gap to net worth					(61.37%)

Note 1: The above amounts included only U.S. dollar amounts held by Cathay United Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

4) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars)

September 30, 2021

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,097,936,353	\$ 469,242,206	\$ 347,352,022	\$ 310,274,574	\$ 249,128,488	\$ 438,663,700	\$ 1,283,275,363
Main capital outflow on maturity	3,694,946,052	145,147,631	239,838,580	487,610,776	600,577,223	700,407,643	1,521,364,199
Gap	(597,009,699)	324,094,575	107,513,442	(177,336,202)	(351,448,735)	(261,743,943)	(238,088,836)

September 30, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,958,660,921	\$ 472,639,240	\$ 315,648,537	\$ 448,696,770	\$ 259,626,918	\$ 394,592,457	\$ 1,067,456,999
Main capital outflow on maturity	3,495,686,461	157,811,679	250,623,220	478,789,988	634,704,489	643,627,789	1,330,129,296
Gap	(537,025,540)	314,827,561	65,025,317	(30,093,218)	(375,077,571)	(249,035,332)	(262,672,297)

Note: The above amounts included only New Taiwan dollar amounts held by Cathay United Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

September 30, 2021

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 72,957,700	\$ 23,362,075	\$ 16,824,437	\$ 10,274,083	\$ 10,565,668	\$ 11,931,437
Main capital outflow on maturity	77,762,811	25,294,802	16,948,220	12,486,317	14,198,982	8,834,490
Gap	(4,805,111)	(1,932,727)	(123,783)	(2,212,234)	(3,633,314)	3,096,947

September 30, 2020

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 68,609,526	\$ 16,431,268	\$ 12,382,170	\$ 10,647,016	\$ 8,291,734	\$ 20,857,338
Main capital outflow on maturity	73,307,126	13,627,946	10,239,107	8,416,214	9,687,007	31,336,852
Gap	(4,697,600)	2,803,322	2,143,063	2,230,802	(1,395,273)	(10,479,514)

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

41. SUPPLEMENTAL DISCLOSURES

a. Information about significant transactions:

Code	Description	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable securities over \$300 million or 10% of the paid-in capital	None
2	Acquisition or disposal of individual real estate at prices over \$300 million or 10% of the paid-in capital	None
3	Discount on processing fee the transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by subsidiaries	None
6	Related information of financial assets securitization or real estate securitization by subsidiaries	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None

b. Information on investees

Code	Description	Explanation
1	Information regarding investee companies and percentage of ownership	None
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 3
3	Discount on processing fee for transactions with related parties over \$5 million	None
4	Receivables from related parties over \$300 million or 10% of the paid-in capital	Table 1
5	Disposal of nonperforming loans by investees	None
6	Related information of financial assets securitization or real estate securitization by investees	None
7	Other significant transaction which may affect the decisions of users of the financial statements	None
8	Financing provided to others	Note
9	Endorsements/guarantees provided	None
10	Marketable securities held as of September 30, 2020	Table 2 (Note)
11	Marketable securities acquired or disposed of at costs or prices over \$300 million or 10% of the paid-in capital	None
12	Derivative transactions	Note 7

Note: Disclosure is not required for subsidiaries belonging to the financial services, insurance and securities industries, and whose principal business activities include financing provided to others, endorsements/guarantees provided, and trading of marketable securities.

- c. Investments in mainland China: Name of companies, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in investees in the mainland China area are disclosed in Table 4.
- d. The significant intercompany transactions among the Group are disclosed in Note 28 and Table 5
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6).

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Cathay Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.	Subsidiary	\$ 1,008,000 (Note 1)	-	\$ -	-	\$ -	\$ -
	Cathay Securities Corporation	Subsidiary	315,656 (Note 2)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	Parent company	4,503,559 (Note 2)	-	-	-	-	-
Cathay United Bank Co., Ltd.	Cathay Financial Holding Co., Ltd.	Parent company	342,658 (Note 2)	-	-	-	-	-
	Cathay Life Insurance Co., Ltd.	Fellow subsidiary	557,612 (Note 3)	-	-	-	-	-
	Cathay United Bank (China) Co., Ltd.	Subsidiary	304,842 (Note 4)	-	-	-	-	-
Conning Holdings Limited	Cathay Life Insurance Co., Ltd.	Parent company	328,151 (Note 5)	-	-	-	-	-

Note 1: The ending balance mainly comprises interest receivables of subordinated corporate bonds of Cathay Life.

Note 2: The ending balance mainly comprises refundable tax under the integrated income tax system.

Note 3: The ending balance is comprised of receivable for insurance commission.

Note 4: The ending balance is comprised of interest receivable.

Note 5: The ending balance is mainly comprised of service fee receivable.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Cathay Venture Inc.	<u>Corporate bonds</u> SmartGames CB	N/A	Financial assets at fair value through profit or loss	-	\$ 7	-	\$ 7		
	Guanghe CBI	"	"	-	21,486	-	21,486		
	A2G CB	"	"	-	1,095	-	1,095		
	PT Cemerlang Multimedia CB	"	"	-	81,728	-	81,728		
	Yonggu I	"	"	-	33,003	-	33,003		
	<u>Beneficiary certificates</u> Mega Diamond Money Market Fund	"	"	"	25,216	319,535	-	319,535	
	Taishin 1699 Money Market Fund	"	"	"	23,955	327,485	-	327,485	
	Cathay Taiwan Money Market Fund	"	"	"	27,348	343,302	-	343,302	
	<u>Shares</u> Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	6,188	28.20	6,188		
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	131,130	32.28	131,130		
	Tien-Tai Optronics Corporation	"	"	10,125	135,017	33.64	135,017		
	F- Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	62,074	-	62,074		
	F- Hiroca Holdings Ltd.	"	"	439	20,682	-	20,682		
	Man Zai Industrial Co., Ltd.	"	"	349	6,561	-	6,561		
	Senhwa Biosciences, Inc.	"	"	1,005	147,233	1.12	147,233		
	Tanvex BioPharma, Inc.	"	"	1,250	56,750	-	56,750		
	Global Tek Fabrication Co., Ltd.	"	"	24	1,080	-	1,080		
	Cathay Superior Venture Capital Limited Partnership	"	"	-	200	100.00	200		
	Shane Global Holdings Inc.	"	"	3,700	264,529	3.35	264,529		
	Brighton-Best International (Taiwan) Inc.	"	"	3,055	117,312	-	117,312		
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	44,616	-	44,616		
	Compal Broadband Networks, Inc.	"	"	10	276	-	276		
	Ching Chan Optical Technology Co., Ltd.	"	"	489	15,110	1.37	15,110		
Fusheng Precision Co., Ltd.	"	"	800	143,600	-	143,600			

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Tot Biopharm Co., Ltd	N/A	Financial assets at fair value through profit or loss	6,909	\$ 110,692	1.15	\$ 110,692	
	WW Holding Inc.	"	"	1,413	54,542	2.36	54,542	
	Airmate (Cayman) International Co Limited	"	"	718	15,791	-	15,791	
	World Known MFG (Cayman) Limited	"	"	1,478	52,469	4.36	52,469	
	Yonggu Group Inc.	"	"	37	2,494	-	2,494	
	Easywell Biomedicals Inc.	"	"	2,025	32,198	1.24	32,198	
	Ta Chen Stainless Pipe Co., Ltd.	"	"	1,270	58,230	-	58,230	
	Trusval Technology Co., Ltd.	"	"	350	22,645	-	22,645	
	REMOTEK Corp.	"	"	467	3,238	-	3,238	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	28,700	4.01	28,700	
	Sincere Group	"	"	204	11,730	1.02	11,730	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	47,000	1.97	47,000	
	Winway Technology Co., Ltd.	"	"	638	164,634	1.88	164,634	
	Tigerair Taiwan Co., Ltd.	"	"	1,799	22,452	-	22,452	
	Wendell Industrial Co., Ltd.	"	"	626	44,411	2.88	44,411	
	Evergreen Steel Corp.	"	"	1,500	75,300	-	75,300	
	Weblink International Inc.	"	"	1,638	64,128	2.01	64,128	
	Proconn Technology Co., Ltd.	"	"	2,055	-	3.30	-	
	EasyCard Investment Holdings Co., Ltd.	"	"	1,430	5,506	1.37	5,506	
	Lien-an Service Co., Ltd.	"	"	125	1,096	5.00	1,096	
	Koatech Technology Corp.	"	"	101	1,217	-	1,217	
	Mega Union Technology Incorporated.	"	"	3,281	105,791	9.12	105,791	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	144,045	15.00	144,045	
	Fashionguide Co., Ltd.	"	"	714	14,681	4.26	14,681	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	39,359	4.02	39,359	
	SMS Holdings One I	"	"	1	-	5.00	-	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bioengine Capital Inc.	"	"	18,576	247,804	3.16	247,804	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	8,667	6.03	8,667	
	Episonica Holding	"	"	2,255	60,517	9.72	60,517	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,050	7,760	4.12	7,760	
	Transound Electronics Co., Ltd.	"	"	1,200	9,384	3.30	9,384	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	5,330	5.00	5,330	
	Roaring Success Ltd.	"	"	317	22,016	-	22,016	
	Kuang Ming Shipping Corp.	"	"	39	-	-	-	
	Grandsys, Inc.	"	"	1,860	24,310	7.77	24,310	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	DTCO (Samoa)	N/A	Financial assets at fair value through profit or loss	325	\$ 1,668	2.94	\$ 1,668	
	Tennrich International Corp.	"	"	1,938	717	3.19	717	
	KKDAY	"	"	5,668	15,587	2.17	15,587	
	SmartGames	"	"	164	1,554	1.53	1,554	
	PSS Co., Ltd.	"	"	330	14,312	-	14,312	
	Altek Semiconductor (Cayman) Co., Ltd.	"	"	800	42,416	2.00	42,416	
	Anywhere2Go	"	"	2	582	8.99	582	
	Yikon Genomics	"	"	1,340	41,620	3.36	41,620	
	Rani Therapeutics, LLC	"	"	72	35,583	1.07	35,583	
	Mimetas B.V.	"	"	8	15,605	2.81	15,605	
	Xiongchuang (Samoa)	"	"	19	7,594	4.50	7,594	
	91APP	"	"	833	182,500	1.38	182,500	
	Acepodia Inc.	"	"	2,454	74,312	3.37	74,312	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	52,850	11.22	52,850	
	Emotibot Technology Limited	"	"	2,302	94,691	1.56	94,691	
	Pacific 8 Venture	"	"	-	112,968	15.00	112,968	
	Monk's hill Venture Fund	"	"	-	49,920	2.50	49,920	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	17,952	1.34	17,952	
	OneDegree	"	"	350,926	49,130	2.40	49,130	
	Validus	"	"	145	50,508	2.18	50,508	
	VIZIONFOCUS INC.	"	"	1,700	56,032	3.40	56,032	
	Finaxar	"	"	87	21,359	4.72	21,359	
	aetherHolding Co., Ltd.	"	"	582	33,567	11.72	33,567	
	Intudo Venture II, LP	"	"	-	57,355	3.76	57,355	
	King Point Enterprise Co., Ltd.	"	"	1,000	19,320	2.53	19,320	
	Cowealth Medical Holding Co., Ltd.	"	"	3,750	37,950	1.26	37,950	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	26,919	11.70	26,919	
	Pharmosa Biopharma Inc.	"	"	4,700	59,267	5.84	59,267	
	Transcene Corp.	"	"	3,000	12,480	14.76	12,480	
	Cirocomm Technology Corporation	"	"	2,000	10,500	6.85	10,500	
	Shangrao Dingxin Metal Chemical Co., Ltd.	"	"	-	36,023	2.41	36,023	
	Ampak Technology Inc.	"	"	1,203	66,081	2.00	66,081	
	New Garden Co., Ltd.	"	"	5,000	44,000	10.00	44,000	
	Well Tech Energy Inc.	"	"	2,144	29,930	5.53	29,930	
	TMY Technology Inc.	"	"	1,071	21,171	3.00	21,171	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	38,819	-	38,819	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Yuen Foong Yu Consumer Products Co., Ltd.	N/A	Financial assets at fair value through profit or loss	1,025	\$ 54,838	-	\$ 54,838	
	Handa Pharmaceuticals, Inc.	"	"	1,465	35,854	1.20	35,854	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	Hua Zhi Venture Capital Co., Ltd.	"	"	-	1	-	1	
	HWA VI Venture Capital Corp.	"	"	-	2	-	2	
	CDIB BioScience Ventures I, Inc.	"	"	-	1	-	1	
	Winking Entertainment Co., Ltd.	"	"	5,312	91,737	11.49	91,737	
	Mycenax Biotech Inc.,	"	"	1,150	44,390	-	44,390	
	INNOPHARMAX INC.	"	"	500	7,600	-	7,600	
	Palm Drive Capital III LP (Cayman)	"	"	-	26,250	2.00	26,250	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	40,850	2.85	40,850	
	VisEra Technologies Co., Ltd.	"	"	580	139,200	-	139,200	
	EirGenix Inc.	"	"	57	7,211	-	7,211	
	Transcom, Inc.	"	"	91	11,635	-	11,635	
	Formosa Pharmaceuticals, Inc.	"	"	1,250	30,000	1.26	30,000	
	Phoenix Pioneer technology Co., Ltd.	"	"	1,500	26,250	-	26,250	
	Pickupp	"	"	262	28,060	1.59	28,060	
	Jia Wei Lifestyle, Inc.	"	"	986	74,936	1.23	74,936	
	ANNJI PHARMACEUTICAL CO., LTD.	"	"	12,100	20,086	2.74	20,086	
Cathay Futures Co., Ltd.	<u>Beneficiary certificates</u>							
	JKO Pion Money Market Fund	N/A	Financial assets at fair value through profit or loss	4,302	50,127	-	50,127	
	<u>Shares</u>							
	Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	5,617	978,244	1.34	978,244	

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date (Note 2)	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Cathay Life Insurance Co., Ltd.	Land located at Meishi Section, Yangmei District, Taoyuan City	2021.04.28	\$ 1,458,880	Payment by installment according to the contract	Loyal Fidelity Aerospace Corp.	Related party	Chen-tech Taiwan Industries, CORP.	None	2013.08.30	\$ 608,927	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
	Land located at Ruixing Section, Daix District, Taichung City	2021.05.13	1,500,000	Payment by installment according to the contract	Guan Tung Construction Limited Company	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act	None
Cathay Industrial Research and Design Center Co., Ltd.	Land located at No. 205, Sub-section 2, Changchun section, Zhongshan District, Taipei City	2021.01.27	1,675,410	Payment by installment according to the contract	ROC. (Managed by National Taipei University)	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term "event date" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (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 Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	729,433	49.0	357,422 (Note 2,b,3))	4,893,512	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	138,129	100.0	102,093 (Note 2,b,2))	7,650,044	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	186,873	100.0	186,873 (Note 2,b,2))	16,197,521	-
CDBS Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(53,887)	33.3	(17,944) (Note 2,b,2))	384,862	-
CDBS Cathay Asset Management Co., Ltd. (Beijing) (Note 4)	Wealth management	468,290	c	-	-	-	-	14,269	33.3	4,752 (Note 2,b,2))	217,875	-

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 34,824,675	\$ 36,949,511	\$ 576,065,250

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region)
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
 - 1) The financial statements are reviewed and certified by international accounting firms which have partnership with R.O.C. accounting firms.
 - 2) The financial statements are reviewed and certified by the parent company's auditors in Taiwan.
 - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: CDBS Cathay Asset Management Co., Ltd. invested in CDBC Cathay Asset Management Co., Ltd. (Beijing) in the amount of CNY100 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of September 30, 2021, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. As of September 30, 2021, Cathay Life’s remittances to this general insurance company totaled approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of September 30, 2021, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. As of September 30, 2021, Cathay Century has remitted US\$97,290 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014. According to MOEAIC, further approved working capital of Cathay United Bank’s Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014. The approved working capital of Cathay United Bank’s Shamchun Branch amounted to CNY400,000 (US\$60,710) thousand on January 5, 2015 and was approved on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities). Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in CDBS Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, on September 29, 2017 increase capital and will be executed after obtaining approval by the China authorities. As of September 30, 2021, Cathay Securities Investment Trust remittances to CDBS Cathay Asset Management totaled approximately CNY119,880 thousand.

(Concluded)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% of Total Sales or Assets (Note 3)	
				Financial Statement Account	Amount	Payment Terms		
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.31	
		Cathay Life	a	Receivables	1,008,000		"	0.01
		Cathay Life	a	Payables	4,503,559		"	0.04
		Cathay Life	a	Interest income	942,411		"	0.20
		Cathay United Bank	a	Payables	342,658		"	-
		Cathay United Bank	a	Cash and cash equivalents	309,667		"	-
		Cathay Century	a	Receivables	177,658		"	-
		Cathay Securities	a	Receivables	315,656		"	-
		Cathay Securities Investment Trust	a	Receivables	175,250		"	-
		1	Cathay Life	Cathay Financial Holdings	b		Gain on investment property	104,819
Cathay United Bank	c			Guarantee deposits received	187,202	"	-	
Cathay United Bank	c			Cash and cash equivalents	27,271,402	"	0.24	
Cathay United Bank	c			Gain on investment property	540,248	"	0.11	
Cathay United Bank	c			Other general and administrative expense	4,925,699	"	1.03	
Cathay United Bank	c			Payables	557,612	"	-	
Cathay United Bank	c			Service fee and commission fee expense	837,819	"	0.18	
Cathay United Bank	c			Net other non-interest gain	133,110	"	0.03	
Cathay United Bank	c			Financial liabilities at fair value through profit or loss	383,403	"	-	
Cathay Century	c			Net other non-interest gain	489,452	"	0.10	
Cathay Century	c			Other general and administrative expense	104,821	"	0.02	
Cathay Futures	c			Guarantee deposits paid	2,484,626	"	0.02	
Cathay Securities Investment Trust	c			Service fee and commission fee expense	349,877	"	0.07	
Cathay Walbrook Holding 1 Limited	c			Loans	12,277,600	"	0.11	
Cathay Walbrook Holding 1 Limited	c			Interest income	283,144	"	0.06	
Cathay Walbrook Holding 2 Limited	c			Loans	646,189	"	0.01	
Conning holding limited	c			Payables	328,151	"	-	
Conning holding limited	c			Service fee and commission fee expense	975,277	"	0.20	

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 2,377,478	"	0.02
		Cathay Century	c	Service fee and commission revenue	147,808	"	0.03
		Cathay Securities	c	Deposits	4,823,870	"	0.04
		Cathay Securities	c	Service fee and commission revenue	239,833	"	0.05
		Cathay Venture	c	Deposits	209,281	"	-
		Cathay Securities Investment Trust	c	Deposits	162,591	"	-
		Cathay Futures	c	Deposits	773,295	"	0.01
		Cathay Futures	c	Guarantee deposits paid	548,206	"	-
		Lin Yuan	c	Deposits	1,399,162	"	0.01
		Cathay Industrial R&D Center	c	Deposits	720,278	"	0.01
		CUBC Bank	c	Call loans to banks	557,320	"	-
		CUBC Bank	c	Receivables	164,262	"	-
		CUBCN Bank	c	Call loans to banks	4,739,079	"	0.04
		CUBCN Bank	c	Due to banks	3,020,409	"	0.03
		CUBCN Bank	c	Other financial assets	4,308,254	"	0.04
		CUBCN Bank	c	Interest income	209,130	"	0.04
		CUBCN Bank	c	Receivables	304,842	"	
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	290,513		-
		Cathay Life (Vietnam)	c	Deposits	2,285,288	"	0.02
		Cathay Life (Vietnam)	c	Interest expense	102,233		0.02
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	974,323	"	0.01
5	Cathay Securities Investment Trust	Conning Asia Pacific Ltd.	c	Other general and administrative expense	110,233	"	0.02

Note 1: Parent company is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

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

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

(Concluded)

TABLE 6**CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS
SEPTEMBER 30, 2021**

Names of Major Shareholders	Shares	
	Number of Shares held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,309,617,689	15.70
Lin Yuan Investment Co., Ltd.	2,016,949,426	13.71

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.