

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

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matters for the consolidated financial statements for the year ended December 31, 2023 are as follows:

#### Valuation of Policy Reserve

Cathay Life Insurance Co., Ltd. is a subsidiary of Cathay Financial Holding Co., Ltd. Its management adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve, the valuation of policy reserves was identified as a key audit matter. For related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 22 to the accompanying consolidated financial statements.

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

1. We understood the internal controls related to management's valuation of policy reserves as well as evaluated the operating effectiveness of these internal controls.
2. We obtained an understanding of the actuarial report issued by the contracted actuary, which was used as the basis for the management's valuation of policy reserves, and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:
  - a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.
  - b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.
  - c. Performed profiling tests on long-term insurance policies as of December 31, 2023 to identify any abnormalities in the recognized amounts of policy reserve in each individual insurance policy.
  - d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the year ended December 31, 2023.

### Assessment of the Fair Values of Investment Properties

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

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

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

### Impairment Assessment on Loans

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

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

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

1. We obtained an understanding of and tested its internal controls for impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories and confirmed that such classification complies with the relevant regulations issued by the authorities.
3. We performed the tests on selected samples and confirmed the appropriateness of impairment by the length of the overdue period and the value of the collateral for each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective categories and confirmed that such provision complies with the relevant regulations issued by the authorities.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 5, 2024

Notice to Readers

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

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

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

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

ASSETS	2023		2022	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 29)	\$ 320,831,824	2	\$ 412,013,900	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	336,768,960	3	266,322,216	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5, 7 and 29)	2,009,183,691	16	1,675,024,629	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 8, 29 and 30)	876,261,075	7	929,052,914	8
DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 9 and 30)	4,728,733,650	37	4,510,776,595	37
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 5)	1,109	-	29,891	-
NOTES AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 4)	43,324,997	-	38,076,491	-
RECEIVABLES, NET (Notes 4, 5, 10 and 29)	248,954,635	2	217,153,186	2
CURRENT TAX ASSETS	5,788,596	-	5,158,702	-
DISCOUNT AND LOANS, NET (Notes 4, 5, 11 and 29)	2,684,520,400	21	2,495,516,810	21
REINSURANCE CONTRACT ASSETS, NET	15,778,910	-	15,851,568	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 13 and 29)	34,212,316	-	32,883,301	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 24)	739,364,082	6	669,832,659	6
INVESTMENT PROPERTIES, NET (Notes 4, 5, 14, 29 and 30)	461,686,710	4	448,140,598	4
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	109,370,464	1	108,550,891	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 29)	5,556,600	-	4,833,197	-
INTANGIBLE ASSETS, NET (Notes 4, 17 and 39)	49,669,714	-	51,636,617	-
DEFERRED TAX ASSETS (Notes 4 and 27)	74,165,978	1	89,895,981	1
OTHER ASSETS, NET (Notes 29 and 30)	<u>66,946,615</u>	<u>-</u>	<u>100,135,437</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 12,811,120,326</u></b>	<b><u>100</u></b>	<b><u>\$ 12,070,885,583</u></b>	<b><u>100</u></b>
 <b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 117,130,854	1	\$ 97,309,239	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 7)	146,895,790	1	182,999,244	2
FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 5)	2,038,001	-	3,716,091	-
NOTES AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 4)	25,757,726	-	34,723,428	-
COMMERCIAL PAPER PAYABLE, NET (Note 18)	76,528,247	1	73,880,000	1
PAYABLES (Note 29)	90,464,445	1	73,787,470	1
CURRENT TAX LIABILITIES (Note 4)	540,590	-	4,484,328	-
DEPOSITS AND REMITTANCES (Notes 19 and 29)	3,496,982,688	27	3,185,436,089	26
BONDS PAYABLE (Note 20)	175,941,430	2	132,147,398	1
OTHER BORROWINGS (Note 21)	12,988,127	-	12,763,713	-
PROVISIONS (Notes 4, 22 and 23)	6,958,614,203	54	6,842,132,184	57
OTHER FINANCIAL LIABILITIES (Notes 4 and 24)	800,999,585	6	720,648,395	6
LEASE LIABILITIES (Notes 4, 16 and 29)	20,030,215	-	19,240,853	-
DEFERRED TAX LIABILITIES (Notes 4 and 27)	49,491,154	1	49,779,071	-
OTHER LIABILITIES (Note 29)	<u>35,271,619</u>	<u>-</u>	<u>26,130,045</u>	<u>-</u>
Total liabilities	<u>12,009,674,674</u>	<u>94</u>	<u>11,459,177,548</u>	<u>95</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 25)</b>				
Share capital				
Ordinary shares	146,692,102	1	146,692,102	1
Preference shares	15,333,000	-	15,333,000	-
Capital surplus	202,793,453	2	215,318,047	2
Retained earnings				
Legal reserve	72,994,637	1	73,747,059	1
Special reserve	378,461,911	3	150,768,651	1
Unappropriated earnings	50,240,458	-	230,331,762	2
Other equity	<u>(78,460,876)</u>	<u>(1)</u>	<u>(233,350,281)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	788,054,685	6	598,840,340	5
NON-CONTROLLING INTERESTS (Notes 4 and 25)	<u>13,390,967</u>	<u>-</u>	<u>12,867,695</u>	<u>-</u>
Total equity	<u>801,445,652</u>	<u>6</u>	<u>611,708,035</u>	<u>5</u>
<b>TOTAL</b>	<b><u>\$ 12,811,120,326</u></b>	<b><u>100</u></b>	<b><u>\$ 12,070,885,583</u></b>	<b><u>100</u></b>

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



# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

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

	2023		2022	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4 and 29)	\$ 307,577,036	101	\$ 250,519,506	73
INTEREST EXPENSE (Notes 4 and 29)	<u>(61,947,352)</u>	<u>(20)</u>	<u>(24,356,980)</u>	<u>(7)</u>
NET INTEREST INCOME	<u>245,629,684</u>	<u>81</u>	<u>226,162,526</u>	<u>66</u>
NET INCOME AND GAINS OTHER THAN INTEREST INCOME				
Net gain on service fee and commission fee (Notes 4, 24, 26 and 29)	17,750,872	6	15,421,254	5
Net income on insurance operations (Notes 4, 26 and 29)	(30,068,673)	(10)	1,436,140	-
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4 and 7)	138,491,439	45	(445,353,503)	(130)
Gain on investment properties (Notes 4, 14 and 29)	11,775,366	4	13,696,591	4
Realized gain on financial assets at fair value through other comprehensive income (Note 4)	3,117,076	1	2,712,295	1
Net gain on derecognition of financial assets at amortized cost (Notes 4 and 9)	2,987,655	1	10,365,022	3
Foreign exchange gain (Note 4)	4,002,174	1	301,166,569	88
Impairment loss on assets (Note 4)	(1,362,986)	(1)	(4,682,547)	(1)
Share of profit of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	1,951,286	1	2,265,986	1
(Loss) gain on reclassification using the overlay approach (Notes 4 and 7)	(119,689,733)	(39)	254,281,014	74
Net other non-interest gain (loss) (Note 29)	<u>29,588,479</u>	<u>10</u>	<u>(36,037,689)</u>	<u>(11)</u>
PROFIT FROM OPERATIONS	<u>304,172,639</u>	<u>100</u>	<u>341,433,658</u>	<u>100</u>
NET CHANGES IN INSURANCE LIABILITY RESERVE (Notes 22 and 26)	<u>(139,103,681)</u>	<u>(46)</u>	<u>(198,098,005)</u>	<u>(58)</u>
PROVISION FOR BAD DEBT, COMMITMENTS AND GUARANTEE RESERVE	<u>(4,103,185)</u>	<u>(1)</u>	<u>(4,777,580)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 26 and 29)				
Employee benefit expenses	(60,529,311)	(20)	(54,004,407)	(16)
Depreciation and amortization expenses	(8,635,961)	(3)	(7,544,064)	(2)
Other general and administrative expenses	<u>(33,331,212)</u>	<u>(11)</u>	<u>(27,061,810)</u>	<u>(8)</u>
Total operating expenses	<u>(102,496,484)</u>	<u>(34)</u>	<u>(88,610,281)</u>	<u>(26)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 58,469,289	19	\$ 49,947,792	15
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(6,955,472)</u>	<u>(2)</u>	<u>(11,985,678)</u>	<u>(4)</u>
NET INCOME	<u>51,513,817</u>	<u>17</u>	<u>37,962,114</u>	<u>11</u>
OTHER COMPREHENSIVE LOSS (Notes 4 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	126,200	-	(267,311)	-
Property revaluation surplus	-	-	1,322,404	-
Gain (loss) on equity instruments at fair value through other comprehensive income	25,491,304	8	(28,637,506)	(8)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(506,248)	-	575,753	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	(615,995)	-	(809,491)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	224,183	-	451,933	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(220,330)	-	5,780,461	2
(Loss) gain on hedging instruments	(550,032)	-	762,058	-
Gain (loss) on debt instruments at fair value through other comprehensive income	22,154,379	7	(103,810,322)	(31)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	236,934	-	597,149	-
Other comprehensive income (loss) reclassified using overlay approach	119,689,733	39	(254,281,014)	(74)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 27)	<u>(11,326,022)</u>	<u>(3)</u>	<u>33,999,512</u>	<u>10</u>
Total other comprehensive income (loss) for the period, net of income tax	<u>154,704,106</u>	<u>51</u>	<u>(344,316,374)</u>	<u>(101)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 206,217,923</u>	<u>68</u>	<u>\$(306,354,260)</u>	<u>(90)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 50,928,865	17	\$ 37,359,360	11
Non-controlling interests	<u>584,952</u>	<u>-</u>	<u>602,754</u>	<u>-</u>
	<u>\$ 51,513,817</u>	<u>17</u>	<u>\$ 37,962,114</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 205,111,048	68	\$(306,895,790)	(90)
Non-controlling interests	<u>1,106,875</u>	<u>-</u>	<u>541,530</u>	<u>-</u>
	<u>\$ 206,217,923</u>	<u>68</u>	<u>\$(306,354,260)</u>	<u>(90)</u>
EARNINGS PER SHARE (Note 28)				
Basic earnings per share	<u>\$ 3.24</u>		<u>\$ 2.58</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  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Other Equity				Total	Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach	Others				
	Ordinary Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings												
BALANCE, AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146	\$ 12,000,581	\$ 914,038,727	
Appropriation 2021 earnings	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(52,628)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)	-	(46,092,235)	
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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)	-	(104,319)	
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484	(109,072)	(1,588)	
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360	602,754	37,962,114	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)	(61,224)	(344,316,374)	
Total comprehensive income (loss) for year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)	541,530	(306,354,260)	
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000	-	52,500,000	
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978	42	678,020	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	434,614	434,614	
BALANCE, AT DECEMBER 31, 2022	146,692,102	15,333,000	215,318,047	73,747,059	150,768,651	230,331,762	(13,027,301)	(58,533,041)	950,265	(428,795)	(1,097,143)	12,609,000	(171,329,940)	(2,493,326)	598,840,340	12,867,695	611,708,035	
Appropriation of 2022 earnings	-	-	-	2,638,502	-	(2,638,502)	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(227,719,196)	-	-	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	227,719,196	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	(13,202,289)	-	-	-	-	-	-	-	-	-	-	-	(13,202,289)	-	(13,202,289)	
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	-	-	657,911	-	-	(74,807)	-	74,792	-	-	-	-	-	-	657,896	-	657,896	
Organizational restructuring	-	-	3,245	-	-	-	(3,245)	-	-	-	-	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries	-	-	-	-	-	(709,227)	-	-	-	-	-	-	-	731,302	22,075	(22,075)	-	
Net income for the year ended December 31, 2023	-	-	-	-	-	50,928,865	-	-	-	-	-	-	-	-	50,928,865	584,952	51,513,817	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	68,562	43,795,461	(439,766)	(404,998)	(20,517)	3,706	111,179,735	-	154,182,183	521,923	154,704,106	
Total comprehensive income (loss) for year ended December 31, 2023	-	-	-	-	-	50,928,865	68,562	43,795,461	(439,766)	(404,998)	(20,517)	3,706	111,179,735	-	205,111,048	1,106,875	206,217,923	
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539	-	16,539	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	95,627	-	(95,627)	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	(25,936)	25,936	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(561,528)	(561,528)	
BALANCE, AT DECEMBER 31, 2023	\$ 146,692,102	\$ 15,333,000	\$ 202,793,453	\$ 72,994,637	\$ 378,461,911	\$ 50,240,458	\$ (12,961,984)	\$ (14,758,415)	\$ 510,499	\$ (833,793)	\$ (1,117,660)	\$ 12,612,706	\$ (60,150,205)	\$ (1,762,024)	\$ 788,054,685	\$ 13,390,967	\$ 801,445,652	

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

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 58,469,289	\$ 49,947,792
Adjustments for:		
Depreciation expense	5,421,400	4,472,857
Amortization expense	3,214,561	3,071,207
Bad debt expense	4,103,185	4,777,580
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(123,188,458)	462,987,914
Interest expense	61,947,352	24,356,980
Net gain on derecognition of financial assets at amortized cost	(2,987,655)	(10,365,022)
Interest income	(307,577,036)	(250,519,506)
Dividend income	(23,001,452)	(27,521,113)
Net change in insurance liabilities	144,987,668	353,292,935
Net changes in other provisions	(28,730,131)	40,449,731
Compensation cost of share-based payments	16,539	678,020
Share of profit of associates and joint ventures accounted for using the equity method	(1,951,286)	(2,265,986)
Loss (gain) on reclassification using the overlay approach	119,689,733	(254,281,014)
(Gain) loss on disposal and retirement of property and equipment	(157,529)	15,643
Gain on disposal of investment properties	(10,598)	(2,369)
Gain on disposal of assets held for sale	-	(440,613)
Loss (gain) on disposal of investments accounted for using the equity method	280,823	(358,539)
Loss on disposal of investments	3,937,087	6,775,085
Expected credit loss on financial assets	1,362,986	4,682,547
Loss (gain) on changes in fair value of investment properties	267,594	(2,094,495)
Gain on disposal of subsidiaries	(398)	-
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,648,951)	(8,406,645)
Financial assets at fair value through profit or loss	73,675,942	294,868,000
Financial assets at fair value through other comprehensive income	100,338,207	(495,374,571)
Debt instruments at amortized cost	(215,193,537)	(181,326,295)
Financial assets for hedging	(508,973)	1,208,290
Receivables	(25,834,086)	(3,122,185)
Loans	(192,283,486)	(213,073,325)
Reinsurance assets	119,552	(3,493,052)
Other financial assets	2,707,180	2,091,129
Other assets	(3,909,157)	(444,697)
Deposits from the Central Bank and banks	19,821,615	22,704,065
Financial liabilities at fair value through profit or loss	(325,620,891)	(399,877,010)
Financial liabilities for hedging	(1,690,367)	3,719,654
Notes and bonds sold under repurchase agreements	(8,921,613)	(5,104,445)
Payables	11,373,997	(6,578,073)
Deposits and remittances	311,546,599	313,476,036
Provisions for employee benefits	(488,616)	(23,492)

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	2023	2022
Provisions	\$ 681,491	\$ 40,334
Other financial liabilities	8,112,587	25,523,435
Other liabilities	<u>9,213,600</u>	<u>(18,750,158)</u>
Cash used in operations	(323,415,233)	(264,283,371)
Interest received	304,958,717	243,285,551
Dividends received	23,747,446	28,304,737
Interest paid	(57,649,748)	(22,615,640)
Income tax paid	<u>(6,890,779)</u>	<u>(10,946,182)</u>
Net cash used in operating activities	<u>(59,249,597)</u>	<u>(26,254,905)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(26,017,351)	(17,202,630)
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,962,542	15,688,232
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	23,000	-
Acquisition of financial assets at fair value through profit or loss	(1,324,763)	(967,522)
Proceeds from disposal of financial assets at fair value through profit or loss	557,493	523,372
Acquisition of investments accounted for using equity method	-	(2,308,500)
Proceeds from disposal of investments accounted for using equity method	-	595,743
Net cash outflow on acquisition of subsidiaries (after deduction of cash and cash equivalent balances acquired)	(238,286)	(415,958)
Proceeds from disposal of subsidiaries	30,744	-
Proceeds from capital reduction of investments accounted for using equity method	10,729	170,887
Proceeds from disposal of assets held for sale	-	723,700
Acquisition of property and equipment	(4,566,415)	(4,179,942)
Proceeds from disposal of property and equipment	32,431	195,217
Acquisition of intangible assets	(614,083)	(743,023)
Proceeds from disposal of intangible assets	-	40,988
Acquisition of investment properties	(12,380,488)	(8,201,702)
Proceeds from disposal of investment properties	134,892	36,891
Other assets	35,357,297	(36,876,827)
Dividends received	<u>24,670</u>	<u>95,134</u>
Net cash generated from (used in) investing activities	<u>12,992,412</u>	<u>(52,825,940)</u>

(Continued)

# CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in funds borrowed from the Central Bank and banks	\$ -	\$ (1,076,000)
Increase in commercial paper payable	2,650,000	10,410,000
Proceeds from issuing bonds	53,986,835	-
Proceeds from issuance of financial debentures	-	693,116
Repayment of financial debentures	(10,048,944)	(10,384,260)
Increase in borrowings	216,688	3,598,444
Repayment of the principal portion of lease liabilities	(1,968,506)	(1,705,048)
Other liabilities	(136,129)	4,019,118
Dividends paid	(16,593,213)	(49,483,159)
Proceeds from issuance of ordinary shares	-	52,500,000
Acquisition of interests in subsidiaries	(667,490)	(911,234)
Changes in non-controlling interests	<u>(638,312)</u>	<u>(1,071,062)</u>
Net cash generated from financing activities	<u>26,800,929</u>	<u>6,589,915</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>1,304,606</u>	<u>1,052,650</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(18,151,650)	(71,438,280)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>620,603,407</u>	<u>692,041,687</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 602,451,757</u>	<u>\$ 620,603,407</u>
Reconciliation of cash and cash equivalents:		
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents presented in the consolidated balance sheets	\$ 320,831,824	\$ 412,013,900
Due from the Central Bank and call loans to banks qualified for cash and cash equivalents under the definition of IAS 7	238,294,936	170,513,016
Notes and bonds purchased under resale agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>43,324,997</u>	<u>38,076,491</u>
Cash and cash equivalents at the end of the years	<u>\$ 602,451,757</u>	<u>\$ 620,603,407</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 YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 5, 2024.



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

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

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

- Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group’s exposure to Pillar Two income taxes. The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

- IFRS 17 “Insurance Contracts” and its amendments

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

#### Level of aggregation

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

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

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

#### Recognition

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

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

### Measurement on initial recognition

On initial recognition, the Group should measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise estimates of future cash flows, 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 by applying the general measurement model; or
- 2) The coverage period of each contract in the group is one year or less.

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

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

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

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

#### Investment contracts with discretionary participation features

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

#### Modification and derecognition

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

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

#### Transition

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

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

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

### Redesignation of financial assets

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

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

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

## **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

### **Statement of Compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Statements by Insurance Enterprises, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Statements by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

### **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 year 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, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

### **Foreign Currencies**

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

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

differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

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

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

### **Investments in Associates**

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

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

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

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

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

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

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

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

### **Property and Equipment**

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

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

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

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

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

### **Investment Properties**

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



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

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

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

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

### **Goodwill**

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

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

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

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

### **Intangible Assets**

#### **a. Intangible assets acquired separately**

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

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

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

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

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

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

**Financial Instruments**

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

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

a. Financial assets

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

## 1) Measurement categories

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

### a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 37.

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

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

### b) Financial assets at amortized cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

### 3) Derecognition of financial assets

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

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

### 4) Offsetting of financial instruments

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

### 5) Reclassification of financial assets

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

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

## b. Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share type and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

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

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

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

Fair value is determined in the manner described in Note 37.

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 year in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

c. Hedges of net investments in foreign operations

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

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

### **Notes and Bonds Purchased/Sold Under Resale/Repurchase Agreements**

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

### **Separate Accounts Insurance Products**

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

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

## Insurance Liability

### a. Cathay Life

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

#### 1) Unearned premium reserve

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

#### 2) Loss reserve

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

#### 3) Policy reserve

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

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

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

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

4) Special reserve

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

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

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

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

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

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

2) Loss reserve

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

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

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

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

3) Special reserve

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

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

Furthermore, according to the Notice for the Improvement of the Reserves of Natural Disaster Insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and were recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. In addition, the above precautions were amended in accordance with Rule No. 11101405951 on June 30, 2022, and the name was changed to “Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises”. According to point eight of the Notice, when the actual claims net of the debit amounts to special reserves for catastrophic events exceed the expected claims after deducting the special reserve for major accidents, or the total accumulated deposit reaches the full water level, an appropriate amount should be written off or recovered from the special reserves for fluctuation of risk pursuant to the third point of the “Regulations Governing the Reserves for Commercial-business Earthquake Insurance and Typhoon and Flood Insurance”. The write off and recovery of special reserves for catastrophic events and fluctuation of risk provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic events

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

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

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

b) Special reserves for fluctuation of risk

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

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

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

#### 4) Premium deficiency reserve

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

#### 5) Policy reserve

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

#### 6) Liability adequacy reserve

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

### **Liability Adequacy Test**

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

### **Reserve for Insurance Contracts with the Nature of Financial Products**

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

### **Reserve for Foreign Exchange Valuation**

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

## Revenue and the Related Expenses Recognition

### a. Cathay Life and its subsidiaries

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

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

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

- 2) Cathay Lujiazui Life

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

- 3) Cathay Life (Vietnam)

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

### b. Cathay United Bank and its subsidiaries

- 1) Recognition of interest revenue and expense

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

- 2) Recognition of service fee revenue and expense

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

### 3) Customer loyalty program

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

#### c. Cathay Century and its subsidiaries

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

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

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

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

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

Provision for loss reserve is not discounted.

#### d. Cathay Securities

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

### **Classification of Insurance Products**

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

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



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

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

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

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

## **Reinsurance**

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

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

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

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

## Provisions

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

## Leases

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

### a. The Group as lessor

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

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

### b. The Group as lessee

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 pandemic, and there is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the year 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 rereasurement) 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.

### **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.

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

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

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

c. Current and deferred taxes for the year

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

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

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

When developing material accounting estimates, the Group considers the possible impact of the recent development of the COVID-19 pandemic, the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions, inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

a. Estimated impairment of loans

The estimated impairment of loans is made with reference to the collateral status of the credit assets, the amount of the accumulated principal and interest due, and the length of the overdue period. The loans are classified after considering the changes in the credit of individual credit assets and the collection status. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment assessment, based on the Group's historical experience, existing market conditions as well as forward looking estimates (i.e. probability of default and expected credit loss rates) as of the end of each reporting period. Refer to Note 37 for the key assumptions and inputs used.

b. Fair value measurements and valuation processes

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 14 and 37.

c. Valuation of insurance contract liabilities

1) Cathay Life and its subsidiaries

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

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

2) Cathay Century and its subsidiaries

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

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 27,803,563	\$ 25,804,834
Cash in banks	158,001,481	142,995,682
Time deposits	53,839,934	115,356,201
Checks for clearing	5,947,591	5,633,023
Cash equivalents	3,093,800	33,985,224
Due from banks	72,206,499	88,281,746
Less: Loss allowance	<u>(61,044)</u>	<u>(42,810)</u>
	<u>\$ 320,831,824</u>	<u>\$ 412,013,900</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 506,051,539	\$ 416,247,404
Funds and beneficiary certificates	809,402,295	706,159,006
Government bonds	3,632,895	9,106,147
Corporate bonds	18,347,608	10,439,754
Financial debentures	88,703,390	51,335,119
Overseas bonds	285,765,963	268,876,240
Short-term notes	152,398,099	95,605,849
		(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Futures trading margin	\$ 177,930	\$ 159,636
Structured time deposits	14,172,336	13,981,139
Derivative instruments	<u>130,531,636</u>	<u>103,114,335</u>
	<u>\$ 2,009,183,691</u>	<u>\$ 1,675,024,629</u>

Financial liabilities at FVTPL

Designated as at FVTPL		
Bonds	\$ 40,481,221	\$ 39,076,751
Held for trading		
Derivative instruments	105,791,323	142,950,303
Security lending payable (non-hedging)	620,605	639,802
Security lending payable (hedging)	<u>2,641</u>	<u>332,388</u>
	<u>\$ 146,895,790</u>	<u>\$ 182,999,244</u>

(Concluded)

- 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Stocks	\$ 497,172,467	\$ 409,746,186
Funds and beneficiary certificates	790,060,459	661,870,978
Financial debentures	20,403,467	16,235,380
Overseas bonds	284,895,978	267,877,938
Structured time deposits	<u>14,172,336</u>	<u>13,981,139</u>
	<u>\$ 1,606,704,707</u>	<u>\$ 1,369,711,621</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Gain (loss) due to application of IFRS 9 to profit or loss	\$ 203,746,446	\$(189,389,292)
Gain if applying IAS 39 to profit or loss	<u>(84,056,713)</u>	<u>(64,891,722)</u>
Loss (gain) reclassified due to application of overlay approach	<u>\$ 119,689,733</u>	<u>\$(254,281,014)</u>

Due to application of overlay approach, the amounts of gain and loss on financial assets and liabilities at FVTPL for the years ended December 31, 2023 and 2022 decreased from gain of \$138,491,439 thousand to \$18,801,706 thousand and decreased from loss of \$445,353,503 thousand to \$191,072,489 thousand, respectively.

b. Financial liabilities designated as at FVTPL

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

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

Cathay United Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the years ended December 31, 2023 and 2022, such interest rate swaps were valued with a net gains of \$254,352 thousand and net losses of \$6,342,801 thousand, respectively.

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investments in equity instrument at FVTOCI		
Stocks	\$ 168,478,976	\$ 116,432,806
Investments in debt instrument at FVTOCI		
Government bonds	114,422,572	99,707,940
Corporate bonds	79,128,665	77,298,462
Financial debentures	53,277,684	56,897,017
Overseas bonds	413,933,096	338,755,440
Asset-backed securities	18,546,743	7,052,947
Negotiable certificates of deposits	31,934,434	246,261,699
Less: Litigation deposits	(37,511)	(36,548)
Less: Deposits in the Central Bank	(2,112,072)	(2,053,785)
Less: Derivative collateral	<u>(1,311,512)</u>	<u>(11,263,064)</u>
	<u>707,782,099</u>	<u>812,620,108</u>
	<u>\$ 876,261,075</u>	<u>\$ 929,052,914</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 years ended December 31, 2023 and 2022 were \$7,077,042 thousand and \$9,494,973 thousand, respectively. Those related to investment derecognized for the years ended December 31, 2023 and 2022 were \$615,428 thousand and \$4,370,973 thousand, respectively.

c. In consideration of the investment strategy, the Group sold equity instruments at FVTOCI at fair values of \$34,550,871 thousand and \$104,700,721 thousand at the time of sale, and transferred unrealized gain of \$95,627 thousand and unrealized loss of \$10,376,705 thousand from other equity to retained earnings for the years ended December 31, 2023 and 2022, respectively.



- d. As of December 31, 2023 and 2022, certain financial assets at FVTOCI of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$21,084,718 thousand and \$20,288,287 thousand, respectively. The proceeds amounting to \$17,909,086 thousand and \$18,969,910 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$18,024,511 thousand and \$19,113,099 thousand before the end of May 2024 and May 2023, respectively.
- e. As of December 31, 2023 and 2022, Cathay Securities and its subsidiaries sold certain debt instruments at FVTOCI under repurchase agreements with notional amounts of \$8,024,505 thousand and \$4,274,560 thousand, respectively.
- f. Refer to Note 30 for the financial assets at FVTOCI that were pledged as collateral.
- g. Refer to Note 37 for information relating to the credit risk management and impairment of debt instruments at FVTOCI.
- h. Refer to Note 37 for information relating to reclassified debt instruments at FVTOCI to debt instruments at amortized cost.

## 9. DEBT INSTRUMENTS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Time deposits	\$ 11,522,602	\$ 8,735,223
Financial debentures	110,675,974	75,935,708
Corporate bonds	46,943,831	50,874,868
Government bonds	88,010,837	81,566,816
Overseas bonds	3,982,339,524	3,918,757,911
Financial asset beneficiary certificates	1,792,000	2,237,000
Asset-backed securities	70,746,917	64,605,102
Short-term notes	429,259,324	325,589,626
Less: Guarantee deposits	(1,497,930)	(1,527,314)
Less: Deposits in the Central Bank	(7,462,500)	(7,431,186)
Less: Derivative collateral	(145,703)	(5,054,740)
Less: Loss allowance (Note)	<u>(3,451,226)</u>	<u>(3,512,419)</u>
	<u>\$ 4,728,733,650</u>	<u>\$ 4,510,776,595</u>

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2023 and 2022, the amounts were \$676 thousand and \$754 thousand, respectively.

- a. For the years ended December 31, 2023 and 2022, the Group disposed of bonds before maturity due to increase in credit risk, which resulted in loss on disposal of \$244,236 thousand and gains on disposal of \$476,193 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of \$13,480 thousand and \$39,087; disposal of bonds before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of \$3,449,701 thousand and \$9,880,990 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in loss on disposal of \$204,330 thousand and gains on disposal of \$257,045 thousand, respectively.

- b. As of December 31, 2023 and 2022, certain financial assets at amortized cost of Cathay United Bank and its subsidiaries were sold under repurchase agreements with notional amounts of \$491,760 thousand and \$16,286,483 thousand, respectively. The proceeds amounting to \$409,406 thousand and \$11,761,896 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and were repurchased for \$415,453 thousand and \$11,835,606 thousand before March 2024 and February 2023, respectively.
- c. Refer to Note 30 for information relating to debt instruments at amortized cost pledged as collateral.
- d. Refer to Note 37 for information relating to the credit risk management and impairment of debt instruments at amortized cost.

## 10. RECEIVABLES, NET

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable	\$ 511,510	\$ 513,968
Accounts receivable	108,871,071	108,411,353
Interest receivables	70,899,120	63,256,303
Acceptances	1,316,484	996,607
Factoring receivables	2,695,574	4,523,885
Others	<u>70,005,353</u>	<u>43,277,282</u>
	254,299,112	220,979,398
Less: Loss allowance	<u>(5,344,477)</u>	<u>(3,826,212)</u>
	<u>\$ 248,954,635</u>	<u>\$ 217,153,186</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 year ended December 31, 2023

	<b>12-month Expected- credit Losses</b>	<b>Lifetime Expected- credit Losses (Collectively Assessed)</b>	<b>Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
Beginning balance	\$ 506,839	\$ 360,011	\$ 1,591,166	\$ 2,458,016	\$ 58,994	\$ 2,517,010
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(15,909)	192,785	(2,148)	174,728	-	174,728
Transferred to credit-impaired financial assets	(20,810)	(72,889)	614,736	521,037	-	521,037
Transferred to 12-month ECLs	11,044	(101,358)	(3,162)	(93,476)	-	(93,476)
Derecognition of financial assets in the year	(309,925)	(140,863)	(261,008)	(711,796)	-	(711,796)
New financial assets purchased or originated	315,039	146,900	389,701	851,640	-	851,640

(Continued)

	<b>12-month Expected- credit Losses</b>	<b>Lifetime Expected- credit Losses (Collectively Assessed)</b>	<b>Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
Difference from impairment charged in accordance with applicable laws and regulations	\$ -	\$ -	\$ -	\$ -	\$ (1,739)	\$ (1,739)
Written off as bad debt expense	-	-	(645,789)	(645,789)	-	(645,789)
Effects of exchange rate changes and others	79,076	9,385	46,888	135,349	-	135,349
Ending balance	<u>\$ 565,354</u>	<u>\$ 393,971</u>	<u>\$ 1,730,384</u>	<u>\$ 2,689,709</u>	<u>\$ 57,255</u>	<u>\$ 2,746,964</u>

(Concluded)

For the year ended December 31, 2022

	<b>12-month Expected- credit Losses</b>	<b>Lifetime Expected- credit Losses (Collectively Assessed)</b>	<b>Lifetime Expected- credit Losses (Neither Purchased nor Originated Credit- impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference from Impairment Charged in Accordance with Applicable Laws and Regulations</b>	<b>Total</b>
Beginning balance	\$ 418,248	\$ 288,704	\$ 1,658,913	\$ 2,365,865	\$ 69,669	\$ 2,435,534
Changes of financial instruments recognized at the beginning of the current reporting year						
Transferred to Lifetime ECLs	(4,470)	190,986	(1,287)	185,229	-	185,229
Transferred to credit-impaired financial assets	(1,173)	(3,929)	114,964	109,862	-	109,862
Transferred to 12-month ECLs	22,288	(164,304)	(1,924)	(143,940)	-	(143,940)
Derecognition of financial assets in the year	(347,571)	(105,202)	(89,433)	(542,206)	-	(542,206)
New financial assets purchased or originated	248,195	109,888	255,448	613,531	-	613,531
Difference from impairment charged in accordance with applicable laws and regulations	-	-	-	-	(10,675)	(10,675)
Written off as bad debt expense	-	-	(387,020)	(387,020)	-	(387,020)
Effects of exchange rate changes and others	171,322	43,868	41,505	256,695	-	256,695
Ending balance	<u>\$ 506,839</u>	<u>\$ 360,011</u>	<u>\$ 1,591,166</u>	<u>\$ 2,458,016</u>	<u>\$ 58,994</u>	<u>\$ 2,517,010</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 1,309,202	\$ 71,398
Provision for the year	1,300,963	1,261,640
Amounts written off	(12,761)	(24,045)
Amounts recovered	84	185
Foreign exchange	<u>25</u>	<u>24</u>
Ending balance	<u>\$ 2,597,513</u>	<u>\$ 1,309,202</u>

## 11. DISCOUNTS AND LOANS, NET

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Export negotiations	\$ 1,249,512	\$ 1,246,793
Loans	2,716,280,076	2,524,404,978
Discounts and overdrafts	1,279,933	1,328,114
Overdue loans	<u>8,670,902</u>	<u>7,905,476</u>
	2,727,480,423	2,534,885,361
Less: Loss allowance	<u>(42,960,023)</u>	<u>(39,368,551)</u>
	<u>\$ 2,684,520,400</u>	<u>\$ 2,495,516,810</u>

- a. As of December 31, 2023, the gross amount of domestic discounts and loans belonging to Cathay United Bank amounted to \$2,134,975,661 thousand and the allowance loss amounted to \$35,080,127 thousand.
- b. For the years ended December 31, 2023 and 2022, Cathay United Bank disposed credit assets in order to increase debt recovery, and recognized the loss arising from the derecognition of credit assets measured at amortized cost amounting to \$0 thousand and \$210,119 thousand, respectively.
- c. Refer to Note 37 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
			December 31		
			2023	2022	
The Company	Cathay Life	Life Insurance	100.00	100.00	
The Company	Cathay United Bank	Banking	100.00	100.00	
The Company	Cathay Century	Property insurance	100.00	100.00	
The Company	Cathay Securities	Security	100.00	100.00	
The Company and Cathay Life	Cathay Venture	Venture capital	100.00	100.00	
The Company	Cathay Securities Investment Trust	Entrusted investments	100.00	100.00	
Cathay Life	Cathay Lujiazui Life	Life insurance	50.00	50.00	
Cathay Life	Cathay Life (Vietnam)	Life insurance	100.00	100.00	

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2023	2022	
Cathay Life	Lin Yuan (Shanghai) Real Estate Co., Ltd. ("Lin Yuan")	Office leasing	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	
Cathay Life	Conning Holdings Limited ("CHL")	Holding company	100.00	100.00	Note 1
Cathay Life	Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center")	Real estate rental and leasing	99.00	99.00	
Cathay Life	Cathay Power Inc. ("Cathay Power")	Energy technical services	70.00	70.00	Note 2
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	
CHL	Conning Asia Pacific Ltd.	Asset management services	100.00	100.00	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	
CHL	Global Evolution Holding ApS	Holding company	77.89	69.19	Note 3
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	
Conning Holdings Corp.	Conning & Company ("C&C")	Holding company	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	
C&C	Octagon Credit Investors, LLC ("Octagon")	Asset management services	87.24	86.34	
C&C	Pearlmark Real Estate, LLC ("Pearlmark")	Real estate investment and management	55.50	-	Note 4
Pearlmark	Pearlmark Real Estate Services, LLC	Real estate investment and management	100.00	-	Note 4
Pearlmark	PREP Investment Advisers, LLC	Real estate investment and management	100.00	-	Note 4
Pearlmark	PEP GP II, LLC	Real estate investment and management	52.00	-	Note 4
Octagon	Octagon Credit Opportunities GP, LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	
Octagon	Octagon Funds GP III LLC	Fund management services	100.00	-	Note 5
Global Evolution Holding ApS	Global Evolution Financial ApS	Asset management services	99.41	99.77	
Global Evolution Financial ApS	Global Evolution Fondsmaeglerselskab A/S	Asset management services	100.00	100.00	
Global Evolution Financial ApS	Global Evolution Manco S.A.	Asset management services	90.00	90.00	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution USA, LLC	Asset management services	100.00	100.00	
Global Evolution Fondsmaeglerselskab A/S	Global Evolution Fund Management Singapore Pte. Ltd.	Asset management services	100.00	100.00	
Cathay Power	SUNRISE PV ONE CO., LTD. ("SUNRISE PV ONE")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Cathy Sunrise Two Co., Ltd. ("Cathy Sunrise Two")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Bai Yang Energy Co., Ltd. ("Bai Yang Energy")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Cathy Sunrise Electric Power Two Co., Ltd. ("Cathy Sunrise Electric Power Two")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Hong Cheng Sing Tech. Co., Ltd. ("Hong Cheng Sing Tech.")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Shen Lyu Co., Ltd. ("Shen Lyu")	Energy technical services	100.00	100.00	Note 2
Cathay Power	Nan Yang Power Co., Ltd. ("Nan Yang Power")	Energy technical services	80.00	80.00	Note 2
Cathay Power	CM Energy Co., Ltd. ("CM Energy")	Energy technical services	70.00	70.00	Note 6
Cathay Power	Neo Cathy Power Corp. ("Neo Cathy Power")	Energy technical services	100.00	100.00	Note 6
Cathay Power	Cathay Wind Power Holdings CO., LTD. ("Cathay Wind Power Holdings")	Energy technical services	100.00	-	Note 7
Cathay Power	Cathay Wind Power CO., LTD. ("Cathay Wind Power")	Energy technical services	100.00	-	Note 8
SUNRISE PV ONE	Shu Guang Energy Co., Ltd. ("Shu Guang Energy")	Energy technical services	70.00	70.00	Note 2
CM Energy	Hong Tai Energy Co., Ltd. ("Hong Tai Energy")	Energy technical services	100.00	100.00	Note 6
CM Energy	Tian Ji Energy Co., Ltd. ("Tian Ji Energy")	Energy technical services	100.00	100.00	Note 6
CM Energy	Tian Ji Power Co., Ltd. ("Tian Ji Power")	Energy technical services	100.00	100.00	Note 6
CM Energy	Chen Fong Power Co., Ltd. ("Chen Fong Power")	Energy technical services and electric power supply, electric transmission and power distribution machinery manufacturing	-	100.00	Note 9

(Continued)

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2023	2022	
Hong Tai Energy	Hong Tai Power Co., Ltd. ("Hong Tai Power")	Energy technical services	100.00	100.00	Note 6
Neo Cathy Power	Si Yi Co., Ltd. ("Si Yi")	Energy technical services	100.00	100.00	Note 6
Neo Cathy Power	Da Li Energy Co., Ltd. ("Da Li")	Energy technical services	100.00	100.00	Note 6
Neo Cathy Power	Yong Han Co., Ltd. ("Yong Han")	Energy technical services	100.00	100.00	Note 6
Cathay Century	Cathay Insurance (Vietnam) Co., Ltd. ("Cathay Insurance (Vietnam)")	Property insurance services	100.00	100.00	
Cathay United Bank	Indovina Bank Limited ("Indovina Bank")	Banking	50.00	50.00	
Cathay United Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank")	Banking	100.00	100.00	
Cathay United Bank	Cathay United Bank (China) Co., Ltd. ("CUBCN Bank")	Banking	100.00	100.00	
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Investment service	49.00	49.00	Note 10
Cathay Securities	Cathay Futures Co., Ltd. ("Cathay Futures")	Futures services	99.99	99.99	
Cathay Securities	Cathay Securities (Hong Kong) Limited ("Cathay Securities (Hong Kong)")	Securities services	100.00	100.00	
Cathay Securities (Hong Kong)	Cathay Capital (Asia) Limited ("Cathay Capital (Asia)")	Investment service	100.00	100.00	
Cathay Securities Investment Trust	Cathay Private Equity Co., Ltd. ("Cathay Private Equity")	Private equity	100.00	100.00	

(Concluded)

Note 1: On July 6, 2023, Cathay Life's board of directors resolved to exchange all of its equity shares in CHL and its subsidiaries for approximately 16.75% of equity shares in Generali Investments Holding S.p.A. The Ministry of Economic Affairs, R.O.C. has approved the transaction on February 29, 2024, and it is subject to the approval by the international regulatory authority.

Note 2: Cathay Life originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its the ownership interest to 70%, and obtained the controls of Cathay Power and its subsidiaries. Refer to Note 39 for information relating to the business combination.

Note 3: On June 22, 2022, non-controlling interests exercised the put options on the subsidiary's shares, thus, CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 61.15% to 69.19%. On March 28, 2023 and June 21, 2023, non-controlling interests exercised the put options on the subsidiary's shares, and CHL's ownership interest increased from 69.19% to 69.44% and from 69.44% to 69.85%, respectively. On September 12, 2023, non-controlling interests exercised the put options on the subsidiary's shares, thus, CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 69.85% to 77.89%.

Note 4: On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash and obtained control of Pearlmark and its subsidiaries. Refer to Note 39 for the description of the business combination.

Note 5: Octagon Funds GP III LLC was established on March 15, 2023.

Note 6: On November 24, 2022, Cathay Power issued ordinary shares to exchange all the shares of Neo Cathay Power and CM Energy that San Ching Engineering Co., Ltd. and Cathay Life originally held and obtained control of Neo Cathay Power, CM Energy and their subsidiaries.

Note 7: Cathay Wind Power Holdings was established on December 28, 2023.

Note 8: Cathay Wind Power was established on December 29, 2023.

Note 9: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash. Refer to Note 39 for the description of the business combination. On May 2, 2023, CM Energy disposed of Chen Fong Power's shares. Refer to Note 40 for the description of the disposal of the subsidiaries.

Note 10: CUBC Bank substantially controls over CUBC-I's operations and the composition of its board of directors, with 49% ownership through proxy agreements with the remaining shareholders and holding 100% of economic benefit, therefore listing as a subsidiary of CUBC Bank.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Subsidiary	Nature of Business	Percentage of Ownership Interest (%)		Notes
			December 31		
			2023	2022	
Cathay Life	Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting")	Security investment consulting services	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

	December 31	
	2023	2022
Investments in unconsolidated subsidiaries	\$ 696,540	\$ 687,870
Investments in associates	<u>33,515,776</u>	<u>32,195,431</u>
	<u>\$ 34,212,316</u>	<u>\$ 32,883,301</u>

a. Investments in unconsolidated subsidiaries

	December 31	
	2023	2022
Cathay Securities Investment Consulting	<u>\$ 696,540</u>	<u>\$ 687,870</u>

b. Investments in associates

	December 31	
	2023	2022
Rizal Commercial Banking Corporation	\$ 18,673,120	\$ 16,976,954
Cathay Insurance Company Limited (China)	4,851,410	4,950,963
CMG International Two Co., Ltd.	1,762,443	1,770,924
Taiwan Finance Corp.	1,693,418	1,526,245
CMG International One Co., Ltd.	1,550,749	1,555,961
PSS Co., Ltd.	1,091,135	963,095
Ding Teng Co., Ltd.	935,800	893,766
Dasheng IV Venture Capital Co., Ltd.	726,550	1,147,091
TaiYang Solar Power Co., Ltd.	557,707	501,756
Dasheng Venture Capital Co., Ltd.	403,159	611,753
Symphox Information Co., Ltd.	354,303	350,320

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
BSCOM Cathay Asset Management Co., Ltd.	\$ 230,536	\$ 285,340
ThrivEnergy Co., Ltd.	227,338	215,844
Tien-Tai Optronics Corporation	135,232	137,346
Tiantai II Optoelectronics Co., Ltd.	131,538	132,470
Taiwan Real-estate Management Corp.	99,255	95,880
Lin Yuan Property Management Co., Ltd.	70,934	58,045
Southern Electricity Corp.	17,882	18,519
Tien-Tai Management Consulting Co., Ltd.	<u>3,267</u>	<u>3,159</u>
	<u>\$ 33,515,776</u>	<u>\$ 32,195,431</u>

(Concluded)

Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
The Group's share of:		
Net income	\$ 1,748,986	\$ 2,051,467
Other comprehensive loss	<u>(381,292)</u>	<u>(215,952)</u>
Total comprehensive income for the year	<u>\$ 1,367,694</u>	<u>\$ 1,835,515</u>

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

#### 14. INVESTMENT PROPERTY

	<b>Land</b>	<b>Buildings</b>	<b>Investment Property Under Construction</b>	<b>Prepayments for Buildings and Land - Investments</b>	<b>Total</b>
Balance at January 1, 2022	\$ 309,245,953	\$ 119,624,493	\$ 3,412,376	\$ 242,642	\$ 432,525,464
Additions	3,995,792	-	3,501,288	4,705,481	12,202,561
Disposals	(28,851)	(5,671)	-	-	(34,522)
Other reclassification	5,144,570	1,117,067	(1,168,388)	(3,454,682)	1,638,567
Gain on changes in fair value of investment property	1,199,305	895,190	-	-	2,094,495
Foreign exchange	(81,265)	(18,422)	2,491	7,902	(89,294)
Others	<u>(191,606)</u>	<u>(5,067)</u>	<u>-</u>	<u>-</u>	<u>(196,673)</u>
Balance at December 31, 2022	<u>\$ 319,283,898</u>	<u>\$ 121,607,590</u>	<u>\$ 5,747,767</u>	<u>\$ 1,501,343</u>	<u>\$ 448,140,598</u>
Balance at January 1, 2023	\$ 319,283,898	\$ 121,607,590	\$ 5,747,767	\$ 1,501,343	\$ 448,140,598
Additions	-	-	7,797,704	4,582,784	12,380,488
Disposals	(85,714)	(38,580)	-	-	(124,294)
Other reclassification	2,004,040	4,581,511	(4,610,452)	(2,007,294)	(32,195)
Gain (loss) on changes in fair value of investment property	1,498,957	(1,766,551)	-	-	(267,594)
Foreign exchange	608,561	865,712	48,468	111,890	1,634,631
Others	<u>(44,924)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,924)</u>
Balance at December 31, 2023	<u>\$ 323,264,818</u>	<u>\$ 125,249,682</u>	<u>\$ 8,983,487</u>	<u>\$ 4,188,723</u>	<u>\$ 461,686,710</u>



	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Rental income from investment properties	\$ 12,032,362	\$ 11,599,727
Direct operating expenses from investment properties that generate rental income	(881,432)	(847,254)
Direct operating expenses from investment properties that do not generate rental income	<u>(164,568)</u>	<u>(238,036)</u>
	<u>\$ 10,986,362</u>	<u>\$ 10,514,437</u>

- a. Certain properties are held to earn rental or for capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component could not be sold separately, it would be classified as investment property only when owner occupation is lower than 5% of the property.
- b. As of December 31, 2023, the investment properties (excluding investment property under construction and prepayment for buildings and land - investments) belonging to Cathay Life amounted to \$411,639,791 thousand. Investment properties are held mainly for lease business. All the lease agreements are operating leases and the primary terms of the lease agreements are the same as general lease agreements. Rents from investment property are received annually, semi-annually, quarterly, monthly or in one lump sum.
- c. The ownership of the Group's investment properties is not subject to restrictions other than the restriction associated with being furnished as security for other's debts; the ownership of its trust property is not subject to restrictions. Besides, the Group is not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.
- d. Valuation on the investment property of Cathay Life and its subsidiaries has been carried out by the following appraisers of the joint appraisal firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates on December 31, 2023 and 2022 respectively.

<b>Name of Appraisal Firms</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
DTZ Real Estate Appraiser Firm	Changda Yang; Genyuan Li; Chiaho Tsai; Chunchun Hu	Changda Yang; Genyuan Li; Chiaho Tsai; Chunchun Hu
Savills plc Real Estate Appraiser Firm	Yufen Ye; Yizhi Zhang; Hongkai Zhang; Chengye Wu; Shiyu Ye	Yufen Ye; Yizhi Zhang; Hongkai Zhang
REPro KnightFrank Real Estate Appraiser Firm	Yuhsiang Tsai; Hsiangyi Hsu	Yuhsiang Tsai; Hsiangyi Hsu
V-LAND Real Estate Appraiser Firm	Hischung Wang	Hischung Wang
Shang-shang Real Estate Appraiser Firm	Hongyuan Wang; Jianhao Huang	Hongyuan Wang; Jianhao Huang

(Continued)

Name of Appraisal Firms	December 31	
	2023	2022
Sinyi Real Estate Appraiser Firm	Weixin Chi; Liangan Ji; Wenzhe Cai; Shiming Wang	Weixin Chi; Liangan Ji; Wenzhe Cai; Shiming Wang
Elite Real Estate Appraiser Firm	Yulin Chen; Yihui Luo; Xiuying Zhan	Yulin Chen; Yihui Luo
CBRE Real Estate Appraiser Firm	Fuxue Shi	Fuxue Shi; Zhiwei Lee
China Credit Information Service Ltd.	ZhiHao Wu; WeiRu Li	ZhiHao Wu; WeiRu Li
LinkU Real Estate Appraisal and Consulting Services	LinYu Lian	LinYu Lian; ShengFeng Lai
Colliers International Real Estate Appraiser Firm	Fengru Ke; Jianhui Gu	Fengru Ke

(Concluded)

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

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

The main inputs used are as follows:

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

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

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 "Regulations on Real Estate Appraisal". The valuation dates were December 31, 2023 and 2022, respectively.

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

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

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

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

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

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

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

The main inputs used are as follows:

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

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Estimated future cash inflows	\$ 464,900	\$ 460,417
Estimated future cash outflows	<u>(15,298)</u>	<u>(15,041)</u>
Estimated net cash inflows	<u>\$ 449,602</u>	<u>\$ 445,376</u>
Discount rate	2.845%	2.720%
Earnings capitalization rate	2.46%	2.48%

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

The investment properties were entirely leased under operating leases, and generated rental income of \$7,907 thousand and \$7,802 thousand for the years ended December 31, 2023 and 2022, respectively.

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 416,636,209	\$ 405,850,441
Amount recognized in profit or loss		
(Loss) gain from investment property	(267,594)	2,094,495
Amount recognized in other comprehensive income		
Exchange differences resulting from translation of the financial statements of foreign operations	1,474,273	(99,687)
Additions	-	3,995,792
Disposals	(124,294)	(34,500)
Transfers to property and equipment	(32,195)	(52,109)
Transfers from investment property under construction	1,237,309	1,168,449
Transfers from prepayment for buildings and land	3,254	727
Transfer from investment properties measured at cost	-	2,218,659
Transfer from property and equipment	-	1,690,615
Others	<u>(44,924)</u>	<u>(196,673)</u>
Ending balance	<u>\$ 418,882,038</u>	<u>\$ 416,636,209</u>

The above amount excludes those measured at cost.

- h. Refer to Tables 2 for the acquisition of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital, respectively.
- i. See Note 30 for information relating to investment properties pledged as collateral for short-term bank borrowings.

## 15. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leasehold Improvements	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
<b>Cost</b>								
Balance at January 1, 2022	\$ 69,524,895	\$ 44,614,486	\$ 10,154,047	\$ 1,383,785	\$ 125,651	\$ 12,855,198	\$ 1,541,462	\$ 140,199,524
Additions	16	1,013	1,315,601	55,516	880	1,034,619	1,772,297	4,179,942
Acquisitions through business combinations (Note 39)	8,010	-	-	-	-	10,179,365	1,306,878	11,494,253
Disposals	(45,421)	(262,355)	(609,702)	-	(6,794)	(687,244)	(3)	(1,611,519)
Reclassification	(136,459)	1,163,787	(122,965)	14,308	1,850	773,929	(2,288,108)	(593,658)
Foreign exchange	57,148	43,692	170,624	48,658	12,310	34,069	3,445	369,946
Balance at December 31, 2022	<u>\$ 69,408,189</u>	<u>\$ 45,560,623</u>	<u>\$ 10,907,605</u>	<u>\$ 1,502,267</u>	<u>\$ 133,897</u>	<u>\$ 24,189,936</u>	<u>\$ 2,335,971</u>	<u>\$ 154,038,488</u>
<b>Depreciation and impairment</b>								
Balance at January 1, 2022	\$ 103,134	\$ 24,072,492	\$ 6,907,169	\$ 878,153	\$ 87,261	\$ 10,299,049	\$ -	\$ 42,347,258
Acquisitions through business combinations (Note 39)	-	-	-	-	-	1,633,713	-	1,633,713
Depreciation	-	879,216	1,046,112	121,068	8,908	849,529	-	2,904,833
Disposals	(4,866)	(149,518)	(580,044)	-	(6,033)	(660,198)	-	(1,400,659)
Others	-	(136,359)	(16,363)	-	-	17,608	-	(135,114)
Foreign exchange	-	16,844	65,236	25,242	8,441	21,803	-	137,566
Balance at December 31, 2022	<u>\$ 98,268</u>	<u>\$ 24,682,675</u>	<u>\$ 7,422,110</u>	<u>\$ 1,024,463</u>	<u>\$ 98,577</u>	<u>\$ 12,161,504</u>	<u>\$ -</u>	<u>\$ 45,487,597</u>
Carrying amount at December 31, 2022	<u>\$ 69,309,921</u>	<u>\$ 20,877,948</u>	<u>\$ 3,485,495</u>	<u>\$ 477,804</u>	<u>\$ 35,320</u>	<u>\$ 12,028,432</u>	<u>\$ 2,335,971</u>	<u>\$ 108,550,891</u>
<b>Cost</b>								
Balance at January 1, 2023	\$ 69,408,189	\$ 45,560,623	\$ 10,907,605	\$ 1,502,267	\$ 133,897	\$ 24,189,936	\$ 2,335,971	\$ 154,038,488
Additions	-	-	966,539	37,085	2,391	1,393,788	2,166,612	4,566,415
Acquisitions through business combinations (Note 39)	-	-	6,946	-	-	1,077	-	8,023
Disposals	(2,980)	(14,697)	(339,323)	(33,106)	(2,193)	(331,492)	(127,418)	(851,209)
Proceeds from disposal of subsidiaries (Note 40)	-	-	-	-	-	-	(1,097)	(1,097)
Others (Note)	(31,559)	105,401	-	-	-	80,625	-	154,467
Reclassification	-	78,128	330,215	26,858	5,567	2,166,607	(2,601,173)	6,202
Foreign exchange	512	(11,424)	(9,068)	(9,666)	(14)	(3,114)	(291)	(33,065)
Balance at December 31, 2023	<u>\$ 69,374,162</u>	<u>\$ 45,718,031</u>	<u>\$ 11,862,914</u>	<u>\$ 1,523,438</u>	<u>\$ 139,648</u>	<u>\$ 27,497,427</u>	<u>\$ 1,772,604</u>	<u>\$ 157,888,224</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, 2023	\$ 98,268	\$ 24,682,675	\$ 7,422,110	\$ 1,024,463	\$ 98,577	\$ 12,161,504	\$ -	\$ 45,487,597
Acquisitions through business combinations (Note 39)	-	-	5,618	-	-	1,043	-	6,661
Depreciation	-	881,175	1,217,190	115,568	8,582	1,514,456	-	3,736,971
Disposals	-	(8,664)	(335,757)	(33,106)	(2,070)	(314,825)	-	(694,422)
Reclassification	-	-	1,366	-	-	(1,366)	-	-
Foreign exchange	-	(1,459)	(7,250)	(6,887)	(55)	(3,396)	-	(19,047)
Balance at December 31, 2023	<u>\$ 98,268</u>	<u>\$ 25,553,727</u>	<u>\$ 8,303,277</u>	<u>\$ 1,100,038</u>	<u>\$ 105,034</u>	<u>\$ 13,357,416</u>	<u>\$ -</u>	<u>\$ 48,517,760</u>
Carrying amount at December 31, 2023	<u>\$ 69,275,894</u>	<u>\$ 20,164,304</u>	<u>\$ 3,559,637</u>	<u>\$ 423,400</u>	<u>\$ 34,614</u>	<u>\$ 14,140,011</u>	<u>\$ 1,772,604</u>	<u>\$ 109,370,464</u>

(Concluded)

Note: Cathay United Bank collected the difference compensation in the amount of \$10,487 thousand and recognized a gain on disposal of \$164,954 thousand for contracts where a landowner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings in May 2023.

- 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. In January and April 2022, the Cathay United Bank disposed two vacant Bank's office and business warehouse with a carrying amount of \$283,087 thousand for proceeds of \$23,700 thousand and \$700,000 thousand, respectively, and recognized a disposal gain of \$440,613 thousand.

- c. Refer to Note 30 for the property and equipment that were pledged as collateral.

## 16. LEASE AGREEMENTS

- a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Land	\$ 258,198	\$ 175,445
Buildings	5,192,036	4,556,008
Office equipment	19,633	14,706
Machine equipment	1,710	2,435
Transportation equipment	<u>85,023</u>	<u>84,603</u>
	<u>\$ 5,556,600</u>	<u>\$ 4,833,197</u>
Right-of-use assets presented as investment properties	<u>\$ 13,127,027</u>	<u>\$ 13,499,663</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	\$ 2,614,822	\$ 1,264,990
Acquisitions through business combinations (Note 39)	<u>\$ -</u>	<u>\$ 639,514</u>
Depreciation expense for right-of-use assets		
Land	\$ 14,623	\$ 1,629
Buildings	1,608,803	1,506,334
Office equipment	8,889	10,735
Machine equipment	931	877
Transportation equipment	<u>51,183</u>	<u>48,449</u>
	<u>\$ 1,684,429</u>	<u>\$ 1,568,024</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amount	<u>\$ 20,030,215</u>	<u>\$ 19,240,853</u>

Range of discount rates for lease liabilities is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	1.24%-2.63%	1.24%-2.63%
Buildings	0.05%-8.57%	0.05%-8.57%
Office equipment	1.35%-4.76%	0.42%-4.76%
Machine equipment	0.36%-3.49%	0.36%-4.15%
Transportation equipment	0.25%-8.76%	0.22%-4.35%
Investment property - superficies right	2.82%-4.24%	2.82%-4.24%

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Franchises</b>	<b>Trademarks</b>	<b>Customer Relationships</b>	<b>Goodwill</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<b>Cost</b>							
Balance at January 1, 2022	\$ 6,698,107	\$ 37,659,600	\$ 363,265	\$ 5,406,299	\$ 21,880,593	\$ 194,906	\$ 72,202,770
Addition - acquired separately	743,023	-	-	-	-	-	743,023
Acquisitions through business combinations (Note 39)	4,589	-	-	-	519,580	-	524,169
Disposal	(313,551)	-	-	-	-	-	(313,551)
Reclassification	391,755	-	-	-	-	-	391,755
Foreign exchange	<u>41,953</u>	<u>-</u>	<u>39,593</u>	<u>589,246</u>	<u>1,165,904</u>	<u>21,243</u>	<u>1,857,939</u>
Balance at December 31, 2022	<u>\$ 7,565,876</u>	<u>\$ 37,659,600</u>	<u>\$ 402,858</u>	<u>\$ 5,995,545</u>	<u>\$ 23,566,077</u>	<u>\$ 216,149</u>	<u>\$ 75,406,105</u>
<b>Amortization and impairment</b>							
Balance at January 1, 2022	\$ 4,670,668	\$ 13,515,990	\$ -	\$ 2,279,391	\$ -	\$ 193,138	\$ 20,659,187
Acquisitions through business combinations (Note 39)	790	-	-	-	-	-	790
Amortization	906,568	1,788,416	-	376,223	-	-	3,071,207
Disposal	(272,563)	-	-	-	-	-	(272,563)
Foreign exchange	<u>30,587</u>	<u>-</u>	<u>-</u>	<u>259,230</u>	<u>-</u>	<u>21,050</u>	<u>310,867</u>
Balance at December 31, 2022	<u>\$ 5,336,050</u>	<u>\$ 15,304,406</u>	<u>\$ -</u>	<u>\$ 2,914,844</u>	<u>\$ -</u>	<u>\$ 214,188</u>	<u>\$ 23,769,488</u>
Carrying amount at December 31, 2022	<u>\$ 2,229,826</u>	<u>\$ 22,355,194</u>	<u>\$ 402,858</u>	<u>\$ 3,080,701</u>	<u>\$ 23,566,077</u>	<u>\$ 1,961</u>	<u>\$ 51,636,617</u>

(Continued)

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 7,565,876	\$ 37,659,600	\$ 402,858	\$ 5,995,545	\$ 23,566,077	\$ 216,149	\$ 75,406,105
Addition - acquired separately	606,748	-	-	-	-	7,335	614,083
Acquisitions through business combinations (Note 39)	-	-	62,126	95,930	145,689	-	303,745
Disposal	(561,637)	-	-	-	-	-	(561,637)
Proceeds from disposal of subsidiaries (Note 40)	-	-	-	-	(961)	-	(961)
Reclassification	313,156	-	-	-	-	124	313,280
Foreign exchange	(15,371)	-	928	6,157	11,778	186	3,678
Balance at December 31, 2023	<u>\$ 7,908,772</u>	<u>\$ 37,659,600</u>	<u>\$ 465,912</u>	<u>\$ 6,097,632</u>	<u>\$ 23,722,583</u>	<u>\$ 223,794</u>	<u>\$ 76,078,293</u>
<u>Amortization and impairment</u>							
Balance at January 1, 2023	\$ 5,336,050	\$ 15,304,406	\$ -	\$ 2,914,844	\$ -	\$ 214,188	\$ 23,769,488
Amortization	1,027,066	1,788,416	-	399,079	-	-	3,214,561
Disposal	(561,637)	-	-	-	-	-	(561,637)
Foreign exchange	(10,914)	-	-	(3,108)	-	189	(13,833)
Balance at December 31, 2023	<u>\$ 5,790,565</u>	<u>\$ 17,092,822</u>	<u>\$ -</u>	<u>\$ 3,310,815</u>	<u>\$ -</u>	<u>\$ 214,377</u>	<u>\$ 26,408,579</u>
Carrying amount at December 31, 2023	<u>\$ 2,118,207</u>	<u>\$ 20,566,778</u>	<u>\$ 465,912</u>	<u>\$ 2,786,817</u>	<u>\$ 23,722,583</u>	<u>\$ 9,417</u>	<u>\$ 49,669,714</u>

(Concluded)

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

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

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

1) Cathay Life

Cathay Life recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., on July 1, 2015; (2) 100% interest in Conning Holdings Limited on September 18, 2015; (3) 81.89% interest in Octagon Credit Investors, LLC (through Conning & Company, a 100% owned subsidiary of the Group) on February 1, 2016; and (4) 8% equity shares in Global Evolution Holding ApS by Conning Holdings Limited, which increased its ownership interest to 53% on June 25, 2020 ; (5) Cathay Power and its subsidiaries, which increased its ownership interest to 70% on November 25, 2022 ; (6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022 and disposed of on May 2, 2023; (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Conning Holdings Limited) on March 28, 2023. As of December 31, 2023 and 2022, the carrying amounts of goodwill were \$15,134,431 thousand, \$14,978,211 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 of goodwill, Cathay United Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

#### 18. COMMERCIAL PAPER PAYABLE, NET

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Nominal amount	\$ 76,530,000	\$ 73,880,000
Less: Discount on short-term bills payable	<u>(1,753)</u>	<u>-</u>
	<u>\$ 76,528,247</u>	<u>\$ 73,880,000</u>
Interest rate range	1.42%-1.58%	1.30%-1.58%

#### 19. DEPOSITS AND REMITTANCES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Checking deposits	\$ 17,005,560	\$ 16,598,955
Demand deposits	756,651,235	798,676,913
Demand savings deposits	1,417,582,060	1,331,212,632
Time deposits	866,280,695	638,736,493
Time savings deposits	432,986,511	392,058,316
Negotiable certificates of deposit	3,906,933	5,897,706
Outward remittances and remittances payable	<u>2,569,694</u>	<u>2,255,074</u>
	<u>\$ 3,496,982,688</u>	<u>\$ 3,185,436,089</u>

#### 20. BONDS PAYABLE

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Financial debentures	\$ 27,100,000	\$ 37,147,398
Cumulative perpetual subordinated corporate bonds	45,000,000	45,000,000
Unsecured corporate bonds	69,000,000	50,000,000
Unsecured cumulative subordinated corporate bonds	<u>34,841,430</u>	<u>-</u>
	<u>\$ 175,941,430</u>	<u>\$ 132,147,398</u>

a. Financial debentures

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
1st of subordinated financial debentures in 2013; fixed rate at 1.70%; maturity: April 2023	\$ -	\$ 9,900,000
1st of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000
2nd of subordinated financial debentures in 2017; fixed rate at 1.50%; maturity: April 2024	2,400,000	2,400,000
US dollars exchange rate structured note 6 months; interest rate between 4.8%-5.6%; maturity: June 2023 (US\$4,800 thousand)	-	147,398
	<u>\$ 27,100,000</u>	<u>\$ 37,147,398</u>

b. Cumulative perpetual subordinated corporate bonds

1) Pursuant to Order No. Securities-TPEX-Bond-10600099421 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. The key terms and conditions are as follows:

- a) Issue amount: \$35,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.
- d) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year from the issue date.
- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
- f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

g) Form of bonds: Book-entry securities.

2) Pursuant to Order No. Securities-TPEX-Bond-10800055731 of the Taipei Exchange, Cathay Life issued its first perpetual cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:

- a) Issue amount: \$10,000,000 thousand.
- b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
- c) Years to maturity: Perpetual.
- d) Coupon rate: Fixed rate of 3%.

- e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Right of early redemption: If Cathay Life's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
  - g) Form of bonds: Book-entry securities.
- c. Unsecured corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-10800038242 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on May 8, 2019 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$20,000,000 thousand, which is divided into A Note of \$4,000,000 thousand, B Note of \$4,000,000 thousand and C Note of \$12,000,000 thousand by issue periods.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
    - d) Coupon rate: Fixed rate of 0.83% for A Note, 0.93% for B Note and 1.04% for C Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.
  - 2) Pursuant to Order No. Securities-TPEX-Bond-10900064782 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 23, 2020 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$8,900,000 thousand, which is divided into A Note of \$1,900,000 thousand, B Note of \$6,500,000 thousand and C Note of \$500,000 thousand by issue periods.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: A Note is 5 years, B Note is 7 years and C Note is 10 years.
    - d) Coupon rate: Fixed rate of 0.59% for A Note, 0.64% for B Note and 0.67% for C Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.

- 3) Pursuant to Order No. Securities-TPEX-Bond-10900108202 of the Taipei Exchange, Cathay Financial Holdings issued its second unsecured corporate bonds on September 8, 2020 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$21,100,000 thousand, which is divided into A Note of \$2,400,000 thousand, B Note of \$7,800,000 thousand, C Note of \$2,500,000 thousand and D Note of \$8,400,000 thousand by period issued.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: A Note is 5 years, B Note is 6 years, C Note is 7 years and D Note is 10 years.
    - d) Coupon rate: Fixed rate of 0.61% for A Note, 0.64% for B Note, 0.66% for C Note and 0.70% for D Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.
  - 4) Pursuant to Order No. Securities-TPEX-Bond-11200056252 of the Taipei Exchange, Cathay Financial Holdings issued its first unsecured corporate bonds on June 16, 2023 through public offering. Key terms and conditions are as follows:
    - a) Issue amount: \$19,000,000 thousand, which is divided into A Note of \$10,100,000 thousand, and B Note of \$8,900,000 thousand by period issued.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each and is issued at par.
    - c) Years to maturity: A Note is 5 years and B Note is 10 years.
    - d) Coupon rate: Fixed rate of 1.62% for A Note and 1.82% for B Note.
    - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
    - f) Form of bonds: Book-entry securities.
- d. Unsecured cumulative subordinated corporate bonds
- 1) Pursuant to Order No. Securities-TPEX-Bond-11200070741 of the Taipei Exchange, Cathy Life issued its first unsecured cumulative subordinated ordinary corporate bonds on August 1, 2023. The key terms and conditions are as follows:
    - a) Issue amount: \$25,100,000 thousand. According to the different issuance conditions, it is divided into two classes, A and B bonds, of which the issuance amount of Class A bond is \$17,600,000 thousand, and the issuance amount of Class B bond is \$7,500,000 thousand.
    - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
    - c) Years to maturity: Class A Notes with 10 years, and Class B Notes with 15 years.
    - d) Coupon rate: Fixed rate of 3.70% for Class A Notes and 3.85% for Class B Notes.

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

- 4) Pursuant to Order No. Securities-TPEX-Bond-11200099051 of the Taipei Exchange, Cathy Life issued its fourth unsecured cumulative subordinated ordinary corporate bonds on October 12, 2023. The key terms and conditions are as follows:
- a) Issue amount: \$5,500,000 thousand. According to the different issuance conditions, it is divided into two classes, A and B bonds, of which the issuance amount of Class A bond is \$2,500,000 thousand, and the issuance amount of Class B bond is \$3,000,000 thousand.
  - b) Principal amount and issue price: The face value is \$1,000 thousand each, and is issued at par.
  - c) Years to maturity: Class A Notes with 10 years, and Class B Notes with 15 years.
  - d) Coupon rate: Fixed rate of 3.70% for Class A Notes and 3.85% for Class B Notes.
  - e) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.
  - f) Right of early redemption: After 10 years of issuance of Class B Notes, if Cathay Life's risk-based capital ratio is greater than two times the minimum risk-based capital ratio required for insurance companies, Cathay Life may, with the approval of the authorities, redeem the bonds in whole at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.
  - g) Forms of bonds: Book-entry securities.

## 21. OTHER BORROWINGS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Secured borrowings (Note 30)</u>		
Bank loans	\$ 7,512,773	\$ 6,905,210
<u>Unsecured borrowings</u>		
Bank loans	<u>5,475,354</u>	<u>5,858,503</u>
	<u>\$ 12,988,127</u>	<u>\$ 12,763,713</u>
Borrowing interest rate	1.63%-9.95%	1.19%-8.10%

Certificates of deposits, New Taiwan dollar demand deposits, equipment and investment properties are pledged as collateral for the bank loans; refer to Note 30.

## 22. PROVISIONS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Insurance liability		
Unearned premium reserve	\$ 39,198,209	\$ 36,385,842
Loss reserve	27,783,951	36,298,952
Policy reserve	6,820,368,466	6,672,193,954
Special reserve	12,843,875	12,714,102
Premium deficiency reserve	6,770,620	9,370,726
Reserve for insurance contracts with the nature of financial products	23,524,199	18,495,469
Reserve for foreign exchange valuation	20,773,326	49,503,457
Other reserve	<u>1,834,253</u>	<u>1,845,253</u>
	6,953,096,899	6,836,807,755
Provisions for employee benefits	3,579,551	4,068,167
Other reserves	<u>1,937,753</u>	<u>1,256,262</u>
	<u>\$ 6,958,614,203</u>	<u>\$ 6,842,132,184</u>

As of December 31, 2023, policy reserve belonging to Cathay Life amounted to \$6,734,996,167 thousand.

### a. Cathay Life and its subsidiaries

As of December 31, 2023 and 2022, the details and changes of Cathay Life and its subsidiaries' insurance contracts and financial instruments with discretionary participation features are summarized below:

#### 1) Unearned premium reserve

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

	<b>December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 79,271	\$ -	\$ 79,271
Individual injury insurance	7,824,570	-	7,824,570
Individual health insurance	11,203,470	-	11,203,470
Group insurance	1,314,757	-	1,314,757
Investment-linked insurance	<u>125,502</u>	-	<u>125,502</u>
	<u>20,547,570</u>	-	<u>20,547,570</u>
Less ceded unearned premium reserve			
Individual life insurance	906,602	-	906,602
Individual injury insurance	20,883	-	20,883
Individual health insurance	<u>253,267</u>	-	<u>253,267</u>
	<u>1,180,752</u>	-	<u>1,180,752</u>
	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>

The changes in unearned premium reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 20,547,570	\$ -	\$ 20,547,570
Provision	21,869,360	-	21,869,360
Recovery	(20,696,458)	-	(20,696,458)
Foreign exchange	<u>(9,638)</u>	-	<u>(9,638)</u>
Ending balance	<u>21,710,834</u>	-	<u>21,710,834</u>
Less ceded unearned premium reserve			
Beginning balance	1,180,752	-	1,180,752
Increase	<u>61,117</u>	-	<u>61,117</u>
Ending balance	<u>1,241,869</u>	-	<u>1,241,869</u>
Net ending balance	<u>\$ 20,468,965</u>	<u>\$ -</u>	<u>\$ 20,468,965</u>



	<b>For the Year Ended December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 19,496,231	\$ -	\$ 19,496,231
Provision	20,759,517	-	20,759,517
Recovery	(19,719,805)	-	(19,719,805)
Foreign exchange	<u>11,627</u>	<u>-</u>	<u>11,627</u>
Ending balance	<u>20,547,570</u>	<u>-</u>	<u>20,547,570</u>
Less ceded unearned premium reserve			
Beginning balance	1,131,321	-	1,131,321
Increase	<u>49,431</u>	<u>-</u>	<u>49,431</u>
Ending balance	<u>1,180,752</u>	<u>-</u>	<u>1,180,752</u>
Net ending balance	<u>\$ 19,366,818</u>	<u>\$ -</u>	<u>\$ 19,366,818</u>

2) Loss reserve

	<b>December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 3,619,081	\$ 10,835	\$ 3,629,916
Not yet filed	23,952	-	23,952
Individual injury insurance			
Filed but not paid	80,975	-	80,975
Not yet filed	2,392,376	-	2,392,376
Individual health insurance			
Filed but not paid	914,027	-	914,027
Not yet filed	4,492,552	-	4,492,552
Group insurance			
Filed but not paid	78,898	-	78,898
Not yet filed	1,490,035	-	1,490,035
Investment-linked insurance			
Filed but not paid	207,523	-	207,523
Not yet filed	<u>584</u>	<u>-</u>	<u>584</u>
	<u>13,300,003</u>	<u>10,835</u>	<u>13,310,838</u>
Less ceded loss reserve			
Individual life insurance	102,672	-	102,672
Individual injury insurance	226	-	226
Individual health insurance	9,399	-	9,399
Group insurance	<u>4,899</u>	<u>-</u>	<u>4,899</u>
	<u>117,196</u>	<u>-</u>	<u>117,196</u>
	<u>\$ 13,182,807</u>	<u>\$ 10,835</u>	<u>\$ 13,193,642</u>

	<b>December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance			
Filed but not paid	\$ 3,640,563	\$ 56,967	\$ 3,697,530
Not yet filed	107,915	-	107,915
Individual injury insurance			
Filed but not paid	99,946	-	99,946
Not yet filed	2,176,688	-	2,176,688
Individual health insurance			
Filed but not paid	1,185,388	-	1,185,388
Not yet filed	4,086,747	-	4,086,747
Group insurance			
Filed but not paid	65,111	-	65,111
Not yet filed	1,128,086	-	1,128,086
Investment-linked insurance			
Filed but not paid	210,696	-	210,696
Not yet filed	1,954	-	1,954
	<u>12,703,094</u>	<u>56,967</u>	<u>12,760,061</u>
Less ceded loss reserve			
Individual life insurance	102,962	-	102,962
Individual injury insurance	35	-	35
Individual health insurance	15,629	-	15,629
Group insurance	4,270	-	4,270
	<u>122,896</u>	<u>-</u>	<u>122,896</u>
	<u>\$ 12,580,198</u>	<u>\$ 56,967</u>	<u>\$ 12,637,165</u>

The changes in loss reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 12,703,094	\$ 56,967	\$ 12,760,061
Provision	14,556,827	10,835	14,567,662
Recovery	(13,955,027)	(56,967)	(14,011,994)
Foreign exchange	(4,891)	-	(4,891)
Ending balance	<u>13,300,003</u>	<u>10,835</u>	<u>13,310,838</u>
Less ceded loss reserve			
Beginning balance	122,896	-	122,896
Increase	44,243	-	44,243
Decrease	(49,758)	-	(49,758)
Foreign exchange	(185)	-	(185)
Ending balance	<u>117,196</u>	<u>-</u>	<u>117,196</u>
Net ending balance	<u>\$ 13,182,807</u>	<u>\$ 10,835</u>	<u>\$ 13,193,642</u>

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

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 11,731,634	\$ 31,747	\$ 11,763,381
Provision	13,960,341	56,967	14,017,308
Recovery	(13,040,396)	(31,747)	(13,072,143)
Foreign exchange	<u>51,515</u>	<u>-</u>	<u>51,515</u>
Ending balance	<u>12,703,094</u>	<u>56,967</u>	<u>12,760,061</u>
Less ceded loss reserve			
Beginning balance	51,497	-	51,497
Increase	114,812	-	114,812
Decrease	(43,632)	-	(43,632)
Foreign exchange	<u>219</u>	<u>-</u>	<u>219</u>
Ending balance	<u>122,896</u>	<u>-</u>	<u>122,896</u>
Net ending balance	<u>\$ 12,580,198</u>	<u>\$ 56,967</u>	<u>\$ 12,637,165</u>

3) Policy reserve

**December 31, 2023**

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,786,342,245	\$ 2,393	\$ 5,786,344,638
Injury insurance	7,656,551	-	7,656,551
Health insurance	1,016,307,238	-	1,016,307,238
Annuity insurance	1,052,875	5,624,513	6,677,388
Investment-linked insurance	<u>2,879,496</u>	<u>-</u>	<u>2,879,496</u>
Total (Note 2)	<u>6,814,238,405</u>	<u>5,626,906</u>	<u>6,819,865,311</u>
Less ceded policy reserve			
Life insurance	342,056	-	342,056
Health insurance	<u>5,948</u>	<u>-</u>	<u>5,948</u>
	<u>348,004</u>	<u>-</u>	<u>348,004</u>
	<u>\$ 6,813,890,401</u>	<u>\$ 5,626,906</u>	<u>\$ 6,819,517,307</u>

	<b>December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance (Note 1)	\$ 5,710,174,015	\$ 2,609	\$ 5,710,176,624
Injury insurance	7,566,436	-	7,566,436
Health insurance	942,869,506	-	942,869,506
Annuity insurance	1,080,857	7,771,653	8,852,510
Investment-linked insurance	<u>2,241,645</u>	<u>-</u>	<u>2,241,645</u>
Total (Note 2)	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Life insurance	367,705	-	367,705
Health insurance	<u>19,900</u>	<u>-</u>	<u>19,900</u>
	<u>387,605</u>	<u>-</u>	<u>387,605</u>
	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</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 \$6,820,368,378 thousand and \$6,672,193,784 thousand as of December 31, 2023 and 2022, respectively.

The changes in policy reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 6,663,932,459	\$ 7,774,262	\$ 6,671,706,721
Provision	501,929,576	77,676	502,007,252
Recovery	(352,664,000)	(2,225,036)	(354,889,036)
Reclassification	(15,580)	-	(15,580)
Foreign exchange	<u>1,055,950</u>	<u>4</u>	<u>1,055,954</u>
Ending balance	<u>6,814,238,405</u>	<u>5,626,906</u>	<u>6,819,865,311</u>
Less ceded policy reserve			
Beginning balance	387,605	-	387,605
Increase	31,557	-	31,557
Decrease	(64,785)	-	(64,785)
Foreign exchange	<u>(6,373)</u>	<u>-</u>	<u>(6,373)</u>
Ending balance	<u>348,004</u>	<u>-</u>	<u>348,004</u>
Net ending balance	<u>\$ 6,813,890,401</u>	<u>\$ 5,626,906</u>	<u>\$ 6,819,517,307</u>

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

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 6,324,073,143	\$ 10,400,305	\$ 6,334,473,448
Provision	517,506,275	80,917	517,587,192
Recovery	(326,479,011)	(2,707,015)	(329,186,026)
Reclassification	(41,413)	-	(41,413)
Foreign exchange	<u>148,873,465</u>	<u>55</u>	<u>148,873,520</u>
Ending balance	<u>6,663,932,459</u>	<u>7,774,262</u>	<u>6,671,706,721</u>
Less ceded policy reserve			
Beginning balance	395,115	-	395,115
Increase	96,506	-	96,506
Decrease	(109,702)	-	(109,702)
Foreign exchange	<u>5,686</u>	<u>-</u>	<u>5,686</u>
Ending balance	<u>387,605</u>	<u>-</u>	<u>387,605</u>
Net ending balance	<u>\$ 6,663,544,854</u>	<u>\$ 7,774,262</u>	<u>\$ 6,671,319,116</u>

4) Special reserve

**December 31, 2023**

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

**December 31, 2022**

	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Participating policies dividends reserve	\$ (13,396)	\$ -	\$ -	\$ (13,396)
Dividend risk reserve	15,805	-	-	15,805
Special reserve for revaluation increments of property	<u>-</u>	<u>-</u>	<u>11,083,324</u>	<u>11,083,324</u>
	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>

The changes in special reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 2,409	\$ -	\$ 11,083,324	\$ 11,085,733
Provision for participating policies dividends reserve	30,827	-	-	30,827
Recovery of participating policies dividends reserve	(10,216)	-	-	(10,216)
Recovery of dividend risk reserve	<u>(15,805)</u>	<u>-</u>	<u>-</u>	<u>(15,805)</u>
Ending balance	<u>\$ 7,215</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,090,539</u>

	<b>For the Year Ended December 31, 2022</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Others</b>	<b>Total</b>
Beginning balance	\$ 1,735	\$ -	\$ 11,083,324	\$ 11,085,059
Provision for participating policies dividends reserve	39,305	-	-	39,305
Recovery of participating policies dividends reserve	(10,847)	-	-	(10,847)
Recovery of dividend risk reserve	<u>(27,784)</u>	<u>-</u>	<u>-</u>	<u>(27,784)</u>
Ending balance	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 11,083,324</u>	<u>\$ 11,085,733</u>

5) Premium deficiency reserve

	<b>December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 5,148,053	\$ -	\$ 5,148,053
Individual injury insurance	3,975	-	3,975
Individual health insurance	1,546,245	-	1,546,245
Group insurance	<u>72,335</u>	<u>-</u>	<u>72,335</u>
	<u>\$ 6,770,608</u>	<u>\$ -</u>	<u>\$ 6,770,608</u>

	<b>December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Individual life insurance	\$ 6,802,796	\$ -	\$ 6,802,796
Individual injury insurance	4,495	-	4,495
Individual health insurance	1,323,134	-	1,323,134
Group insurance	<u>41</u>	<u>-</u>	<u>41</u>
	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>

The changes in premium deficiency reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 8,130,466	\$ -	\$ 8,130,466
Provision	247,695	-	247,695
Recovery	(1,617,502)	-	(1,617,502)
Foreign exchange	<u>9,949</u>	<u>-</u>	<u>9,949</u>
Ending balance	<u>\$ 6,770,608</u>	<u>\$ -</u>	<u>\$ 6,770,608</u>

	<b>For the Year Ended December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 9,808,215	\$ -	\$ 9,808,215
Provision	90,249	-	90,249
Recovery	(2,015,884)	-	(2,015,884)
Foreign exchange	<u>247,886</u>	<u>-</u>	<u>247,886</u>
Ending balance	<u>\$ 8,130,466</u>	<u>\$ -</u>	<u>\$ 8,130,466</u>

6) Other reserve

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

	<b>December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Others	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>

The changes in other reserve are summarized below:

	<b>For the Year Ended December 31, 2023</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,845,253	\$ -	\$ 1,845,253
Recovery	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>
Ending balance	<u>\$ 1,834,253</u>	<u>\$ -</u>	<u>\$ 1,834,253</u>

	<b>For the Year Ended December 31, 2022</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Beginning balance	\$ 1,865,925	\$ -	\$ 1,865,925
Recovery	<u>(20,672)</u>	<u>-</u>	<u>(20,672)</u>
Ending balance	<u>\$ 1,845,253</u>	<u>\$ -</u>	<u>\$ 1,845,253</u>



7) Liability adequacy reserve

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unearned premium reserve	\$ 21,710,834	\$ 20,547,570
Policy reserve	6,820,368,378	6,672,193,784
Premium deficiency reserve	6,770,608	8,130,466
Other reserve	<u>1,834,253</u>	<u>1,845,253</u>
Book value of insurance liabilities	<u>\$ 6,850,684,073</u>	<u>\$ 6,702,717,073</u>
Estimated present value of cash flows	<u>\$ 6,315,040,681</u>	<u>\$ 5,672,979,281</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	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.

(Continued)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
b. Discount rate	Under the asset allocation situation on September 30, 2023, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2022; with neutral assumptions for the discount rate after 30 years.	Under the asset allocation situation on September 30, 2022, the discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 30 years.  (Concluded)

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	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.
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 2022; with neutral assumptions for the discount rate after 40 years.	The discount rate is calculated using the overall return on investment for the Company under the best estimate scenario in the actuarial report for 2021; with neutral assumptions for the discount rate after 40 years.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	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.
b. Discount rate	Discount rates are calculated using the company's investment income rates based on the five-year financial forecast with neutral assumption for discount rates after 5 years	Discount rates are calculated using 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 December 31, 2023 and 2022, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Life insurance	\$ 22,439,262	\$ 17,369,718
Investment-linked insurance	<u>1,084,937</u>	<u>1,125,751</u>
	<u>\$ 23,524,199</u>	<u>\$ 18,495,469</u>
	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Beginning balance	\$ 18,495,469	\$ 15,188,788
Premiums received	7,920,719	4,919,957
Claims and payments	(4,141,084)	(2,933,379)
Net provision of statutory reserve	1,657,847	1,046,127
Foreign exchange	<u>(408,752)</u>	<u>273,976</u>
Ending balance	<u>\$ 23,524,199</u>	<u>\$ 18,495,469</u>

9) Reserve for foreign exchange valuation

a) The hedging strategy and risk exposure

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

b) Reconciliation for reserve for foreign exchange valuation

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 49,503,457	\$ 9,053,726
Provision:		
Compulsory reserve	7,043,050	6,053,844
Additional reserve	<u>6,076,333</u>	<u>46,419,458</u>
	13,119,383	52,473,302
Recovery	<u>(41,849,514)</u>	<u>(12,023,571)</u>
Ending balance	<u>\$ 20,773,326</u>	<u>\$ 49,503,457</u>

c) Effects due to reserve for foreign exchange valuation

Item	<b>For the Year Ended December 31, 2023</b>		
	<b>Inapplicable Amount (1)</b>	<b>Applicable Amount (2)</b>	<b>Effects (3)=(2)-(1)</b>
Net income attributable to owners of the Company	\$ 27,944,760	\$ 50,928,865	\$ 22,984,105
Earnings per share	1.67	3.24	1.57
Reserve for foreign exchange valuation	-	20,773,326	20,773,326
Equity attributable to owners of the Company	801,070,449	788,054,685	(13,015,764)
Item	<b>For the Year Ended December 31, 2022</b>		
Item	<b>Inapplicable Amount (1)</b>	<b>Applicable Amount (2)</b>	<b>Effects (3)=(2)-(1)</b>
Net income attributable to owners of the Company	\$ 69,719,145	\$ 37,359,360	\$ (32,359,785)
Earnings per share	5.03	2.58	(2.45)
Reserve for foreign exchange valuation	-	49,503,457	49,503,457
Equity attributable to owners of the Company	634,840,209	598,840,340	(35,999,869)

b. Cathay Century and its subsidiaries

1) Unearned insurance premium reserve

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

Insurance Type	December 31, 2023			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business	Reinsurance Inward Business	Ceded Reinsurance Business	
	(1)	(2)	(3)	
Fire insurance	\$ 2,183,228	\$ 42,158	\$ 1,852,410	\$ 372,976
Marine insurance	218,082	4,319	173,661	48,740
Land and air insurance	7,876,264	(4)	427,184	7,449,076
Liability insurance	1,551,512	1,092	511,591	1,041,013
Guarantee insurance	70,127	1,234	57,759	13,602
Other property insurance	1,709,781	33,360	1,408,190	334,951
Accident insurance	1,728,298	3,831	107,811	1,624,318
Health insurance	53,551	-	-	53,551
Policy-oriented residential earthquake insurance	238,859	29,885	238,859	29,885
Compulsory automobile liability insurance	<u>1,267,647</u>	<u>474,151</u>	<u>760,588</u>	<u>981,210</u>
	<u>\$ 16,897,349</u>	<u>\$ 590,026</u>	<u>\$ 5,538,053</u>	<u>\$ 11,949,322</u>
Insurance Type	December 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retained Business (4)=(1)+(2)-(3)
	Direct Business	Reinsurance Inward Business	Ceded Reinsurance Business	
	(1)	(2)	(3)	
Fire insurance	\$ 1,893,367	\$ 127,729	\$ 1,322,102	\$ 698,994
Marine insurance	202,701	7,867	153,542	57,026
Land and air insurance	7,010,302	2,848	232,378	6,780,772
Liability insurance	1,292,650	1,011	403,032	890,629
Guarantee insurance	57,735	1,470	38,608	20,597
Other property insurance	1,446,086	29,349	1,166,220	309,215
Accident insurance	1,601,564	5,204	143,686	1,463,082
Health insurance	174,035	851	34,013	140,873
Policy-oriented residential earthquake insurance	238,221	29,845	238,220	29,846
Compulsory automobile liability insurance	<u>1,250,469</u>	<u>464,968</u>	<u>750,282</u>	<u>965,155</u>
	<u>\$ 15,167,130</u>	<u>\$ 671,142</u>	<u>\$ 4,482,083</u>	<u>\$ 11,356,189</u>

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

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

2) Loss reserve

a) Loss reserve and ceded loss reserve

	<b>December 31, 2023</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Items</b>			
Filed not yet paid	\$ 7,044,749	\$ 989,786	\$ 3,114,797	\$ 4,919,738
Not yet filed	<u>5,916,473</u>	<u>522,105</u>	<u>1,985,194</u>	<u>4,453,384</u>
	<u>\$ 12,961,222</u>	<u>\$ 1,511,891</u>	<u>\$ 5,099,991</u>	<u>\$ 9,373,122</u>
	<b>December 31, 2022</b>			
	<b>Loss Reserve</b>		<b>Ceded Loss Reserve</b>	
	<b>Direct Underwriting Business (1)</b>	<b>Reinsurance Inward Business (2)</b>	<b>Ceded Reinsurance Business (3)</b>	<b>Retained Business (4)=(1)+(2)-(3)</b>
	<b>Items</b>			
Filed not yet paid	\$ 9,206,621	\$ 1,230,106	\$ 3,972,173	\$ 6,464,554
Not yet filed	<u>12,626,344</u>	<u>475,820</u>	<u>2,418,383</u>	<u>10,683,781</u>
	<u>\$ 21,832,965</u>	<u>\$ 1,705,926</u>	<u>\$ 6,390,556</u>	<u>\$ 17,148,335</u>

b) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2023

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

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

For the year ended December 31, 2022

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

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

Refer to Note 41 for the impact of the COVID-19 on Cathay Century and its subsidiaries.

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

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

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



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

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

  

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

- e) Reconciliation of loss reserve and ceded loss reserve

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

3) Special reserve

a) Special reserve for compulsory automobile liability insurance

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

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

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

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

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

If the Directions for Strengthening Disaster Reserve by Non-Life Insurance Enterprises (formerly Directions for Strengthening Natural Disaster Insurance (Commercial Earthquake, Typhoon and Flood Insurance) Reserve by Non-Life Insurance Enterprises), Directions in Strengthening the Reserve Provision Made by the Co-Insurance Members Undertaking the Taiwan Residential Earthquake Insurance, and Directions for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises were not applied, the Cathay Century and its subsidiaries pre-tax income/loss would have decreased by \$18,728 thousand and \$1,036,518 thousand for the years ended December 31, 2023 and 2022, respectively. The special reserve under liabilities would have decreased by \$374,538 thousand and \$393,265 thousand, and the

special reserve under equity would have increased by \$239,520 thousand and \$308,748 thousand. Earnings (losses) per share for the years ended December 31, 2023 and 2022 would have decreased by \$0.07 and \$7.09, respectively, if Century Insurance and its subsidiaries did not apply to the notices and regulations.

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

4) Premium deficiency reserve

a) Premium deficiency reserve and ceded premium deficiency reserve

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

**December 31, 2022**

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	\$ 28,236	\$ 11,735	\$ -	\$ 39,971
Marine insurance	3	192	-	195
Land and air insurance	-	94	-	94
Liability insurance	-	-	-	-
Guarantee insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	1,200,000	-	-	1,200,000
Policy-oriented residential earthquake insurance	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-
	<u>\$ 1,228,239</u>	<u>\$ 12,021</u>	<u>\$ -</u>	<u>\$ 1,240,260</u>

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

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

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

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

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

5) Policy reserve

a) Details of policy reserve and ceded policy reserve

December 31, 2023

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

December 31, 2022

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

b) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2023

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

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

For the year ended December 31, 2022

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

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

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Subsidiaries in mainland China and other foreign countries adopted pension plans that are defined contribution plans and make contributions in accordance with local government regulations.

### b. Defined benefit plans

The defined benefit plans adopted by the Company, Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, Cathay Futures, Cathay Venture and Cathay Securities Investment Trust in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for the 6 months before retirement. The Company and its subsidiaries in the ROC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 17,393,265	\$ 17,463,903
Fair value of plan assets	<u>(23,306,761)</u>	<u>(22,179,733)</u>
Net defined benefit assets	<u>\$ (5,913,496)</u>	<u>\$ (4,715,830)</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2022	<u>\$ 19,123,825</u>	<u>\$ (23,403,382)</u>	<u>\$ (4,279,557)</u>
Service cost			
Current service cost	439,885	-	439,885
Interest expense (income)	<u>122,897</u>	<u>(152,568)</u>	<u>(29,671)</u>
Recognized in profit or loss	<u>562,782</u>	<u>(152,568)</u>	<u>410,214</u>
Return on plan assets (excluding amounts included in net interest)	-	488,598	488,598
Actuarial loss (gain)			
Changes in financial assumptions	(718,343)	-	(718,343)
Experience adjustments	<u>137,204</u>	<u>-</u>	<u>137,204</u>
Recognized in other comprehensive income	<u>(581,139)</u>	<u>488,598</u>	<u>(92,541)</u>
Contributions from the employer	-	(718,777)	(718,777)
Paid from the employer	(1,641,685)	1,606,396	(35,289)
Exchange differences	<u>120</u>	<u>-</u>	<u>120</u>
Balance at December 31, 2022	<u>17,463,903</u>	<u>(22,179,733)</u>	<u>(4,715,830)</u>
Service cost			
Current service cost	488,701	-	488,701
Interest expense (income)	<u>204,943</u>	<u>(267,806)</u>	<u>(62,863)</u>
Recognized in profit or loss	<u>693,644</u>	<u>(267,806)</u>	<u>425,838</u>
Return on plan assets (excluding amounts included in net interest)	-	(1,293,335)	(1,293,335)
Actuarial loss			
Changes in financial assumptions	61,625	-	61,625
Experience adjustments	<u>887,833</u>	<u>-</u>	<u>887,833</u>
Recognized in other comprehensive income	<u>949,458</u>	<u>(1,293,335)</u>	<u>(343,877)</u>
Contributions from the employer	-	(1,254,921)	(1,254,921)
Paid from the employer	(1,713,771)	1,689,034	(24,737)
Exchange differences	<u>31</u>	<u>-</u>	<u>31</u>
Balance at December 31, 2023	<u>\$ 17,393,265</u>	<u>\$ (23,306,761)</u>	<u>\$ (5,913,496)</u>

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

- 1) Investment risk: The discount rate for determining the present value of the defined benefit obligation is based on the government bond yield. If the actual return on investment of the retirement fund assets is lower than the yield, the insufficiency of defined benefit liabilities will increase. The retirement fund assets which are managed by the Bureau of Labor Funds, Ministry of Labor are deposited in the labor retirement fund accounts, whose investment management and operations are all managed by the government. Therefore, the Group has no control over the investment of the retirement fund assets.
- 2) Interest rate risk: A decrease in the government bond yield will increase the present value of the defined benefit obligation. The interest rate risk is the main source of risk in the retirement benefit plan.
- 3) Longevity risk: In the calculation of the present value of the defined benefit obligation, the estimated mortality rate during the employee service period is based on 100% of the sixth life table (2021TSO) of the life insurance industry. If the actual mortality rate is lower than the estimated rate, the present value of the defined benefit obligation will increase.
- 4) Salary adjustment risk: In the calculation of the present value of the defined benefit obligation, the salary of an employee at the time of retirement is based on the assumed annual salary increase rate. If the actual adjustment to the employee's salary is higher than the assumed rate in the future, the present value of the defined benefit obligation will increase.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.15%-1.25%	1.15%-1.35%
Expected rate of salary increase	1.50%-3.50%	1.50%-3.50%

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	<u>\$ (299,741)</u>	<u>\$ (318,703)</u>
0.25% decrease	<u>\$ 299,934</u>	<u>\$ 319,674</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 599,014</u>	<u>\$ 638,576</u>
0.5% decrease	<u>\$ (563,650)</u>	<u>\$ (612,749)</u>



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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	<u>\$ 694,320</u>	<u>\$ 1,287,045</u>
Average duration of the defined benefit obligation	5.1-12.6 years	6.6-12.0 years

c. Employee preferential interest deposit plan

Cathay United Bank's obligations on preferential interest deposits for current employees and those retired employees and current employees after retirement are handled in accordance with Cathay United Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess interest generated from the post-employment preferential deposit interest rate over the market rate should be actuarially determined.

The amounts included in the consolidated balance sheets arising from Cathay United Bank's obligation on the post-employment preferential interest deposits plan were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 1,045,707	\$ 941,750
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 1,045,707</u>	<u>\$ 941,750</u>

The changes in the present value of obligations on the post-employment preferential interest deposits were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>
Balance at January 1, 2022	<u>\$ 673,225</u>
Net interest expense (income)	<u>24,983</u>
Recognized in profit or loss	<u>24,983</u>
Remeasurement	
Experience adjustments	137,279
Changes in demographic assumptions	<u>222,573</u>
Recognized in other comprehensive income	<u>359,852</u>
Benefits paid	<u>(116,310)</u>
Balance at December 31, 2022	<u>941,750</u>
Net interest expense (income)	<u>34,667</u>
Recognized in profit or loss	<u>34,667</u>
Remeasurement	
Experience adjustments	171,258
Changes in demographic assumptions	<u>46,419</u>
Recognized in other comprehensive income	<u>217,677</u>
Benefits paid	<u>(148,387)</u>
Balance at December 31, 2023	<u>\$ 1,045,707</u>

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions used in the determination of the employee benefits expense of the post-employment preferential deposits were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Withdrawal rate of post-employment preferential deposits	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of obligations on the post-employment preferential interest deposits will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rates		
0.5% increase	<u>\$ (52,285)</u>	<u>\$ (47,088)</u>
0.5% decrease	<u>\$ 57,514</u>	<u>\$ 51,796</u>
Mortality rates		
Adjusted to 105%	<u>\$ (9,411)</u>	<u>\$ (8,476)</u>
Adjusted to 95%	<u>\$ 9,411</u>	<u>\$ 8,476</u>
Excess interest rates of employee preferential interest deposits		
0.5% increase	<u>\$ 201,821</u>	<u>\$ 190,234</u>
0.5% decrease	<u>\$ (201,821)</u>	<u>\$ (190,234)</u>

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest deposits of a change in a single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the obligations on the post-employment preferential interest deposits because it is unlikely that the change in assumptions would occur independently of each other as some of the assumptions might be correlated.

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plan for the next year	<u>\$ 167,499</u>	<u>\$ 150,148</u>
Average duration of the defined benefit obligation	10.8 years	10.9 years

#### 24. OTHER FINANCIAL ASSETS AND LIABILITIES

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Other financial assets</u>		
Separate account insurance product assets	\$ 727,665,599	\$ 655,426,996
Others	<u>11,698,483</u>	<u>14,405,663</u>
	<u>\$ 739,364,082</u>	<u>\$ 669,832,659</u>

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Other financial liabilities</u>		
Separate account insurance product liabilities	\$ 727,665,599	\$ 655,426,996
Principal received from the sale of structured products	64,939,590	56,044,354
Others	<u>8,394,396</u>	<u>9,177,045</u>
	<u>\$ 800,999,585</u>	<u>\$ 720,648,395</u>
		(Concluded)

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 1,038,043	\$ 1,635,905
Financial assets at FVTPL	723,320,173	649,304,281
Other receivables	<u>3,215,773</u>	<u>4,379,432</u>
	<u>\$ 727,573,989</u>	<u>\$ 655,319,618</u>

<u>Separate account insurance product liabilities</u>		
Other payables	\$ 919,721	\$ 599,679
Reserve for separate accounts - insurance contracts	271,247,558	257,742,323
Reserve for separate accounts - investment contracts	<u>455,406,710</u>	<u>396,977,616</u>
	<u>\$ 727,573,989</u>	<u>\$ 655,319,618</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>

<u>Separate account insurance product income</u>		
Premium income	\$ 24,445,659	\$ 27,324,811
Interest income	24,105	8,090
Gains (losses) from financial assets at FVTPL	32,028,863	(49,923,141)
Foreign exchange gains	<u>93,475</u>	<u>21,663,542</u>
	<u>\$ 56,592,102</u>	<u>\$ (926,698)</u>

<u>Separate account insurance product expenses</u>		
Claims and payments	\$ 16,172,776	\$ 30,923,295
Cash surrender value	23,186,757	17,155,544
Provision (reversal) of separate account reserve	13,234,106	(53,344,604)
Administrative expenses	4,158,524	4,496,727
Non-operating income and expenses	<u>(160,061)</u>	<u>(157,660)</u>
	<u>\$ 56,592,102</u>	<u>\$ (926,698)</u>

For the years ended December 31, 2023 and 2022, the rebates earned from counterparties due to the business of separate account insurance products were \$1,044,761 thousand and \$764,747 thousand, respectively, which were recorded under net gain on service fee and commission fee.

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Separate account insurance product assets</u>		
Cash in bank	\$ 10,410	\$ 4,944
Financial assets at FVTPL	81,187	102,417
Others	<u>13</u>	<u>17</u>
	<u>\$ 91,610</u>	<u>\$ 107,378</u>
<u>Separate account insurance product liabilities</u>		
Reserve for separate accounts - insurance contracts	<u>\$ 91,610</u>	<u>\$ 107,378</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Separate account insurance product income</u>		
Premium income	\$ 51	\$ 52
Losses from financial assets at FVTPL	(5,912)	(6,586)
Interest income	<u>26</u>	<u>30</u>
	<u>\$ (5,835)</u>	<u>\$ (6,504)</u>
<u>Separate account insurance product expenses</u>		
Cash surrender value	\$ 6,776	\$ 117
Reversal of separate account reserve	(13,900)	(8,032)
Others	<u>1,289</u>	<u>1,411</u>
	<u>\$ (5,835)</u>	<u>\$ (6,504)</u>

## 25. EQUITY

### a. Share capital

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>18,000,000</u>	<u>18,000,000</u>
Shares authorized	<u>\$ 180,000,000</u>	<u>\$ 180,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares	<u>14,669,210</u>	<u>14,669,210</u>
Preference shares	<u>1,533,300</u>	<u>1,533,300</u>
Shares issued	<u>\$ 162,025,102</u>	<u>\$ 162,025,102</u>

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

On October 20, 2022, the board of directors resolved the capital increase through issuance of 1,500,000 thousand ordinary shares and the issue price was \$35 per share. The above transaction was approved by the FSC Jin Guan Zheng Fa No. 1110361791, and the subscription base date was determined by the board of directors to be December 27, 2022.

#### Issuance of preference shares

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

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

#### Issuance of overseas depositary receipts

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

b. Capital surplus

1) Capital surplus comprises the following:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Additional paid-in capital	\$ 197,202,720	\$ 210,405,009
Treasury share transactions	2,539,377	2,539,377
Additional paid-in capital - employee stock options	1,192,146	1,175,607
Conversion of convertible bonds	1,144,486	1,144,486
Others	<u>714,724</u>	<u>53,568</u>
	<u>\$ 202,793,453</u>	<u>\$ 215,318,047</u>

2) According to relevant regulations, capital surplus may not be used except to offset company deficits. However, capital surplus generated from the excess proceeds from issuing shares above par value (including capital surplus from issuing common shares above par value, capital surplus from merger-related stock issuance, and treasury stock transactions) may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year). Additionally, distributing cash from capital surplus must comply with Rule No.11302701271 issued by the Banking Bureau of the FSC.

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

c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the Company's articles ("Articles"), when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends, and then any remaining profit (earning of the current year or actual needs) and reversal of special reserve in accordance with the laws and regulations together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. When declaring the distribution of dividends, the Company should retain the funds for the distribution of stock dividends, and the excess may be distributed in the form of cash dividends. However, the total distribution shall be no less than 20% of annual earnings, and the cash dividends shall be no less than 10% of the total dividends declared for the year. For the policies on the distribution of compensation of employees and remuneration of directors in the Articles, refer to compensation of employees and remuneration of directors in Note 26 e.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash according to Rule No.11302701271 issued by the Banking Bureau of the FSC.



The appropriations of earnings for 2022 and 2021 which were approved in the shareholders' meetings on June 9, 2023 and June 17, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 2,638,502	\$ 14,275,164
Special reserve	227,719,196	52,628
Cash dividends of ordinary shares (Note)	13,202,289	46,092,235
Cash dividends of preference shares (Note)	3,390,924	3,390,924

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

d. Special reserves

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Special reserve transferred from reserve for trading default and for trading loss (1)	\$ 333,598	\$ 333,598
Special reserve reclassified from liability (2)	3,744,467	3,744,467
Special reserve for appropriation at the first time adoption of IFRS Accounting Standards (3)	2,994,565	2,994,565
Special reserve for appreciation of investment properties (4)	109,745,905	108,931,710
Special reserve transferred from insurance liabilities (5)	34,764,311	34,764,311
Special reserve appropriated for other equity deduction (6)	<u>226,879,065</u>	<u>-</u>
	<u>\$ 378,461,911</u>	<u>\$ 150,768,651</u>

- 1) Cathay United Bank, Cathay Securities and Cathay Futures reclassified the appropriated default losses reserve and trading losses reserve as of December 31, 2010 as special reserve according to the relevant regulations. It shall not be used except for the transfer in accordance with the matters prescribed by the competent authority. The Company set aside a special reserve of \$333,598 thousand in 2011.
- 2) According to the Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises, for the special reserves for catastrophic event and for fluctuation of risk as of January 1, 2012, amounting to \$9,022,812 thousand, Cathay Life transferred half of the reserves amounting to \$4,511,405 thousand, net of tax effect, to special reserve under retained earnings amounting to \$3,744,467 thousand; half of the reserves were kept as the initial amount of reserve for foreign exchange valuation. The Company set aside a special reserve of \$3,744,467 thousand in 2013.
- 3) At the first-time adoption of the IFRS Accounting Standards, Cathay Life chose to use fair values as the deemed costs of investment properties in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects on the first-time adoption of the IFRS Accounting Standards. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. In accordance with Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to \$2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861. The Company set aside a special reserve of \$2,994,565 thousand in 2013.

- 4) In 2014, the Group changed the subsequent measurement of investment properties from the cost model to the fair value model. According to Jin-Guan-Zheng-Fa No. 1030006415, in order to maintain a sound and robust financial structure of a publicly issued company, the Group appropriated a special reserve at the amount that was the same as the net increase arising the first-time application of subsequent measurement for investment property at fair value and transferred it to retained earnings.
- 5) Cathay Life transferred insurance liabilities of \$34,764,311 thousand to special reserve in accordance with Jin Guan Bao Tsai No. 10402029590. The Company set aside a special reserve of \$34,764,311 thousand in 2015.
- 6) The Group appropriates or reverses a special reserve in accordance with Jin-Guan-Zheng-Fa No. 1090150022. If there is a net deduction of other equity accumulated in the previous period, the Group should appropriate the same amount of special reserve from the unappropriated retained earnings in the previous period. Distributions can be made out of any subsequent reversal of the debit to other equity items. In addition, pursuant to Jin-Guan-Yin-Fa No. 11102279031 issued on November 4, 2022, as appropriation of earnings, the Company shall set aside a special surplus reserve of the same amount for the change in the fair value of the financial assets reclassified by the insurance subsidiaries.

e. Other equity

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	<u>\$ (13,027,301)</u>	<u>\$ (18,652,251)</u>
Recognized for the year	(75,798)	5,189,699
Share of associates accounted for using the equity method	131,660	967,543
Tax effects	<u>12,700</u>	<u>(532,292)</u>
Other comprehensive income recognized for the year	68,562	5,624,950
Organizational restructuring	<u>(3,245)</u>	<u>-</u>
Ending balance	<u>\$ (12,961,984)</u>	<u>\$ (13,027,301)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	<u>\$ (58,533,041)</u>	<u>\$ 47,131,473</u>
Recognized for the year	43,454,927	(138,750,877)
Share of associates accounted for using the equity method	(361,622)	(1,281,980)
Reclassification adjustments		
Disposal of debt instruments	3,937,087	6,775,085
Tax effects	<u>(3,234,931)</u>	<u>17,216,553</u>
Other comprehensive gain (loss) recognized for the year	<u>43,795,461</u>	<u>(116,041,219)</u>
Changes in associates accounted for using the equity method	74,792	-
Cumulative unrealized (gain) loss of equity instruments transferred to retained earnings due to disposal	<u>(95,627)</u>	<u>10,376,705</u>
Ending balance	<u>\$ (14,758,415)</u>	<u>\$ (58,533,041)</u>

3) Gain on hedging instruments

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 950,265	\$ 335,851
Recognized for the year	(1,330,627)	276,963
Reclassification adjustments		
Hedged item that affects profit or loss	780,595	485,095
Tax effects	110,266	(147,644)
Other comprehensive (loss) income recognized for the year	<u>(439,766)</u>	<u>614,414</u>
Ending balance	<u>\$ 510,499</u>	<u>\$ 950,265</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (428,795)	\$ (889,397)
Recognized for the year	(506,248)	575,753
Tax effects	101,250	(115,151)
Other comprehensive (loss) income recognized for the year	<u>(404,998)</u>	<u>460,602</u>
Ending balance	<u>\$ (833,793)</u>	<u>\$ (428,795)</u>

5) Remeasurement of defined benefit plans

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (1,097,143)	\$ (966,130)
Recognized for the year	126,200	(267,311)
Share of associate accounted for using the equity method	(152,805)	102,095
Tax effects	6,088	34,203
Other comprehensive loss recognized for the year	<u>(20,517)</u>	<u>(131,013)</u>
Ending balance	<u>\$ (1,117,660)</u>	<u>\$ (1,097,143)</u>

6) Property revaluation surplus

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 12,609,000	\$ 11,281,909
Recognized for the year	-	1,322,404
Share of associate accounted for using the equity method	3,706	-
Tax effects	-	(10,677)
Other comprehensive income recognized for the year	3,706	1,311,727
Transferred to retained earnings	-	15,364
Ending balance	<u>\$ 12,612,706</u>	<u>\$ 12,609,000</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$(171,329,940)	\$ 64,764,671
Recognized for the year		
Unrealized gain (loss)	158,761,466	(232,917,090)
Reclassification adjustments		
Disposal of financial instruments	(39,484,519)	(21,183,974)
Tax effects	(8,097,212)	18,006,453
Other comprehensive income (loss) recognized for the year	<u>111,179,735</u>	<u>(236,094,611)</u>
Ending balance	<u>\$ (60,150,205)</u>	<u>\$ (171,329,940)</u>

8) Other equity - other

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ (2,493,326)	\$ (3,224,389)
Actual execution of put options on subsidiaries' share	<u>731,302</u>	<u>731,063</u>
Ending balance	<u>\$ (1,762,024)</u>	<u>\$ (2,493,326)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 12,867,695	\$ 12,000,581
Attributed to non-controlling interest		
Net profit for the year	584,952	602,754
Exchange differences on translation of the financial statements of foreign operations	(144,532)	590,762
Unrealized gain (loss) on financial assets at FVTOCI	253,669	(472,036)
Other comprehensive income (loss) on reclassification using the overlay approach	412,786	(179,950)
Acquisition of non-controlling interests in subsidiaries (Note 39)	76,784	1,505,676
Actual acquisition of interests in subsidiaries	(22,075)	(109,072)
Others	<u>(638,312)</u>	<u>(1,071,020)</u>
Ending balance	<u>\$ 13,390,967</u>	<u>\$ 12,867,695</u>

## 26. NET PROFIT FOR THE YEAR

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Service fee revenue	\$ 42,998,587	\$ 36,119,129
Commission fee revenue	<u>9,967,601</u>	<u>9,405,946</u>
	<u>52,966,188</u>	<u>45,525,075</u>
Service fee expense	(12,384,483)	(10,555,633)
Commission fee expense	<u>(22,830,833)</u>	<u>(19,548,188)</u>
	<u>(35,215,316)</u>	<u>(30,103,821)</u>
	<u>\$ 17,750,872</u>	<u>\$ 15,421,254</u>

### b. Net income on insurance operations

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Retained premiums earned	\$ 423,055,496	\$ 430,412,946
Separate account insurance product income	<u>56,586,267</u>	<u>(933,202)</u>
	<u>479,641,763</u>	<u>429,479,744</u>
Claims and payments	(452,397,448)	(428,187,288)
Separate account insurance product expenses	(56,586,267)	933,202
Others	<u>(726,721)</u>	<u>(789,518)</u>
	<u>(509,710,436)</u>	<u>(428,043,604)</u>
	<u>\$ (30,068,673)</u>	<u>\$ 1,436,140</u>

### c. Net changes in insurance liability reserves

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net change in loss reserve	\$ 7,214,246	\$ (10,304,150)
Net change in policy reserve	(147,151,362)	(188,414,436)
Net change in premium deficiency reserve	2,610,055	685,375
Net change in special reserve	(129,773)	960,661
Net change in other reserves	11,000	20,672
Net change in reserve for insurance contracts with the nature of financial products	<u>(1,657,847)</u>	<u>(1,046,127)</u>
	<u>\$ (139,103,681)</u>	<u>\$ (198,098,005)</u>

d. Employee benefit expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Short-term benefits		
Salaries	\$ 63,110,100	\$ 57,316,645
Labor and health insurance expenses	5,004,308	4,774,249
Post-employment benefits	2,309,924	2,188,547
Remuneration of directors	209,246	261,921
Others	<u>1,554,714</u>	<u>1,263,065</u>
	<u>\$ 72,188,292</u>	<u>\$ 65,804,427</u>
An analysis of employee benefit expenses by function		
Profit from operations	\$ 11,658,981	\$ 11,800,020
Operating expenses	<u>60,529,311</u>	<u>54,004,407</u>
	<u>\$ 72,188,292</u>	<u>\$ 65,804,427</u>

As of December 31, 2023 and 2022, the total number of employees in the Group was 55,669 and 56,031, respectively.

For the years ended December 31, 2023 and 2022, the average number of the Group's employees was 55,811 and 56,388, respectively, including 43 and 48 directors not concurrently serving as employees.

e. Compensation of employees and remuneration of directors

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

The compensation of employees and remuneration of directors for 2023 and 2022, which were accrued at the rates of 0.01% and no higher than 0.05%, respectively, and resolved by the Company's board of directors on March 5, 2024 and March 9, 2023, respectively, were as follows:

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

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.

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 year ended December 31, 2022 and 2021.

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

f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Right-of-use assets	\$ 1,684,429	\$ 1,568,024
Property and equipment	3,736,971	2,904,833
Intangible assets	<u>3,214,561</u>	<u>3,071,207</u>
	<u>\$ 8,635,961</u>	<u>\$ 7,544,064</u>
 An analysis of depreciation by function		
Operating expenses	<u>\$ 5,421,400</u>	<u>\$ 4,472,857</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 3,214,561</u>	<u>\$ 3,071,207</u>

## 27. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 2,658,940	\$ 2,457,073
Adjustments for prior years	(389,219)	(349,529)
Additional tax of unappropriated earnings	-	3,947,034
Others	1,053,091	749,006
Deferred tax		
In respect of the current year	3,837,657	5,177,906
Adjustments for prior years	<u>(204,997)</u>	<u>4,188</u>
Income tax expense recognized in profit or loss	<u>\$ 6,955,472</u>	<u>\$ 11,985,678</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 58,469,289</u>	<u>\$ 49,947,792</u>
Income tax calculated at the Company's statutory rate	\$ 11,693,857	\$ 9,989,558
Tax-exempt income	(11,126,456)	(9,156,594)
Nondeductible expenses in determining taxable income	296,245	(167)
Effect of tax on investment properties measured at fair value	476,290	903,169
Effect of different tax rates of entities in the Group operating in other jurisdictions	(163,447)	106,605
Adjustments for prior years' tax	(594,216)	(345,341)
Income tax on unappropriated earnings	-	3,947,034
Others	<u>6,373,199</u>	<u>6,541,414</u>
Income tax expense recognized in profit or loss	<u>\$ 6,955,472</u>	<u>\$ 11,985,678</u>

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 136,889	\$ 374,761
Deferred tax		
Derecognition of equity instruments at FVTOCI	(136,889)	(374,761)
Capital surplus	<u>(162,964)</u>	<u>30,088</u>
Income tax recognized directly in equity	<u>\$ (162,964)</u>	<u>\$ 30,088</u>

c. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (101,250)	\$ 115,151
Exchange differences on the translation of financial statements of foreign operations	(12,700)	532,292
Unrealized gain (loss) on financial assets at FVTOCI	3,227,982	(17,126,904)
(Gain) loss on hedging instruments	(110,266)	147,644
Remeasurement of defined benefit plans	25,057	(53,279)
Property revaluation surplus	-	10,677
Shares of associates accounted for using the equity method	(24,196)	(70,573)
Other comprehensive gain (loss) on reclassified using overlay approach	<u>8,097,212</u>	<u>(18,006,453)</u>
Income tax recognized in other comprehensive income	<u>\$ 11,101,839</u>	<u>\$ (34,451,445)</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Recognized Directly in Equity</b>	<b>Others</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 580,090	\$ (191,025)	\$ -	\$ -	\$ -	\$ 389,065
Investment properties	(28,508,886)	(1,133,587)	-	-	25,754	(29,616,719)
Financial instruments at FVTPL	8,195,458	(13,667,580)	103,965	-	(255,422)	(5,623,579)
Financial assets at FVTPL reclassified using the overlay approach	14,763,976	(12,082)	(9,623,506)	-	-	5,128,388
Equity instruments at FVTOCI	(591,017)	-	128,144	(92,229)	-	(555,102)
Debt instruments at FVTOCI	12,232,434	78,440	(3,351,777)	-	-	8,959,097
Debt instruments measured at AC	823,851	166,835	-	-	-	990,686
Goodwill and franchises	(883,336)	(94,809)	-	-	-	(978,145)
Defined benefit assets	(940,246)	(170,578)	(68,592)	-	(1)	(1,179,417)
Preferential savings deposits	188,350	(22,744)	43,535	-	-	209,141

(Continued)



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
Investments accounted for using the equity method	\$ (1,646,620)	\$ (301,845)	\$ (20,227)	\$ (162,964)	\$ 559	\$ (2,131,097)
Lease liabilities	250,488	90,972	-	-	-	341,460
Unrealized foreign exchange losses (gains)	(11,405,912)	7,160,944	1,579,068	(44,660)	(19)	(2,710,579)
Allowance for doubtful accounts	2,648,896	245,924	-	-	-	2,894,820
Others	666,952	(256,607)	107,551	-	(178,574)	339,322
Unused benefit of tax loss	<u>43,742,432</u>	<u>4,475,082</u>	<u>-</u>	<u>-</u>	<u>(31)</u>	<u>48,217,483</u>
Net deferred tax assets (liabilities)	<u>\$ 40,116,910</u>	<u>\$ (3,632,660)</u>	<u>\$ (11,101,839)</u>	<u>\$ (299,853)</u>	<u>\$ (407,734)</u>	<u>\$ 24,674,824</u>
Deferred tax assets	<u>\$ 89,895,981</u>					<u>\$ 74,165,978</u>
Deferred tax liabilities	<u>\$ (49,779,071)</u>					<u>\$ (49,491,154)</u>

(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Property and equipment	\$ 777,191	\$ (197,101)	\$ -	\$ -	\$ -	\$ 580,090
Investment properties	(26,723,803)	(1,770,671)	(10,677)	-	(3,735)	(28,508,886)
Financial instruments at FVTPL	(2,658,149)	10,970,694	(115,151)	-	(1,936)	8,195,458
Financial assets at FVTPL reclassified using the overlay approach	(12,494,278)	(58,205)	25,438,113	-	1,878,346	14,763,976
Equity instruments at FVTOCI	(764,155)	-	561,615	(388,477)	-	(591,017)
Debt instruments at FVTOCI	(4,652,973)	216,271	16,669,136	-	-	12,232,434
Debt instruments measured at AC	141,079	682,772	-	-	-	823,851
Goodwill and franchises	(788,527)	(94,809)	-	-	-	(883,336)
Defined benefit assets	(853,263)	(68,294)	(18,690)	-	1	(940,246)
Preferential savings deposits	134,645	(18,265)	71,970	-	-	188,350
Investments accounted for using the equity method	1,259,096	(954,507)	(93,104)	30,088	(1,888,193)	(1,646,620)
Lease liabilities	150,943	99,545	-	-	-	250,488
Unrealized foreign exchange losses (gains)	55,462,385	(58,977,884)	(7,904,121)	13,716	(8)	(11,405,912)
Allowance for doubtful accounts	2,355,866	293,030	-	-	-	2,648,896
Others	(612,626)	990,336	(147,646)	-	436,888	666,952
Unused benefit of tax loss	<u>36,041</u>	<u>43,704,994</u>	<u>-</u>	<u>-</u>	<u>1,397</u>	<u>43,742,432</u>
Net deferred tax assets (liabilities)	<u>\$ 10,769,472</u>	<u>\$ (5,182,094)</u>	<u>\$ 34,451,445</u>	<u>\$ (344,673)</u>	<u>\$ 422,760</u>	<u>\$ 40,116,910</u>
Deferred tax assets	<u>\$ 63,746,198</u>					<u>\$ 89,895,981</u>
Deferred tax liabilities	<u>\$ (52,976,726)</u>					<u>\$ (49,779,071)</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Deductible temporary differences	<u>\$ 2,812,170</u>	<u>\$ 2,223,089</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 109,758	2024
4,295	2029
17,870	2030
121,917	2031
219,268,504	2032
<u>21,619,711</u>	2033
 <u>\$ 241,142,055</u>	

g. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$8,160,710 thousand and \$3,362,835 thousand, respectively.

h. Income tax assessments

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

	<u>Year of Assessment</u>	<u>Note</u>
The Company	2017	-
Cathay Life	2017	In the process of administrative remedy for 2015 to 2017.
Cathay United Bank	2017	In the process of administrative remedy for 2015 to 2017.
Cathay Century	2017	-
Cathay Securities	2017	In the process of administrative remedy for 2015.
Cathay Venture	2020	Not yet approved for 2018.
Cathay Securities Investment Trust	2017	In the process of administrative remedy for 2016.

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.

i. Pillar Two income tax legislation

The government of Vietnam, the United Kingdom, Germany, Japan, Denmark, and Luxembourg, where the Company's subsidiaries are incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2024. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group has no related current tax exposure.

## 28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ 3.24</u>	<u>\$ 2.58</u>

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

### Net Income for the Year

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net income for the year attributable to owners of the Company	\$ 50,928,865	\$ 37,359,360
Less: Dividends on preference shares	<u>(3,390,924)</u>	<u>(3,390,924)</u>
Earnings used in the computation of basic earnings per share	<u>\$ 47,537,941</u>	<u>\$ 33,968,436</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>14,669,210</u>	<u>13,189,758</u>

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

## 29. 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:

<u>Related Party Name</u>	<u>Related Party Category</u>
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 before February 2022
Lin Yuan	Subsidiary
CHL	Subsidiary
Cathay Woolgate Exchange Holding 1 Limited	Subsidiary
Cathay Woolgate Exchange Holding 2 Limited	Subsidiary
Cathay Walbrook Holding 1 Limited	Subsidiary
Cathay Walbrook Holding 2 Limited	Subsidiary
Cathay Industrial R&D Center	Subsidiary
Global Evolution Holding ApS	Subsidiary
Cathay Power	Subsidiary (Note 1)
SUNRISE PV ONE	Subsidiary (Note 2)
Cathy Sunrise Two	Subsidiary (Note 2)
Cathy Sunrise Electric Power Two	Subsidiary (Note 2)
Bai Yang Energy	Subsidiary (Note 2)
Hong Cheng Sing Tech.	Subsidiary (Note 2)
Shen Lyu	Subsidiary (Note 2)
Nan Yang Power	Subsidiary (Note 2)
Neo Cathy Power	Subsidiary (Note 1)
CM Energy	Subsidiary (Note 1)
Shu Guang Energy	Subsidiary (Note 2)
Si Yi	Subsidiary (Note 2)
Da Li	Subsidiary (Note 2)
Yong Han	Subsidiary (Note 2)
Hong Tai Energy	Subsidiary (Note 2)
Hong Tai Power	Subsidiary (Note 2)
Tian Ji Energy	Subsidiary (Note 2)
Tian Ji Power	Subsidiary (Note 2)
Cathay Wind Power Holdings	Subsidiary
Cathay Wind Power	Subsidiary
Chen Fong Power	Subsidiary since December 2022 to April 2023
Cathay Insurance (Vietnam)	Subsidiary
Indovina Bank	Subsidiary
CUBC Bank	Subsidiary
CUBC-I	Subsidiary
CUBCN Bank	Subsidiary

(Continued)

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

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Taiwan Asset Management Corporation	Other related party
Taipei Forex Inc.	Other related party
HanTech Venture Capital Corporation	Other related party
Financial information service Co., Ltd.	Other related party
Cymbal Medical Network Co., Ltd.	Other related party
Liang-Ting Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EasyCard Corporation	Other related party
Hongtaiyi Energy Co., Ltd.	Other related party
Witraise Industrial Technologies, Inc.	Other related party
SUPERNOVA ENERGY CO., LTD.	Other related party
Others	Other related party

(Concluded)

Note 1: Associate before November 2022.

Note 2: Other related party before November 2022.

b. Significant transactions with related parties were as follows:

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

1) Transactions with banks

a) Due from commercial banks

Name	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Other related party				
Vietinbank	\$ 27,974	\$ 72	\$ 169,946	\$ 139

b) Due to commercial banks

Name	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party				
Vietinbank	\$ 27,223	\$ 30,645	\$ 1,296,629	\$ 4,111

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

Name	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Other related party		
Vietinbank	\$ -	\$ 386,264

Name	Interest Income	
	For the Year Ended December 31	
	2023	2022
Other related party Vietinbank	\$ 11,222	\$ 24,266

2) Balance of shares issued by related parties

Name	December 31	
	2023	2022
Associate		
PSS Co., Ltd.	\$ 64,355	\$ 22,400
Other related party		
Srisawad Corporation Public Company Limited	4,591,651	5,511,187
CDIB & PARTNERS Investment Holding Corporation	1,644,900	1,389,761
Cathay Real Estate Development Co., Ltd.	1,245,936	1,046,860
Taiwan Asset Management Corporation	984,621	1,021,279
Financial information service Co., Ltd.	758,469	577,792
Daiwa - Cathay Capital Markets Co., Ltd.	146,500	143,800
EasyCard Corporation	123,697	14,940
Cathay Healthcare Management Co., Ltd.	103,785	106,343
HanTech Venture Capital Corporation	71,983	72,622
Quantifeed Holdings Limited	63,062	62,162
Taipei Forex Inc.	57,197	58,603
Ann Fong Co., Ltd.	16,536	14,463
	<u>9,808,337</u>	<u>10,019,812</u>
	\$ 9,872,692	\$ 10,042,212

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

3) Acquisition of shares issued by related parties

Name	Nature of Transaction	For the Year Ended December 31	
		2023	2022
Associate			
CMG International Two Co., Ltd.	Ordinary shares	\$ -	\$ 1,125,000
CMG International One Co., Ltd.	Ordinary shares	-	900,000
ThrivEnergy Co., Ltd.	Ordinary shares	-	216,000
TaiYang Solar Power Co., Ltd.	Ordinary shares	-	67,500
		<u>-</u>	<u>2,308,500</u>
		\$ -	\$ 2,308,500

## 4) Receivable

Name	December 31	
	2023	2022
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 339,394	\$ 265,853
San Ching Engineering Co., Ltd.	<u>3,700</u>	<u>4</u>
	<u>\$ 343,094</u>	<u>\$ 265,857</u>

## 5) Loans

Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Associate				
TaiYang Solar Power Co., Ltd.	\$ 49,320	\$ 1,425	\$ 54,647	\$ 1,318
Taiwan Real-estate Management Corp.	<u>31,000</u>	<u>776</u>	<u>33,000</u>	<u>635</u>
	<u>80,320</u>	<u>2,201</u>	<u>87,647</u>	<u>1,953</u>
Other related party				
Cathay Real Estate Development Co., Ltd.	800,000	19,737	620,000	11,113
Hongtaiyi Energy Co., Ltd.	84,637	2,560	-	-
Witraise Industrial Technologies, Inc.	60,956	1,844	-	-
Tien-Tai energy Co., Ltd.	60,372	1,826	67,919	1,648
Others	<u>3,582,737</u>	<u>72,651</u>	<u>3,528,289</u>	<u>53,602</u>
	<u>4,588,702</u>	<u>98,618</u>	<u>4,216,208</u>	<u>66,363</u>
	<u>\$ 4,669,022</u>	<u>\$ 100,819</u>	<u>\$ 4,303,855</u>	<u>\$ 68,316</u>

## 6) Deposits

Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary				
Cathay Securities Investment Consulting	\$ 616,660	\$ 7,727	\$ 621,212	\$ 1,369
Associate				
Lin Yuan Property Management Co., Ltd.	305,118	2,399	247,327	1,606
PSS Co., Ltd.	157,891	464	67,840	104
Symphox Information Co., Ltd.	<u>83,270</u>	<u>605</u>	<u>220,167</u>	<u>217</u>
	<u>546,279</u>	<u>3,468</u>	<u>535,334</u>	<u>1,927</u>

(Continued)



Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Other related party				
Cathay Life Insurance Employees' Welfare Committee	\$ 2,201,734	\$ 34,545	\$ 2,301,702	\$ 24,533
Cathay United Bank Employees' Welfare Committee	837,374	32,446	761,220	30,417
Private equity fund managed by Cathay Private Equity	665,735	1,710	551,457	683
Cathay United Bank Foundation	563,916	7,851	556,325	5,623
Cathay Real Estate Development Employees' Welfare Committee	472,994	7,241	467,213	5,215
Cathay Real Estate Development Co., Ltd.	341,027	2,089	429,818	289
Bannan Realty Co., Ltd.	332,397	1,734	544,195	532
Cathay Medical Care Corp.	326,077	2,500	522,260	570
Cathay Charity Foundation	312,693	4,389	311,735	2,862
Cathay Cultural Foundation	227,113	3,195	210,841	2,245
Zhulun Realty Co., Ltd.	214,504	1,063	-	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	199,817	856	168,200	238
Cathay Hospitality Consulting Co., Ltd.	187,679	1,241	410,749	230
Cathay Real Estate Management Co., Ltd.	155,810	1,407	110,936	815
Cathay Hospitality Management Co., Ltd.	142,382	901	263,959	260
EasyCard Corporation	123,746	1,476	101,163	474
Cathay Healthcare Management Co., Ltd.	114,136	487	53,942	105
Sanhong Realty Co., Ltd.	75,820	560	479,732	594
Others	9,082,353	117,793	8,927,291	70,074
	<u>16,577,307</u>	<u>223,484</u>	<u>17,172,738</u>	<u>145,759</u>
	<u>\$ 17,740,246</u>	<u>\$ 234,679</u>	<u>\$ 18,329,284</u>	<u>\$ 149,055</u>

(Concluded)

7) Property transactions

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

Name	For the Year Ended December 31			
	2023		2022	
	Items	Amount	Items	Amount
Associate				
Lin Yuan Property Management Co., Ltd.	Dunnan Xinyi Building etc.	\$ 14,750	Chu-nan Building, etc.	\$ 4,973
Pss Co., Ltd.	Taoyuan Bade Real Estate etc.	<u>2,543</u>	Taoyuan QingPu Information Center, etc.	<u>8,222</u>
		<u>17,293</u>		<u>13,195</u>
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building etc.	3,583,493	Tucheng East Building, etc.	1,754,221
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehousing etc.	<u>1,188,027</u>	Yangmei Erchongxi Warehousing, etc.	<u>832,026</u>
		<u>4,771,520</u>		<u>2,586,247</u>
		<u>\$ 4,788,813</u>		<u>\$ 2,599,442</u>

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Lin Yuan Property Management Co., Ltd. were \$7,438 thousand and \$3,447 thousand, respectively.

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and PSS Co., Ltd. were \$38,543 thousand and \$7,137, respectively.

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$13,631,619 thousand and \$15,573,524 thousand, respectively.

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand and \$4,005,983 thousand, respectively.

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

Name	Rental Income	
	For the Year Ended December 31 2023	For the Year Ended December 31 2022
Subsidiary		
Cathay Securities Investment Consulting	<u>\$ 10,119</u>	<u>\$ 10,118</u>
Associate		
Symphox Information Co., Ltd.	31,805	33,540
Lin Yuan Property Management Co., Ltd.	23,914	20,712
CMG International Two Co., Ltd.	<u>3,312</u>	<u>3,013</u>
	<u>59,031</u>	<u>57,265</u>

(Continued)

Name	<b>Rental Income</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Ally Logistic Property Co., Ltd.	\$ 753,991	\$ 965,619
Cathay Hospitality Consulting Co., Ltd.	223,254	178,422
Cathay Hospitality Management Co., Ltd.	219,144	187,666
Cathay Medical Care Corp.	190,936	189,426
Cathay Healthcare Management Co., Ltd.	93,795	89,117
Yua-Yung Marketing (Taiwan) Co., Ltd.	63,458	44,340
Hong-Sui Co., Ltd.	32,065	28,436
Cathay Real Estate Development Co., Ltd.	18,213	17,696
Cymlin Co., Ltd.	8,570	8,570
Hsin Chung Co., Ltd.	-	7,527
Cymder Co., Ltd.	7,610	7,610
San Ching Engineering Co., Ltd.	5,912	6,159
Cathay United Bank Foundation	5,249	5,249
Cymbal Medical Network Co., Ltd.	5,244	4,111
Liang-Ting Co., Ltd.	3,159	3,159
	<u>1,630,600</u>	<u>1,743,107</u>
	<u>\$ 1,699,750</u>	<u>\$ 1,810,490</u>
		(Concluded)

Name	<b>Guarantee Deposits Received</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Associate		
Symphox Information Co., Ltd.	\$ 7,723	\$ 11,708
Lin Yuan Property Management Co., Ltd.	5,454	1,905
	<u>13,177</u>	<u>13,613</u>
Other related party		
Ally Logistic Property Co., Ltd.	269,694	210,782
Cathay Hospitality Management Co., Ltd.	192,488	190,582
Cathay Hospitality Consulting Co., Ltd.	186,848	184,100
Cathay Medical Care Corp.	61,508	61,208
Cathay Healthcare Management Co., Ltd.	27,174	21,113
Yua-Yung Marketing (Taiwan) Co., Ltd.	9,178	5,370
Hong-Sui Co., Ltd.	4,260	4,740
Cathay Real Estate Development Co., Ltd.	4,264	4,086
Cymlin Co., Ltd.	4,081	4,081
Hsin Chung Co., Ltd.	-	3,072
	<u>759,495</u>	<u>689,134</u>
	<u>\$ 772,672</u>	<u>\$ 702,747</u>

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

c) Lease arrangements

i. Acquisition of right-of-use assets

Name	<b>Acquisition of Right-of-use Assets For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Yi Ru Capital Co., Ltd.	\$ 5,035	\$ -
Cathay Real Estate Development Co., Ltd.	<u>-</u>	<u>32,744</u>
	<u>\$ 5,035</u>	<u>\$ 32,744</u>

ii. Lease liabilities

Name	<b>Lease Liabilities December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Cathay Real Estate Development Co., Ltd.	\$ 14,034	\$ 23,799
Ally Logistic Property Co., Ltd.	<u>1,300</u>	<u>4,381</u>
	<u>\$ 15,334</u>	<u>\$ 28,180</u>

iii. Guarantee deposits paid

Name	<b>Guarantee Deposits Paid December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>\$ 4,482</u>	<u>\$ 4,482</u>

iv. Lease expense

Name	<b>Lease expense For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>\$ 14,132</u>	<u>\$ 9,190</u>

d) Acquisition of computer equipment and software

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
ThinkPower Information Co., Ltd.	<u>\$ 17,181</u>	<u>\$ 34,810</u>

- e) Cathay United Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of \$15,925 thousand and \$13,355 thousand and recorded as property and equipment during the years ended December 31, 2023 and 2022, respectively.

8) Futures trader's equity

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 2,283,518</u>	<u>\$ 2,345,956</u>

9) Guarantee deposits received and collateral

<b>Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Associate		
Lin Yuan Property Management Co., Ltd.	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Other related party		
San Ching Engineering Co., Ltd.	1,877,040	1,638,378
Ally Logistic Property Co., Ltd.	<u>1,817,376</u>	<u>1,458,873</u>
	<u>3,694,416</u>	<u>3,097,251</u>
	<u>\$ 3,699,416</u>	<u>\$ 3,102,251</u>

10) Payables

<b>Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary		
Cathay Securities Investment Consulting	<u>\$ 25,650</u>	<u>\$ 25,883</u>
Associate		
Symphox Information Co., Ltd.	<u>50,882</u>	<u>58,551</u>
Other related party		
Seaward Card Co., Ltd.	37,950	13,970
Funds managed by Cathay Securities Investment Trust	8,886	5,617
ThinkPower Information Co., Ltd.	<u>28,827</u>	<u>6,293</u>
	<u>75,663</u>	<u>25,880</u>
	<u>\$ 152,195</u>	<u>\$ 110,314</u>

11) Acquisition of financial assets

For the year ended December 31, 2022

<b>Related Party Category/Name</b>	<b>Name of Securities</b>	<b>Number of Shares</b>	<b>Purchase Price</b>
Other related party			
San Ching Engineering Co., Ltd.	Cathay Power Inc.	78,998,400	<u>\$ 982,162</u>

12) Balances of bonds managed by related parties

Name	December 31	
	2023	2022
Other related party		
Bonds managed by Octagon Credit Investors, LLC	\$ 5,125,541	\$ 5,309,027

13) Balances of funds managed by related parties

Name	December 31	
	2023	2022
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 81,541,875	\$ 63,379,611
Funds managed by Global Evolution Holding ApS	2,964,311	2,657,844
Funds managed by Octagon Credit Investors, LLC	2,462,850	2,218,342
Private Equity Funds managed by Cathay Private Equity	<u>2,003,853</u>	<u>1,414,805</u>
	<u>\$ 88,972,889</u>	<u>\$ 69,670,602</u>

14) Balances of related parties' discretionary management investment

Name	December 31	
	2023	2022
Other related party		
Cathay Charity Foundation	\$ 136,345	\$ 108,540
Cathay Cultural Foundation	<u>35,550</u>	<u>54,935</u>
	<u>\$ 171,895</u>	<u>\$ 163,475</u>

15) Service fee income

Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Consulting	\$ 40,402	\$ 38,288
Other related party		
Cathay Real Estate Development Co., Ltd.	<u>6,520</u>	<u>7,403</u>
	<u>\$ 46,922</u>	<u>\$ 45,691</u>

## 16) Premium income

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Associate		
Cathay Power	\$ -	\$ 9,658
Neo Cathay Power	-	8,381
Lin Yuan Property Management Co., Ltd.	<u>5,732</u>	<u>3,738</u>
	<u>5,732</u>	<u>21,777</u>
Other related party		
Cathay Medical Care Corp.	62,919	59,810
San Ching Engineering Co., Ltd.	12,209	16,935
Hong-Sui Co., Ltd.	10,356	10,086
ThinkPower Information Co., Ltd.	7,502	17,680
Cathay Real Estate Development Co., Ltd.	5,544	8,465
Cathay Hospitality Consulting Co., Ltd.	5,075	3,128
SUPERNOVA ENERGY CO., LTD.	5,033	-
Cathay Hospitality Management Co., Ltd.	4,563	4,993
Financial information service Co., Ltd.	3,313	2,781
Cathay Healthcare Management Co., Ltd.	3,208	3,387
Ally Logistic Property Co., Ltd.	3,108	3,636
Cathay Real Estate Development Employees' Welfare Committee	3,023	3,662
Yua-Yung Marketing (Taiwan) Co., Ltd.	1,341	5,696
Tian-Ji Power	-	4,839
Lung Chuan Water Resources Co., Ltd.	-	4,442
Others	<u>120,671</u>	<u>142,617</u>
	<u>247,865</u>	<u>292,157</u>
	<u>\$ 253,597</u>	<u>\$ 313,934</u>

## 17) Net other non-interest income and expense

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Other non-interest income</u>		
Other related party		
Funds managed by Cathay Securities Investment Trust	\$ 3,687,124	\$ 3,020,064
Private Equity Funds managed by Cathay Private Equity	99,578	91,773
Cathay Hospitality Consulting Co., Ltd.	6,918	6,875
Cathay Healthcare Management Co., Ltd.	5,965	5,851
Cathay Medical Care Corp.	<u>3,145</u>	<u>3,145</u>
	<u>\$ 3,802,730</u>	<u>\$ 3,127,708</u>
<u>Other operating costs</u>		
Other related party		
Symphox Information Co., Ltd.	\$ 5,710	\$ 2,048
Private Equity Funds managed by Cathay Private Equity	<u>3,234</u>	<u>-</u>
	<u>\$ 8,944</u>	<u>\$ 2,048</u>

18) Operating expenses

Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Consulting	\$ 108,969	\$ 115,398
Associate		
Lin Yuan Property Management Co., Ltd.	1,118,590	984,406
Symphox Information Co., Ltd.	<u>1,094,762</u>	<u>786,821</u>
	<u>2,213,352</u>	<u>1,771,227</u>
Other related party		
Seaward Card Co., Ltd.	380,404	313,008
ThinkPower Information Co., Ltd.	200,094	195,457
Ann Fong Co., Ltd.	172,786	194,897
Bowl Cut Entertainment Co., Ltd.	43,100	42,700
Cathay Healthcare Management Co., Ltd.	25,777	15,827
FundRich Securities Co., Ltd.	22,078	14,788
Cathay Medical Care Corp.	1,256	9,319
EasyCard Corporation	5,250	5,250
Cathay Real Estate Development Co., Ltd.	9,541	8,917
San Ching Engineering Co., Ltd.	<u>4,600</u>	<u>4,833</u>
	<u>864,886</u>	<u>804,996</u>
	\$ 3,187,207	\$ 2,691,621

19) Guarantees on duties and contracts

December 31, 2023

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

December 31, 2022

Name	Maximum	Ending Balance	Guarantee Liability Reserve Balance	Rate	Collateral Item
Other related party					
Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 63,513	\$ 49,443	\$ 6	0.65%-0.8%	Demand deposits



20) Compensation of key management personnel

Name	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 1,397,719	\$ 1,403,640
Post-employment benefits	25,792	25,936
Other long-term employee benefits	<u>59</u>	<u>64</u>
	<u>\$ 1,423,570</u>	<u>\$ 1,429,640</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	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income
Subsidiary				
Cathay United Bank	<u>\$ 81,256</u>	<u>\$ 3,950</u>	<u>\$ 438,003</u>	<u>\$ 4,388</u>

2) Receivables

Name	Nature of Transaction	December 31	
		2023	2022
Subsidiary			
Cathay United Bank	Integrated income tax, etc.	\$ 4,257,690	\$ 3,162,531
Cathay Securities Investment Trust	Integrated income tax	443,047	402,738
Cathay Securities	Integrated income tax	289,636	484,896
Cathay Century	Integrated income tax, etc.	189,832	-
Cathay Life	Subordinated corporation bonds interests, etc.	<u>70,810</u>	<u>70,989</u>
		<u>\$ 5,251,015</u>	<u>\$ 4,121,154</u>

3) Guarantee deposits paid

Name	December 31	
	2023	2022
Subsidiary		
Cathay Life	<u>\$ 39,455</u>	<u>\$ 33,709</u>

4) Financial assets at FVTPL

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 35,000,000	\$ 35,000,000

5) Payables

	Name	Nature of Transaction	December 31	
			2023	2022
Subsidiary				
	Cathay Life	Integrated income tax	\$ 18,321,042	\$ 14,465,582
	Cathay Century	Integrated income tax	-	612,702
			<u>18,321,042</u>	<u>15,078,284</u>
Other related party				
	ThinkPower Information Co., Ltd.		<u>23,713</u>	<u>5,054</u>
			<u>\$ 18,344,755</u>	<u>\$ 15,083,338</u>

6) Lease agreements

a) Acquisition of right-of-use assets

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 166,368	\$ 279,221
	Cathay United Bank	-	3,952
		<u>166,368</u>	<u>283,173</u>
Other related party			
	Cathay Real Estate Development Co., Ltd.	-	<u>3,253</u>
		<u>\$ 166,368</u>	<u>\$ 286,426</u>

b) Lease liabilities

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 176,838	\$ 267,465
	Cathay United Bank	<u>1,822</u>	<u>3,789</u>
		<u>178,660</u>	<u>271,254</u>
Other related party			
	Ally Logistic Property Co., Ltd.	<u>1,300</u>	<u>4,381</u>
		<u>\$ 179,960</u>	<u>\$ 275,635</u>

c) Lease expense

	Name	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay Life		\$ <u>5,556</u>	\$ <u>21,213</u>

7) Interest income

	Name	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay Life		\$ <u>1,259,821</u>	\$ <u>1,260,000</u>

8) Other operating revenue

	Name	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay United Bank		\$ <u>3,794</u>	\$ <u>98</u>

9) Operating expenses

	Name	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay Life		\$ 32,280	\$ 18,581
Cathay United Bank		18,546	8,572
Cathay Securities		<u>5,550</u>	<u>-</u>
		<u>56,376</u>	<u>27,153</u>
Associate			
Lin Yuan Property Management Co., Ltd.		10,768	7,200
Symphox Information Co., Ltd.		<u>5,669</u>	<u>6,365</u>
		<u>16,437</u>	<u>13,565</u>
Other related party			
ThinkPower Information Co., Ltd.		103,785	74,519
Bowl Cut Entertainment Co., Ltd.		43,100	42,700
Seaward Card Co., Ltd.		<u>8,678</u>	<u>8,868</u>
		<u>155,563</u>	<u>126,087</u>
		\$ <u>228,376</u>	\$ <u>166,805</u>

10) Net other non-interest income

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 5,400	\$ 5,400
	Cathay Life	5,400	5,400
	Cathay Century	<u>3,900</u>	<u>-</u>
		<u>\$ 14,700</u>	<u>\$ 10,800</u>

11) Subscription of shares issued by related parties

	Name	Items	For the Year Ended December 31	
			2023	2022
Subsidiary				
	Cathay Life	Ordinary shares	\$ -	\$ 35,000,000
	Cathay Century	Ordinary shares	<u>-</u>	<u>20,000,000</u>
			<u>\$ -</u>	<u>\$ 55,000,000</u>

12) Acquisition of computer equipment and software by related parties

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Life	<u>-</u>	<u>69,416</u>

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

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

1) Cathay Life and its subsidiaries

a) Property transactions

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

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

Name	For the Year Ended December 31			
	2023		2022	
	Items	Amount	Items	Amount
Other related party				
San Ching Engineering Co., Ltd.	Tucheng East Building etc.	\$ 3,583,493	Tucheng East Building. etc.	\$ 1,754,221
Ally Logistic Property Co., Ltd.	Yangmei Erchongxi Warehouse etc.	<u>1,188,027</u>	Yangmei Erchongxi Warehouse, etc.	<u>832,026</u>
		<u>\$ 4,771,520</u>		<u>\$ 2,586,247</u>

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and San Ching Engineering Co., Ltd. were \$13,631,619 thousand and \$15,573,524 thousand, respectively.

As of December 31, 2023 and 2022, the total amounts of contracted projects for real estate between Cathay Life and its subsidiaries and Ally Logistic Property Co., Ltd. were \$4,005,983 thousand and \$4,005,983 thousand, respectively.

- ii. Real-estate rental

Name	Rental Income	
	For the Year Ended December 31	
	2023	2022
The Company		
Cathay Financial Holdings	\$ <u>156,008</u>	\$ <u>147,136</u>
Subsidiary		
Cathay United Bank	746,898	738,149
Cathay Century	<u>135,043</u>	<u>128,757</u>
	<u>881,941</u>	<u>866,906</u>
Other related party		
Ally Logistic Property Co., Ltd.	753,991	965,619
Cathay Hospitality Consulting Co., Ltd.	223,254	178,422
Cathay Hospitality Management Co., Ltd.	219,144	187,666
Cathay Medical Care Corp.	<u>190,936</u>	<u>189,426</u>
	<u>1,387,325</u>	<u>1,521,133</u>
	\$ <u>2,425,274</u>	\$ <u>2,535,175</u>
Name	Guarantee Deposits Received	
	December 31	
	2023	2022
Subsidiary		
Cathay United Bank	\$ <u>196,542</u>	\$ <u>191,579</u>
Other related party		
Ally Logistic Property Co., Ltd.	269,694	210,782
Cathay Hospitality Management Co., Ltd.	192,488	190,582
Cathay Hospitality Consulting Co., Ltd.	<u>186,848</u>	<u>184,100</u>
	<u>649,030</u>	<u>585,464</u>
	\$ <u>845,572</u>	\$ <u>777,043</u>

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

b) Acquisition of Financial Assets

For the year ended December 31, 2022

<b>Related Party Category/Name</b>	<b>Name of Securities</b>	<b>Number of Shares</b>	<b>Purchase Price</b>
Other related party San Ching Engineering Co., Ltd.	Cathay Power Inc.	78,998,400	<u>\$ 982,162</u>

c) Disposal of financial assets

For the year ended December 31, 2022

<b>Related Party Category/Name</b>	<b>Line Item</b>	<b>Underlying Assets</b>	<b>Proceeds</b>	<b>Gain on Disposal</b>
Subsidiary Cathay Venture	Financial assets at FVOCI	Ordinary shares	\$ 483,478	\$ 42,342
	Financial assets at FVTPL	Private equity fund	<u>479,700</u>	<u>89,700</u>
			<u>\$ 963,178</u>	<u>\$ 132,042</u>

d) Shares transactions

i. Cathay Life increased its capital by cash

<b>Name</b>	<b>Nature of Transaction</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
The company Cathay Financial Holdings	Ordinary shares	<u>\$ -</u>	<u>\$ 35,000,000</u>

ii. Acquisition of shares issued by related parties

<b>Name</b>	<b>Nature of Transaction</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Associate CMG International Two Co., Ltd.	Ordinary shares	\$ -	\$ 1,125,000
CMG International One Co., Ltd.	Ordinary shares	-	900,000
ThrivEnergy Co., Ltd.	Ordinary shares	<u>-</u>	<u>216,000</u>
		<u>\$ -</u>	<u>\$ 2,241,000</u>

e) Balance of shares issued by related parties

Name	Nature of Transaction	December 31	
		2023	2022
Other related party			
Srisawad Corporation Public Company Limited	Ordinary shares	\$ 2,279,574	\$ 2,718,023
Cathay Real Estate Development Co., Ltd.	Ordinary shares	1,245,936	1,046,860
CDIB & PARTNERS Investment Holding Corporation	Ordinary shares	822,420	694,980
Daiwa - Cathay Capital Markets Co., Ltd.	Ordinary shares	<u>146,500</u>	<u>143,800</u>
		<u>\$ 4,494,430</u>	<u>\$ 4,603,663</u>

f) Cash in banks

Name	Nature of Transaction	December 31	
		2023	2022
Subsidiary			
Cathay United Bank	Demand deposits	\$ 34,479,507	\$ 43,913,419
	Time deposits	2,032,367	1,867,186
	Checking deposits	202,681	197,778
	Security deposits	<u>144,600</u>	<u>1,409,644</u>
		<u>36,859,155</u>	<u>47,388,027</u>
Indovina Bank	Time deposits	2,623,130	3,045,564
	Demand deposits	<u>17,070</u>	<u>17,002</u>
		<u>2,640,200</u>	<u>3,062,566</u>
		<u>\$ 39,499,355</u>	<u>\$ 50,450,593</u>

For the years ended December 31, 2023 and 2022, the interest income earned from above bank deposits in Cathay United Bank were \$410,549 thousand and \$179,846 thousand, respectively.

For the years ended December 31, 2023 and 2022, the interest income earned from above bank deposits in Indovina Bank Limited were \$212,391 thousand and \$148,787 thousand, respectively.

g) Loans

Name	For the Year Ended December 31, 2023		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 881,898</u>	1.57%-8.19%	<u>\$ 818,385</u>
Name	For the Year Ended December 31, 2022		
	Maximum Balance	Rate	Ending Balance
Other related party	<u>\$ 929,925</u>	1.25%-5.34%	<u>\$ 859,415</u>

h) Balance of bonds managed by related parties

Name	December 31	
	2023	2022
Other related party		
Bonds managed by Octagon Credit Investors, LLC	\$ <u>5,125,541</u>	\$ <u>5,309,027</u>

i) Balance of funds managed by related parties

Name	Item	December 31	
		2023	2022
Other related party			
Funds managed by			
Octagon Credit	Market value	\$ <u>2,462,850</u>	\$ <u>2,218,342</u>
Investors, LLC	Cost	\$ <u>2,393,204</u>	\$ <u>2,336,430</u>
Funds managed by			
Global Evolution	Market value	\$ <u>2,964,311</u>	\$ <u>2,657,844</u>
Holding ApS	Cost	\$ <u>2,655,675</u>	\$ <u>2,611,516</u>
Funds managed by			
Cathay Securities	Market value	\$ <u>80,617,725</u>	\$ <u>62,661,305</u>
Investment Trust	Cost	\$ <u>90,802,663</u>	\$ <u>76,547,914</u>
Private Equity Funds			
Managed by	Market value	\$ <u>1,963,793</u>	\$ <u>1,380,514</u>
Cathay Private Equity	Cost	\$ <u>1,718,707</u>	\$ <u>1,389,261</u>

j) Balance of discretionary management investments

Name	December 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Trust	\$ <u>258,244,838</u>	\$ <u>202,504,395</u>

k) Other receivables

Name	December 31	
	2023	2022
The Company		
Cathay Financial Holdings (Note)	\$ <u>18,321,042</u>	\$ <u>14,465,582</u>
Subsidiary		
Indovina Bank	116,324	111,737
Cathay Century	80,749	131,089
Cathay Venture	-	961,728
	<u>197,073</u>	<u>1,204,554</u>
	\$ <u>18,518,115</u>	\$ <u>15,670,136</u>

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



l) Guarantee deposits paid (for future transactions)

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay Futures	\$ 2,307,880	\$ 3,390,281

m) Guarantee deposits received

	Name	December 31	
		2023	2022
Other related party			
	San Ching Engineering Co., Ltd.	\$ 1,877,040	\$ 1,638,378
	Ally Logistic Property Co., Ltd.	1,817,376	1,458,873
		\$ 3,694,416	\$ 3,097,251

n) Other payables

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 249,593	\$ 303,859

o) Bonds payable

	Name	December 31	
		2023	2022
The Company			
	Cathay Financial Holdings	\$ 35,000,000	\$ 35,000,000

p) Premium income

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 134,354	\$ 141,978
Other related party			
	Others	120,671	142,617
		\$ 255,025	\$ 284,595

q) Insurance expense

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Century	\$ 151,941	\$ 115,000

r) Other operating income

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary		
Cathay Securities Investment Trust	\$ 59,113	\$ 116,085

s) Other operating costs

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary		
Cathay United Bank	\$ 958,622	\$ 944,171
Cathay Securities Investment Trust	<u>170,105</u>	<u>421,067</u>
	<u>\$ 1,128,727</u>	<u>\$ 1,365,238</u>

t) Finance costs

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
The Company		
Cathay Financial Holdings	\$ 1,259,821	\$ 1,260,000

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

u) Operating expenses

Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary		
Cathay United Bank	\$ 5,983,988	\$ 5,914,610
Cathay Securities Investment Consulting	<u>108,969</u>	<u>115,398</u>
	<u>6,092,957</u>	<u>6,030,008</u>
Associate		
Lin Yuan Property Management Co., Ltd.	1,003,519	918,299
Symphox Information Co., Ltd.	<u>185,369</u>	<u>180,457</u>
	<u>1,188,888</u>	<u>1,098,756</u>
	<u>\$ 7,281,845</u>	<u>\$ 7,128,764</u>

v) Non-operating income

Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Cathay Century	\$ 881,722	\$ 733,711
Cathay Securities	232,721	86,054
Cathay United Bank	<u>199,645</u>	<u>218,851</u>
	<u>\$ 1,314,088</u>	<u>\$ 1,038,616</u>

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

w) Others

As of December 31, 2023 and 2022, 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	December 31	
	2023	2022
SWAP	<u>US\$ 1,390,000</u>	<u>US\$ 4,340,000</u>
CCS	<u>US\$ -</u>	<u>US\$ 50,000</u>

2) Cathay United Bank and its subsidiaries

a) Loans and deposits

Loans

December 31, 2023

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	26	\$ 93,626	\$ 15,318	V	\$ -	None	None	\$ (20)	\$ 664
Self-used housing mortgage loans	271	3,130,261	2,728,107	V	-	Real estate, stocks and certificates of deposits	None	2,796	34,468
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	800,000	V	-	Real estate	None	18,000	24,200

December 31, 2022

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	29	\$ 259,204	\$ 11,735	V	\$ -	None	None	\$ (233)	\$ 184
Self-used housing mortgage loans	262	2,986,723	2,644,407	V	-	Real estate, stocks and certificates of deposits	None	6,687	33,375
Other loans	Cathay Real Estate Development Co., Ltd.	2,420,000	620,000	V	-	Real estate	None	6,200	6,200

## Deposits and interest expense

Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
The Company				
Cathay Financial Holdings	\$ 81,256	\$ 3,950	\$ 438,003	\$ 4,388
Subsidiary				
Cathay Life	33,200,245	380,888	44,848,736	135,469
Cathay Securities	2,776,622	29,325	3,365,442	8,703
Cathay Life (Vietnam)	2,640,257	212,391	3,234,204	148,787
Cathay Century	2,525,605	20,586	3,790,370	7,074
Lin Yuan	1,929,924	18,900	1,626,645	40,546
Cathay Industrial R&D Center	1,507,881	5,407	514,600	838
Cathay Futures	965,712	54,667	1,722,934	15,206
Cathay Securities Investment				
Consulting	616,660	7,727	621,212	1,369
Cathay Insurance (Vietnam)	272,326	17,373	272,684	13,676
Cathay Securities Investment				
Trust	212,960	715	216,349	239
Cathay Venture	209,748	254	410,300	122
	<u>46,857,940</u>	<u>748,233</u>	<u>60,623,476</u>	<u>372,029</u>
Associate				
Lin Yuan Property Management				
Co., Ltd.	305,118	2,399	247,327	1,606
PSS Co., Ltd.	157,891	464	67,840	104
Symphox Information Co., Ltd.	83,270	605	220,167	217
	<u>546,279</u>	<u>3,468</u>	<u>535,334</u>	<u>1,927</u>
Other related party				
Cathay Life Insurance				
Employees' Welfare				
Committee	2,201,734	34,545	2,301,702	24,533
Cathay United Bank Employees'				
Welfare Committee	837,374	32,446	761,220	30,417
Private equity fund managed by				
Cathay Private Equity	665,735	1,710	551,457	683
Cathay United Bank Foundation	563,916	7,851	556,325	5,623
Cathay Real Estate Development				
Employees' Welfare				
Committee	472,994	7,241	467,213	5,215
Cathay Real Estate Development				
Co., Ltd.	341,027	2,089	429,818	289
Bannan Realty Co., Ltd.	332,397	1,734	544,195	532
Cathay Medical Care Corp.	326,077	2,500	522,260	570
Cathay Charity Foundation	312,693	4,389	311,735	2,862
Zhulun Realty Co., Ltd.	214,504	1,063	-	-
EasyCard Corporation	123,746	1,476	101,163	474
Cathay Healthcare Management				
Co., Ltd.	114,136	487	53,942	105
Cathay Cultural Foundation	227,113	3,195	210,841	2,245
Yua-Yung Marketing (Taiwan)				
Co., Ltd.	199,817	856	168,200	238
Cathay Hospitality Consulting				
Co., Ltd.	187,679	1,241	410,749	230
Cathay Real Estate Management				
Co., Ltd.	155,810	1,407	110,936	815
Cathay Hospitality Management				
Co., Ltd.	142,382	901	263,959	260
Sanhong Realty Co., Ltd.	75,820	560	479,732	594
Others	9,082,353	117,793	8,927,291	70,074
	<u>16,577,307</u>	<u>223,484</u>	<u>17,172,738</u>	<u>145,759</u>
	<u>\$ 64,062,782</u>	<u>\$ 979,135</u>	<u>\$ 78,769,551</u>	<u>\$ 524,103</u>

Ending balance and interest income (expense) due from/to commercial banks

Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>				
Other related party				
Vietinbank	\$ 27,974	\$ 72	\$ 169,946	\$ 139
<u>Due from commercial banks</u>				
Other related party				
Vietinbank	27,223	(30,645)	1,296,629	(4,111)

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

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

Item/Name	For the Year Ended December 31			
	2023		2022	
	Ending Balance	Interest Income	Ending Balance	Interest Income
<u>Bond investment</u>				
Other related party				
Vietinbank	\$ -	\$ 11,222	\$ 386,264	\$ 24,266

Item/Name	Ownership Balance	
	For the Year Ended December 31	
	2023	2022
<u>Stock investment</u>		
Other related party		
Srisawad Corporation Public Company Limited	\$ 2,312,077	\$ 2,793,164
Taiwan Asset Management Corporation	984,621	1,021,279
CDIB & PARTNERS Investment Holding Corporation	822,480	694,781
Financial information service Co., Ltd.	758,469	577,792
EasyCard Corporation	123,697	14,940

c) Derivatives

December 31, 2023

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

December 31, 2022

Name of Related Party	Name of Derivative Contract	Contract Period	Nominal Principal	Valuation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life	Currency exchange (USD)	2022.04.08-2023.12.21	\$ 133,272,720	\$ 3,066,201	Valuation adjustment for financial assets at FVTPL	\$ 3,095,742
					Valuation adjustment for FVTPL financial liabilities	(29,541)
	CCS (USD)	2021.04.29-2023.05.04	1,535,400	(13,862)	Valuation adjustment for financial assets at FVTPL	126,487
					Valuation adjustment for FVTPL financial liabilities	(142,400)
Cathay Century	Currency exchange (USD)	2022.01.11-2023.12.21	2,791,357	52,130	Valuation adjustment for financial assets at FVTPL	78,977
					Valuation adjustment for FVTPL financial liabilities	(26,847)
	Currency exchange (EUR)	2022.02.22-2023.06.06	57,251	2,061	Valuation adjustment for financial assets at FVTPL	2,061
					Valuation adjustment for FVTPL financial liabilities	-

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

Name	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Gains and losses on financial assets and liabilities measured at fair value through profit or loss		
Subsidiary		
Cathay Life	\$ 4,116,740	\$ 356,622

d) Lease agreements

i. Acquisition of right-to-use assets

Name	<u>Acquisition of Right-of-use Assets</u>	
	<u>For the Year Ended December 31</u>	<u>2022</u>
	<u>2023</u>	<u>2022</u>
Subsidiary		
Cathay Life	\$ 44,529	\$ 690,622

The lease period and rent payment are in accordance with the contract. The general lease period is 2 to 5 years, and the payment is mainly made on a monthly basis.

ii. Lease liabilities

Name	<b>Lease Liabilities</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary Cathay Life	\$ <u>377,428</u>	\$ <u>1,074,210</u>

iii. Guarantee deposits paid

Name	<b>Guarantee Deposits Paid</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Subsidiary Cathay Life	\$ <u>196,542</u>	\$ <u>191,579</u>

e) Others

Item/Name	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Service fee revenue</u>		
Subsidiary		
Cathay Life	\$ 6,917,152	\$ 6,848,712
Cathay Century	265,854	220,554
Cathay Securities	171,693	211,477
<u>General expenses - other</u>		
Subsidiary		
Cathay Life	199,645	218,851
Associate		
Symphox Information Co., Ltd.	833,859	521,346
Lin Yuan Property Management Co., Ltd.	104,303	58,907
Other related party		
Seaward Card Co., Ltd.	292,456	228,703
Ann Fong Co., Ltd.	172,786	194,897
<u>Payment of insurance expenses</u>		
Subsidiary		
Cathay Century	166,936	169,888
Cathay Life	134,354	141,978

Item/Name	December 31	
	2023	2022
<u>Receivables for insurance commission</u>		
Subsidiary		
Cathay Life	\$ 249,593	\$ 303,859
<u>Guarantee deposits paid</u>		
Subsidiary		
Cathay Futures	1,179,579	1,496,350
<u>Interest payable</u>		
Subsidiary		
Cathay Life (Vietnam)	116,324	111,738
<u>Payables from integrated tax</u>		
The Company		
Cathay Financial Holdings	4,252,290	3,157,131

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

3) Cathay Century and its subsidiaries

a) Business transactions

Item	Name	For the Year Ended December 31	
		2023	2022
Premium income	Subsidiary		
	Cathay United Bank	\$ 166,936	\$ 169,888
	Cathay Life	123,193	115,000
Operating costs			
Marketing costs	Subsidiary		
	Cathay Life	866,331	719,141
	Cathay United Bank	121,457	116,420
Service fee expenses	Subsidiary		
	Cathay United Bank	144,397	104,134

b) Receivables from related parties

Item	Name	December 31	
		2023	2022
Other receivables	The Company		
	Cathay Financial Holdings	\$ _____	\$ <u>612,702</u>
	(Note)		

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



c) Payables to related parties

Item	Name	December 31	
		2023	2022
Other payables	The Company		
	Cathay Financial Holdings	\$ 189,832	\$ -
	(Note)		
	Subsidiary		
	Cathay Life	<u>80,749</u>	<u>131,089</u>
		<u>\$ 270,581</u>	<u>\$ 131,089</u>

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

d) Cash in bank

Item	Name	December 31	
		2023	2022
Checking deposits and demand deposits	Subsidiary		
	Cathay United Bank	\$ 2,505,546	\$ 3,770,340
	Indovina Bank	10,548	29,776
Time deposits	Subsidiary		
	Indovina Bank	261,778	242,908
	Cathay United Bank	<u>20,059</u>	<u>20,030</u>
		<u>\$ 2,797,931</u>	<u>\$ 4,063,054</u>

e) Financial assets at FVTPL

Name	December 31	
	2023	2022
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>\$ 741,869</u>	<u>\$ 360,558</u>

f) Balance of discretionary management investments

Name	December 31	
	2023	2022
Subsidiary		
Cathay Securities Investment Trust	<u>\$ 1,697,518</u>	<u>\$ 1,307,709</u>

g) Lease agreements

i. Acquisition of right-of-use assets

	Name	<b>Acquisition of Right-of-use Assets For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay Life		<u>\$ 267,012</u>	<u>\$ 300</u>

ii. Lease liabilities

	Name	<b>Lease Liabilities December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay Life		<u>\$ 226,960</u>	<u>\$ 81,520</u>

h) SWAP contracts

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

	Name	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay United Bank		<u>US\$ 88,400</u>	<u>US\$ 90,900</u>

i) Shares transactions

	Name	Item	<b>December 31</b>	
			<b>2023</b>	<b>2022</b>
The Company				
Cathay Financial Holdings		Ordinary shares	<u>\$ -</u>	<u>\$ 20,000,000</u>

4) Cathay Securities and its subsidiaries

a) Cash in bank

	Name	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Subsidiary			
Cathay United Bank		<u>\$ 3,018,690</u>	<u>\$ 3,515,520</u>

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

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

b) Customer's margin accounts

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ <u>723,823</u>	\$ <u>1,573,034</u>

c) Futures trader's equity

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 2,307,880	\$ 3,390,281
	Cathay United Bank	<u>1,179,579</u>	<u>1,496,350</u>
		<u>3,487,459</u>	<u>4,886,631</u>
Other related party			
	Cathay Securities Investment Trust	<u>2,283,518</u>	<u>2,345,956</u>
		\$ <u>5,770,977</u>	\$ <u>7,232,587</u>

d) Other payables

	Name	December 31	
		2023	2022
The Company			
	Cathay Financial Holdings (Note)	\$ <u>289,636</u>	\$ <u>484,896</u>

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

e) Lease agreements

	Name	Lease Liabilities	
		December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ <u>76,015</u>	\$ <u>111,110</u>

Cathay Securities and its subsidiaries leased certain buildings from Cathay Life and Cathay United Bank for the use of office and parking space for the years ended December 31, 2023 and 2022, and the lease term of the contracts were both from 2017 to 2026. The rentals are based on the real estate rental appraisal report, and fixed lease payments were made on a monthly basis.

The above rental expenses are contracted based on prevailing market conditions and paid monthly.

f) Brokerage service fee income

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 62,956	\$ 129,843

g) Other operating expense

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ 252,469	\$ 103,595
	Cathay United Bank	171,778	211,477
		<u>\$ 424,247</u>	<u>\$ 315,072</u>

5) Cathay Securities Investment Trust and its subsidiaries

a) Cash and cash equivalents

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 120,821	\$ 204,252

b) Financial assets at FVTPL

	Name	December 31	
		2023	2022
Other related party			
	Funds managed by Cathay Securities Investment Trust	\$ 82,907	\$ 118,908

c) Accounts receivable

	Name	December 31	
		2023	2022
Other related party			
	Funds managed by Cathay Securities Investment Trust	\$ 339,394	\$ 265,853

d) Refundable deposits

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 123,508	\$ 71,008

e) Accounts payable

Name	December 31	
	2023	2022
The Company		
Cathay Financial Holdings (Note)	\$ 443,047	\$ 402,738

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

f) Balance of discretionary management investments

Name	December 31	
	2023	2022
Subsidiary		
Cathay Life	\$ 258,244,838	\$ 202,504,395
Cathay Century	<u>1,697,518</u>	<u>1,307,709</u>
	<u>259,942,356</u>	<u>203,812,104</u>
Other related party		
Cathay Charity Foundation	<u>136,345</u>	<u>108,540</u>
	<u>\$ 260,078,701</u>	<u>\$ 203,920,644</u>

g) Management fee income

Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Cathay Life	\$ 170,105	\$ 421,067
Other related party		
Funds managed by Cathay Securities Investment Trust	<u>3,687,124</u>	<u>3,020,064</u>
	<u>\$ 3,857,229</u>	<u>\$ 3,441,131</u>

h) Operating expense

Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Cathay Life	\$ 115,129	\$ 104,395
Conning Asia Pacific Ltd.	<u>49,996</u>	<u>100,003</u>
	<u>\$ 165,125</u>	<u>\$ 204,398</u>

6) Cathay Venture

a) Cash and cash equivalents

	Name	December 31	
		2023	2022
Subsidiary			
	Cathay United Bank	\$ 209,748	\$ 410,300

b) Financial assets at FVTPL

	Name	December 31	
		2023	2022
Other related party			
	Funds managed by Cathay Securities Investment Trust	\$ 99,374	\$ 238,840
	Cathay Healthcare Management Co., Ltd.	103,785	106,343
		\$ 203,159	\$ 345,183

c) Other payables-related party

	Name	For the Year Ended December 31	
		2023	2022
Subsidiary			
	Cathay Life	\$ -	\$ 963,178

Cathay Venture acquired financial assets at FVTPL and financial assets at FVTOCI \$479,700 thousand and \$483,478 thousand, respectively, from Cathay Life on December 2022.

### 30. PLEDGED ASSETS

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

Item	Description	December 31	
		2023	2022
Demand deposits, time deposits and guarantee deposits paid	Capital guarantee, settlement accounts, overdraft guarantee, collateral for lease of real estate, collateral for court guarantees, reimbursement account, performance bond, provisions for business and collateral	\$ 15,599,611	\$ 15,524,945
Financial assets at FVTOCI	Provisions for business and collateral	14,753,925	56,800,000
Debt instrument at amortized cost	Provisions for business and collateral	43,062,739	995,314
Investment properties	Short-term loans	290,341	290,341
Property and equipment	Pledge of borrowings	8,448,391	7,707,466
		\$ 82,155,007	\$ 81,318,066

### 31. 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 judgments, Cathay United Bank again won a favorable decision in the second instance on August 25, 2021. Subsequently, Lee & Li filed an appeal, and the Supreme Court rejected it on December 14, 2023, confirming Cathay United Bank's complete victory in the case. However, Lee & Li filed for retrial in January 2024, seeking compensation of \$1,510 thousand plus interest. The case is currently under review by the High Court. Both Cathay United Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of Cathay United Bank.

b. As of December 31, 2023 and 2022, Cathay United Bank and its subsidiaries had the following material commitments for entrusted items and guarantees:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Trust and security held for safekeeping	\$ 1,064,373,453	\$ 962,935,721
Collection and payment on behalf of customers	30,178,208	29,385,182
Book-entry for government bonds and depository for short-term marketable securities under management	457,093,479	498,066,239
Entrusted financial management business	22,391,339	15,904,189
Guarantees on duties and contracts	18,835,713	19,613,957
Unused commercial letters of credit	8,194,069	7,830,013
Irrevocable loan commitments	175,363,471	167,901,940
Unused credit card line commitments	684,568,364	709,649,620
Underwritten securities	-	500,000
Financial guarantee contracts	1,440,807	1,618,136
Revolving issuance of commercial promissory notes and underwriting of purchase commitments	15,900,000	13,900,000

c. As of December 31, 2023, the remaining capital commitments for the contracted private equity fund of Cathay Life was NT\$196,015 thousand, US\$3,564,748 thousand, EUR411,705 thousand and GBP1,518 thousand.

d. As of December 31, 2023, and 2022, Cathay Life has entered into irrevocable corporate finance and consumer lending loans but not yet loaning amounts were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
NTD	\$ 8,048,035	\$ 11,025,641

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

Cathay Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31		LIABILITIES AND EQUITY	December 31	
	2023	2022		2023	2022
CASH AND CASH EQUIVALENTS	\$ 7,587,401	\$ 7,943,654	COMMERCIAL PAPER PAYABLE, NET	\$ 69,400,000	\$ 73,880,000
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	33,624,500	33,575,500	PAYABLES	19,323,541	15,901,806
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	197,768	195,035	CURRENT TAX LIABILITIES	960	3,947,034
RECEIVABLES, NET	5,279,134	4,121,685	BONDS PAYABLE	69,000,000	50,000,000
CURRENT TAX ASSETS	5,686,741	5,131,669	OTHER BORROWING	4,990,000	5,000,000
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET	897,567,264	696,821,834	PROVISIONS	1,065,895	753,962
PROPERTY AND EQUIPMENT, NET	284,162	161,431	LEASE LIABILITIES	192,957	290,119
RIGHT-OF-USE ASSETS	191,933	289,676	DEFERRED TAX LIABILITIES	266,714	266,714
INTANGIBLE ASSETS	574	-	OTHER LIABILITIES	605	270
DEFERRED TAX ASSETS	1,529,782	333,745	Total liabilities	164,240,672	150,039,905
OTHER ASSETS	346,098	306,016	EQUITY		
			Share capital		
			Ordinary shares	146,692,102	146,692,102
			Preference shares	15,333,000	15,333,000
			Capital surplus	202,793,453	215,318,047
			Retained earnings		
			Legal reserve	72,994,637	73,747,059
			Special reserve	378,461,911	150,768,651
			Unappropriated earnings	50,240,458	230,331,762
			Other equity	(78,460,876)	(233,350,281)
			Total equity	788,054,685	598,840,340
TOTAL	\$ 952,295,357	\$ 748,880,245	TOTAL	\$ 952,295,357	\$ 748,880,245



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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>		
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 50,584,863	\$ 45,374,122
Other operating income	<u>1,462,830</u>	<u>1,301,593</u>
Total revenue	<u>52,047,693</u>	<u>46,675,715</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	(2,498,773)	(1,922,878)
Other expenses and losses	<u>(1,715,123)</u>	<u>(3,778,808)</u>
Total expenses and losses	<u>(4,213,896)</u>	<u>(5,701,686)</u>
<b>INCOME BEFORE TAX</b>	47,833,797	40,974,029
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<u>3,095,068</u>	<u>(3,614,669)</u>
<b>NET INCOME</b>	<u>50,928,865</u>	<u>37,359,360</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	14,525	1,234
Gain on equity instruments at fair value through other comprehensive income	2,733	51,544
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	24,705,002	(27,416,729)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,905)	(247)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method for items that may be reclassified subsequently to profit or loss	<u>129,462,828</u>	<u>(316,890,952)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>154,182,183</u>	<u>(344,255,150)</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<u>\$ 205,111,048</u>	<u>\$(306,895,790)</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$3.24</u>	<u>\$2.58</u>

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

	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		Others
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2022	\$ 131,692,102	\$ 15,333,000	\$ 177,244,388	\$ 59,471,895	\$ 150,716,023	\$ 267,799,001	\$ (18,652,251)	\$ 47,131,473	\$ 335,851	\$ (889,397)	\$ (966,130)	\$ 11,281,909	\$ 64,764,671	\$ (3,224,389)	\$ 902,038,146
Appropriation of 2021 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	14,275,164	-	(14,275,164)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	52,628	(52,628)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(46,092,235)	-	-	-	-	-	-	-	-	(46,092,235)
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	-	-	(104,319)	-	-	-	-	-	-	-	-	-	-	-	(104,319)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(623,579)	-	-	-	-	-	-	-	731,063	107,484
Net income for the year ended December 31, 2022	-	-	-	-	-	37,359,360	-	-	-	-	-	-	-	-	37,359,360
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(344,255,150)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	37,359,360	5,624,950	(116,041,219)	614,414	460,602	(131,013)	1,311,727	(236,094,611)	-	(306,895,790)
Issuance of ordinary shares for cash	15,000,000	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	52,500,000
Share-based payment transactions	-	-	677,978	-	-	-	-	-	-	-	-	-	-	-	677,978
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(10,376,705)	-	10,376,705	-	-	-	-	-	-	-
Others	-	-	-	-	-	(15,364)	-	-	-	-	-	15,364	-	-	-
BALANCE AT DECEMBER 31, 2022	146,692,102	15,333,000	215,318,047	73,747,059	150,768,651	230,331,762	(13,027,301)	(58,533,041)	950,265	(428,795)	(1,097,143)	12,609,000	(171,329,940)	(2,493,326)	598,840,340
Appropriation of 2022 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,638,502	-	(2,638,502)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	227,719,196	(227,719,196)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	(13,202,289)	-	-	-	-	-	-	-	-	-	-	-	(13,202,289)
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	-	-	657,911	-	-	(74,807)	-	74,792	-	-	-	-	-	-	657,896
Organizational restructuring	-	-	3,245	-	-	-	(3,245)	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	(709,227)	-	-	-	-	-	-	-	731,302	22,075
Net income for the year ended December 31, 2023	-	-	-	-	-	50,928,865	-	-	-	-	-	-	-	-	50,928,865
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	68,562	43,795,461	(439,766)	(404,998)	(20,517)	3,706	111,179,735	-	154,182,183
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	50,928,865	68,562	43,795,461	(439,766)	(404,998)	(20,517)	3,706	111,179,735	-	205,111,048
Share-based payment transactions	-	-	16,539	-	-	-	-	-	-	-	-	-	-	-	16,539
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	-	95,627	-	(95,627)	-	-	-	-	-	-	-
Others	-	-	-	-	(25,936)	25,936	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	<u>\$ 146,692,102</u>	<u>\$ 15,333,000</u>	<u>\$ 202,793,453</u>	<u>\$ 72,994,637</u>	<u>\$ 378,461,911</u>	<u>\$ 50,240,458</u>	<u>\$ (12,961,984)</u>	<u>\$ (14,758,415)</u>	<u>\$ 510,499</u>	<u>\$ (833,793)</u>	<u>\$ (1,117,660)</u>	<u>\$ 12,612,706</u>	<u>\$ (60,150,205)</u>	<u>\$ (1,762,024)</u>	<u>\$ 788,054,685</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 47,833,797	\$ 40,974,029
Adjustments for:		
Depreciation expenses	206,046	150,518
(Gain) loss on of financial assets at fair value through profit or loss	(49,000)	2,684,500
Interest income	(1,369,347)	(1,278,822)
Dividend income	(7,026)	(7,594)
Interest expenses	1,663,633	1,025,775
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(50,584,863)	(45,374,122)
Loss on disposal and retirement of property and equipment	401	266
Compensation cost of share-based payments	76	10,230
Changes in operating assets and liabilities		
Receivables	(4,999)	5,400
Other assets	51	(522)
Payables	(28,538)	52,821
Provisions	2,057	7,640
Other liabilities	335	(309)
Cash used in operations	(2,337,377)	(1,750,190)
Interest received	1,343,380	1,278,079
Dividends received	7,026	7,594
Interest paid	(1,479,529)	(1,141,152)
Income tax paid	(134,348)	(890,462)
Net cash used in operating activities	<u>(2,600,848)</u>	<u>(2,496,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity the method	-	(55,000,000)
Disposal of investments accounted for using the equity the method	98,799	-
Acquisition of property and equipment	(169,125)	(125,332)
Disposal of property and equipment	245	-
Acquisition of intangible assets	(574)	-
Increase in other assets	(46,718)	(93,915)
Dividends received	4,604,898	41,771,476
Net cash generated from (used in) investing activities	<u>4,487,525</u>	<u>(13,447,771)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in commercial paper payable	(4,480,000)	15,370,000
(Decrease) increase in other borrowings	(10,000)	5,000,000
Repayments of the principal portion of lease liabilities	(159,717)	(132,518)
Issuance of corporate bonds	19,000,000	-
Issuance of ordinary shares for cash	-	52,500,000
Dividends paid	(16,593,213)	(49,483,159)
Net cash (used in) generated from financing activities	<u>(2,242,930)</u>	<u>23,254,323</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(356,253)</b>	<b>7,310,421</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>7,943,654</b></u>	<u><b>633,233</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 7,587,401</b></u>	<u><b>\$ 7,943,654</b></u>

### 33. 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	December 31	
	2023	2022
Cash and cash equivalents	\$ 235,071,599	\$ 313,086,345
Receivables	106,035,236	86,289,754
Financial assets at fair value through profit or loss	1,540,976,436	1,327,854,240
Financial assets at fair value through other comprehensive income	568,983,852	442,469,162
Financial assets at amortized cost	4,030,691,761	3,977,016,772
Financial assets for hedging	1,109	19,193
Investments accounted for using the equity method	117,505,296	107,555,001
Investment property	500,344,338	489,570,542
Loans	413,021,949	459,635,719
Reinsurance assets	2,233,380	2,179,423
Property and equipment	28,864,699	29,014,543
Right-of-use assets	439,916	443,658
Intangible assets	24,012,977	25,797,548
Deferred tax assets	63,163,891	80,219,150
Other assets	35,527,017	60,362,449
Separate account insurance product assets	<u>727,573,989</u>	<u>655,319,618</u>
Total	<u>\$ 8,394,447,445</u>	<u>\$ 8,056,833,117</u>
<b>Liabilities</b>		
Payables	\$ 15,037,748	\$ 15,810,381
Current tax liabilities	74,716	137,010
Financial liabilities at fair value through profit or loss	24,070,611	63,669,162
Financial liabilities for hedging	2,038,001	3,716,091
Bonds payable	114,841,430	80,000,000
Insurance liabilities	6,788,629,763	6,658,966,256
Reserve for insurance contracts with the nature of financial products	1,153,105	1,196,119
Reserve for foreign exchange valuation	20,773,326	49,503,457
Provisions	56,245	56,245
Lease liabilities	13,428,552	13,302,377
Deferred tax liabilities	50,507,555	51,172,032
Other liabilities	17,843,649	7,167,564
Separate account insurance product liabilities	<u>727,573,989</u>	<u>655,319,618</u>
Total liabilities	<u>7,776,028,690</u>	<u>7,600,016,312</u>
<b>Equity</b>		
Share capital	63,515,274	63,515,274
Capital surplus	91,588,303	90,924,478
Retained earnings	548,075,939	531,546,064
Other equity	<u>(84,760,761)</u>	<u>(229,169,011)</u>
Total equity	<u>618,418,755</u>	<u>456,816,805</u>
Total	<u>\$ 8,394,447,445</u>	<u>\$ 8,056,833,117</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 686,136,615	\$ 667,000,217
Operating costs	(646,723,407)	(606,441,236)
Operating expenses	(24,018,405)	(21,886,748)
Operating income	15,394,803	38,672,233
Non-operating income and expenses	2,646,040	1,844,189
Profit before income tax	18,040,843	40,516,422
Income tax expense	(1,697,756)	(6,849,254)
Net income	16,343,087	33,667,168
Other comprehensive income (loss)	144,572,963	(324,284,636)
Total comprehensive income (loss)	<b>\$ 160,916,050</b>	<b>\$(290,617,468)</b>
Basic earnings per share	<b>\$2.57</b>	<b>\$5.75</b>

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

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

<b>Assets</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 4,438,280	\$ 1,835,530
Receivables	1,464,923	1,301,882
Financial assets at fair value through profit or loss	99,112,773	78,887,871
Financial assets at amortized cost	910,098	927,675
Loans	3,463,710	2,716,492
Reinsurance assets	66,280	130,024
Property and equipment	94,996	108,383
Right-of-use assets	328,933	392,137
Intangible assets	37,501	30,635
Other assets	2,653,238	2,718,729
Separate account insurance product assets	91,610	107,378
<b>Total</b>	<b>\$ 112,662,342</b>	<b>\$ 89,156,736</b>
<b>Liabilities</b>		
Payables	\$ 2,039,688	\$ 1,826,664
Insurance liabilities	73,225,466	55,809,781
Reserve for insurance contracts with the nature of financial instruments	22,371,094	17,299,351
Lease liabilities	334,869	396,652
Other liabilities	384,591	262,479
Separate account insurance product liabilities	91,610	107,378
<b>Total liabilities</b>	<b>98,447,318</b>	<b>75,702,305</b>
<b>Equity</b>		
Capital	13,497,155	13,497,155
Retained earnings	78,437	(126,603)
Other equity	639,432	83,879
<b>Total equity</b>	<b>14,215,024</b>	<b>13,454,431</b>
<b>Total</b>	<b>\$ 112,662,342</b>	<b>\$ 89,156,736</b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 31,589,746	\$ 20,888,363
Operating costs	(29,220,550)	(18,334,386)
Operating expenses	<u>(2,424,628)</u>	<u>(1,995,335)</u>
Operating (loss) income	(55,432)	558,642
Non-operating income and expenses	<u>(14,718)</u>	<u>3,293</u>
(Loss) profit before income tax	(70,150)	561,935
Income tax benefit (expense)	<u>275,190</u>	<u>(67,463)</u>
Net income	205,040	494,472
Other comprehensive income (loss)	<u>555,553</u>	<u>(128,331)</u>
 Total comprehensive income	 <u>\$ 760,593</u>	 <u>\$ 366,141</u>
 Basic earnings per share	 Note	 Note

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

**Cathay Life Insurance Company (Vietnam)**

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 2,659,233	\$ 6,782,736
Receivables	1,366,187	1,194,013
Financial assets at fair value through profit or loss	24,927,942	17,937,985
Financial assets at amortized cost	9,761,698	6,980,041
Loans	320,235	222,670
Property and equipment	11,922	14,917
Right-of-use assets	117,722	118,200
Intangible assets	640	1,838
Other assets	100,717	104,790
<b>Total</b>	<b>\$ 39,266,296</b>	<b>\$ 33,357,190</b>
<b>Liabilities</b>		
Payables	\$ 376,929	\$ 270,681
Current tax liabilities	5,294	-
Insurance liabilities	13,230,221	11,786,830
Lease liabilities	113,676	112,695
<b>Total liabilities</b>	<b>13,726,120</b>	<b>12,170,206</b>
<b>Equity</b>		
Capital	20,370,930	20,370,930
Retained earnings	2,416,299	799,613
Other equity	2,752,947	16,441
<b>Total equity</b>	<b>25,540,176</b>	<b>21,186,984</b>
<b>Total</b>	<b>\$ 39,266,296</b>	<b>\$ 33,357,190</b>



**Cathay Life Insurance Company (Vietnam)**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 6,161,084	\$ 5,554,183
Operating costs	(2,955,416)	(2,700,752)
Operating expenses	(1,290,441)	(1,217,376)
Operating income	1,915,227	1,636,055
Non-operating income and expenses	12,040	13,027
Profit before income tax	1,927,267	1,649,082
Income tax expense	(310,581)	-
Net income	1,616,686	1,649,082
Other comprehensive income (loss)	2,736,506	(3,237,998)
Total comprehensive income (loss)	\$ 4,353,192	\$ (1,588,916)
Basic earnings per share	Note	Note

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

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

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 302,020	\$ 320,956
Financial assets at amortized cost	1,841,865	1,656,563
Investment property	6,864,739	7,165,185
Property and equipment	<u>2</u>	<u>2</u>
Total	<u>\$ 9,008,626</u>	<u>\$ 9,142,706</u>
 <b>Liabilities</b>		
Current liabilities	\$ 10,242	\$ 10,048
Deferred tax liabilities	620,691	623,793
Other non-current liabilities	<u>66,635</u>	<u>75,167</u>
Total liabilities	<u>697,568</u>	<u>709,008</u>
 <b>Equity</b>		
Capital	7,223,435	7,223,435
Retained earnings	1,721,123	1,683,414
Other equity	<u>(633,500)</u>	<u>(473,151)</u>
Total equity	<u>8,311,058</u>	<u>8,433,698</u>
Total	<u>\$ 9,008,626</u>	<u>\$ 9,142,706</u>

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

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 92,918	\$ 229,929
Operating expenses	<u>(42,639)</u>	<u>(41,053)</u>
Profit before income tax	50,279	188,876
Income tax expense	<u>(12,570)</u>	<u>(47,219)</u>
Net income	37,709	141,657
Other comprehensive (loss) income	<u>(160,349)</u>	<u>144,028</u>
Total comprehensive (loss) income	<u>\$ (122,640)</u>	<u>\$ 285,685</u>
Basic earnings per share	Note	Note

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

**Cathay Woolgate Exchange Holding 1 Limited**

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 1,196,624	\$ 1,114,523
Investment property	<u>15,667,977</u>	<u>11,480,810</u>
Total	<u>\$ 16,864,601</u>	<u>\$ 12,595,333</u>
 <b>Liabilities</b>		
Current liabilities	\$ 185	\$ 315
Total liabilities	<u>185</u>	<u>315</u>
 <b>Equity</b>		
Capital	21,323,210	16,654,013
Retained earnings	(322,063)	772,897
Other equity	<u>(4,136,731)</u>	<u>(4,831,892)</u>
Total equity	<u>16,864,416</u>	<u>12,595,018</u>
Total	<u>\$ 16,864,601</u>	<u>\$ 12,595,333</u>

**Cathay Woolgate Exchange Holding 1 Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating loss	\$ (1,090,868)	\$ (300,002)
Operating expenses	<u>(65,452)</u>	<u>(156,560)</u>
Operating loss	(1,156,320)	(456,562)
Non-operating income and expenses	<u>61,360</u>	<u>-</u>
Net loss	(1,094,960)	(456,562)
Other comprehensive income (loss)	<u>695,161</u>	<u>(91,009)</u>
Total comprehensive loss	<u>\$ (399,799)</u>	<u>\$ (547,571)</u>
Basic earnings per share	Note	Note

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

**Cathay Woolgate Exchange Holding 2 Limited**

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets	\$ 7,321	\$ 8,026
Investment property	<u>158,262</u>	<u>115,968</u>
Total	<u>\$ 165,583</u>	<u>\$ 123,994</u>
 <b>Liabilities</b>		
Current liabilities	\$ 185	\$ 315
Total liabilities	<u>185</u>	<u>315</u>
 <b>Equity</b>		
Capital	215,386	168,222
Retained earnings	(8,056)	4,195
Other equity	<u>(41,932)</u>	<u>(48,738)</u>
Total equity	<u>165,398</u>	<u>123,679</u>
Total	<u>\$ 165,583</u>	<u>\$ 123,994</u>

**Cathay Woolgate Exchange Holding 2 Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating loss	\$ (11,245)	\$ (3,133)
Operating expenses	<u>(1,626)</u>	<u>(2,722)</u>
Operating loss	(12,871)	(5,855)
Non-operating income and expenses	<u>620</u>	<u>-</u>
Net loss	(12,251)	(5,855)
Other comprehensive income (loss)	<u>6,806</u>	<u>(910)</u>
Total comprehensive loss	<u>\$ (5,445)</u>	<u>\$ (6,765)</u>
Basic earnings per share	Note	Note

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

**Cathay Walbrook Holding 1 Limited**

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets	\$ 1,344,280	\$ 1,281,867
Investment property	16,588,455	17,900,456
Other non-current assets	<u>172</u>	<u>155</u>
Total	<u>\$ 17,932,907</u>	<u>\$ 19,182,478</u>
 <b>Liabilities</b>		
Current liabilities	\$ 105,083	\$ 19,104
Non-current liabilities	<u>12,323,409</u>	<u>11,655,757</u>
Total liabilities	<u>12,428,492</u>	<u>11,674,861</u>
 <b>Equity</b>		
Capital	10,189,090	10,189,090
Retained earnings	(2,738,614)	(330,504)
Other equity	<u>(1,946,061)</u>	<u>(2,350,969)</u>
Total equity	<u>5,504,415</u>	<u>7,507,617</u>
Total	<u>\$ 17,932,907</u>	<u>\$ 19,182,478</u>

**Cathay Walbrook Holding 1 Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating loss	\$ (1,452,497)	\$ (416,942)
Operating costs	(887,913)	(486,023)
Operating expenses	<u>(10,488)</u>	<u>47,551</u>
Operating loss	(2,350,898)	(855,414)
Non-operating income and expenses	<u>47,653</u>	<u>-</u>
Net loss before income tax	(2,303,245)	(855,414)
Income tax expense	<u>(104,865)</u>	<u>(157,344)</u>
Net loss	(2,408,110)	(1,012,758)
Other comprehensive income (loss)	<u>404,908</u>	<u>(63,265)</u>
Total comprehensive loss	<u>\$ (2,003,202)</u>	<u>\$ (1,076,023)</u>
Basic earnings per share	Note	Note

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

**Cathay Walbrook Holding 2 Limited**

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

<b>Assets</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current assets	\$ 68,378	\$ 68,378
Investment property	873,077	942,129
Other non-current assets	171	154
<b>Total</b>	<b>\$ 941,626</b>	<b>\$ 1,010,661</b>
<b>Liabilities</b>		
Current liabilities	\$ 5,505	\$ 1,348
Non-current liabilities	656,230	620,677
<b>Total liabilities</b>	<b>661,735</b>	<b>622,025</b>
<b>Equity</b>		
Capital	536,268	536,268
Retained earnings	(154,035)	(24,382)
Other equity	(102,342)	(123,250)
<b>Total equity</b>	<b>279,891</b>	<b>388,636</b>
<b>Total</b>	<b>\$ 941,626</b>	<b>\$ 1,010,661</b>

**Cathay Walbrook Holding 2 Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating loss	\$ (76,537)	\$ (21,953)
Operating costs	(47,282)	(25,901)
Operating expenses	(2,628)	962
Operating loss	(126,447)	(46,892)
Non-operating income and expenses	2,508	-
Net loss before income tax	(123,939)	(46,892)
Income tax expense	(5,714)	(7,987)
Net loss	(129,653)	(54,879)
Other comprehensive income (loss)	20,908	(3,305)
<b>Total comprehensive loss</b>	<b>\$ (108,745)</b>	<b>\$ (58,184)</b>
Basic earnings per share	Note	Note

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 7,848,250	\$ 7,690,318
Financial assets at fair value through profit or loss	1,471,092	1,324,895
Financial assets for hedging	-	10,697
Financial assets at fair value through other comprehensive income	3,118	3,233
Property and equipment	1,032,570	1,001,347
Right-of-use assets	626,360	682,225
Intangible assets	14,950,348	15,027,072
Deferred tax assets	392,338	245,430
Other non-current assets	409,790	416,118
Total	\$ 26,733,866	\$ 26,401,335
<b>Liabilities</b>		
Current liabilities	\$ 4,473,667	\$ 3,838,679
Lease liabilities	743,400	797,130
Deferred tax liabilities	967,159	892,015
Other non-current liabilities	2,346,770	2,893,005
Total liabilities	8,530,996	8,420,829
<b>Equity</b>		
Capital	99,343	99,343
Capital surplus	15,624,196	15,624,196
Retained earnings	4,300,215	4,944,688
Other equity	(2,570,802)	(3,417,918)
Non-controlling interests	749,918	730,197
Total equity	18,202,870	17,980,506
Total	\$ 26,733,866	\$ 26,401,335

**Conning Holdings Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 10,472,876	\$ 10,302,677
Operating costs	(1,479,936)	(1,153,404)
Operating expenses	<u>(8,483,974)</u>	<u>(7,006,627)</u>
Operating income	508,966	2,142,646
Non-operating income and expenses	<u>(1,736)</u>	<u>(1,475)</u>
Profit before income tax	507,230	2,141,171
Income tax expense	<u>(217,510)</u>	<u>(410,996)</u>
Net income	289,720	1,730,175
Other comprehensive income	<u>111,058</u>	<u>1,652,942</u>
Total comprehensive income	<u>\$ 400,778</u>	<u>\$ 3,383,117</u>
Basic earnings per share	Note	Note

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



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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 914,370	\$ 387,849
Financial assets at amortized cost	597,454	-
Investment property	1,974,242	1,665,758
Property and equipment	1,618	-
Deferred tax assets	53,434	36,938
Other non-current assets	<u>45,086</u>	<u>148,726</u>
<b>Total</b>	<u><b>\$ 3,586,204</b></u>	<u><b>\$ 2,239,271</b></u>
 <b>Liabilities</b>		
Current liabilities	\$ 1,434	\$ 364
Leased liabilities	<u>1,298,509</u>	<u>1,386,676</u>
<b>Total liabilities</b>	<u><b>1,299,943</b></u>	<u><b>1,387,040</b></u>
 <b>Equity</b>		
Share capital	2,500,000	1,000,000
Retained earnings	<u>(213,739)</u>	<u>(147,769)</u>
<b>Total equity</b>	<u><b>2,286,261</b></u>	<u><b>852,231</b></u>
<b>Total</b>	<u><b>\$ 3,586,204</b></u>	<u><b>\$ 2,239,271</b></u>

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

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

	<b>From January 1 to December 31, 2023</b>	<b>From January 1 to December 31, 2022</b>
Operating loss	\$ (28,039)	\$ (32,921)
Operating costs	(50,832)	(54,284)
Operating expenses	<u>(3,089)</u>	<u>(1,635)</u>
Operating loss	(81,960)	(88,840)
Non-operating income and expenses	<u>(519)</u>	<u>(519)</u>
Loss before income tax	(82,479)	(89,359)
Income tax benefit	<u>16,509</u>	<u>24,572</u>
Net loss	(65,970)	(64,787)
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive loss</b>	<u><b>\$ (65,970)</b></u>	<u><b>\$ (64,787)</b></u>
 Basic loss per share	 <u><b>\$(0.26)</b></u>	 <u><b>\$(0.65)</b></u>

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 1,170,602	\$ 822,652
Equity investments accounted for using the equity method	17,882	18,519
Financial assets at amortized cost	8,993	-
Property and equipment	11,104,833	10,225,745
Right-of-use assets	698,909	632,753
Intangible assets	95,552	98,995
Deferred tax assets	2,725	104
Other non-current assets	1,124,003	1,114,328
<b>Total</b>	<b>\$ 14,223,499</b>	<b>\$ 12,913,096</b>
<b>Liabilities</b>		
Current liabilities	\$ 3,336,510	\$ 1,989,934
Lease liabilities	720,370	650,255
Other non-current liabilities	5,672,036	5,967,817
<b>Total liabilities</b>	<b>9,728,916</b>	<b>8,608,006</b>
<b>Equity</b>		
Share capital	3,703,770	3,703,770
Capital surplus	152,479	152,479
Retained earnings	273,217	101,849
Non-controlling interests	365,117	346,992
<b>Total equity</b>	<b>4,494,583</b>	<b>4,305,090</b>
<b>Total</b>	<b>\$ 14,223,499</b>	<b>\$ 12,913,096</b>

**Cathay Power Inc.**

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

	<b>From January 1 to December 31, 2023</b>	<b>From November 25 to December 31, 2022</b>
Operating revenue	\$1,422,686	\$ 158,389
Operating costs	(969,707)	(124,897)
Operating expenses	<u>(125,708)</u>	<u>(31,901)</u>
Operating income	327,271	1,591
Non-operating income and expenses	<u>46</u>	<u>-</u>
Profit before income tax	327,317	1,591
Income tax expense	<u>(66,367)</u>	<u>(1,412)</u>
Net income	260,950	179
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 260,950</u>	<u>\$ 179</u>
Basic earnings per share	<u>\$ 0.64</u>	<u>\$ 0.0005</u>

Note: Cathay Power Inc. has been included in the consolidated financial statements as a subsidiary since November 25, 2022. EPS was calculated from November 25, 2022 to December 31, 2022.

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 9,101,999	\$ 17,469,850
Receivables	3,054,223	3,008,730
Financial assets at fair value through profit or loss	10,798,348	7,556,797
Financial assets at fair value through other comprehensive income	678,881	685,847
Financial assets at amortized cost	8,810,441	8,188,609
Investments accounted for using the equity method	3,018,338	3,071,528
Loans	123,077	137,944
Reinsurance assets	13,178,300	13,184,889
Property and equipment	463,644	342,422
Right-of-use assets	254,768	107,795
Intangible assets	95,156	103,698
Deferred tax assets	4,512,922	4,581,004
Other assets	<u>579,149</u>	<u>1,295,764</u>
<b>Total</b>	<b><u>\$ 54,669,246</u></b>	<b><u>\$ 59,734,877</u></b>
<b>Liabilities</b>		
Payables	\$ 3,904,762	\$ 3,055,725
Financial liabilities at fair value through profit or loss	63,746	178,805
Lease liabilities	253,831	107,196
Insurance liabilities	33,179,114	41,669,416
Provisions	427,572	429,975
Deferred tax liabilities	329,482	307,135
Other liabilities	<u>1,528,360</u>	<u>1,186,899</u>
<b>Total liabilities</b>	<b><u>39,686,867</u></b>	<b><u>46,935,151</u></b>
<b>Equity</b>		
Share capital	2,000,000	7,057,052
Capital surplus	7,861,133	16,557,271
Retained earnings	5,213,207	(9,785,540)
Other equity	<u>(91,961)</u>	<u>(1,029,057)</u>
<b>Total equity</b>	<b><u>14,982,379</u></b>	<b><u>12,799,726</u></b>
<b>Total</b>	<b><u>\$ 54,669,246</u></b>	<b><u>\$ 59,734,877</u></b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 25,118,992	\$ 22,971,386
Operating costs	(18,574,243)	(43,184,072)
Operating expenses	(5,037,806)	(4,327,783)
Operating profit (loss)	1,506,943	(24,540,469)
Non-operating income and expenses	10,918	7,913
Profit (loss) before income tax	1,517,861	(24,532,556)
Income tax (expense) benefit	(272,350)	4,911,025
Net income (loss)	1,245,511	(19,621,531)
Other comprehensive income (loss)	937,096	(1,463,633)
Total comprehensive income (loss)	<u>\$ 2,182,607</u>	<u>\$ (21,085,164)</u>
Basic earnings (loss) per share	<u>\$6.23</u>	<u>\$(167.82)</u>

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

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

<b>Assets</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 280,964	\$ 288,862
Receivables	118,813	144,437
Financial assets at amortized cost	655,347	664,676
Reinsurance assets	315,326	385,847
Property and equipment	2,513	3,989
Right-of-use assets	16,103	7,236
Intangible assets	26,685	34,729
Other assets	75,943	60,429
<b>Total</b>	<b>\$ 1,491,694</b>	<b>\$ 1,590,205</b>
<b>Liabilities</b>		
Payables	\$ 212,252	\$ 281,185
Insurance liabilities	534,810	576,547
Lease liabilities	15,473	7,520
Deferred tax liabilities	155	135
Other liabilities	28,243	24,012
<b>Total liabilities</b>	<b>790,933</b>	<b>889,399</b>
<b>Equity</b>		
Capital	845,585	845,585
Retained earnings	15,101	(3,712)
Other equity	(159,925)	(141,067)
<b>Total equity</b>	<b>700,761</b>	<b>700,806</b>
<b>Total</b>	<b>\$ 1,491,694</b>	<b>\$ 1,590,205</b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 513,666	\$ 459,601
Operating costs	(150,949)	(118,253)
Operating expenses	<u>(336,552)</u>	<u>(307,874)</u>
Operating income	26,165	33,474
Non-operating income and expenses	<u>1,172</u>	<u>134</u>
Profit before income tax	27,337	33,608
Income tax expense	<u>(8,524)</u>	<u>(7,136)</u>
Net income	18,813	26,472
Other comprehensive (loss) income	<u>(18,858)</u>	<u>47,271</u>
Total comprehensive (loss) income	<u>\$ (45)</u>	<u>\$ 73,743</u>
Basic earnings per share	Note	Note

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

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 84,443,195	\$ 106,863,137
Due from the Central Bank and call loans to banks	326,078,941	259,255,611
Financial assets at fair value through profit or loss	309,791,531	230,116,229
Financial assets at fair value through other comprehensive income	263,403,313	445,571,701
Debt instruments at amortized cost	675,711,671	513,909,296
Notes and bonds purchased under resale agreements	24,166,326	17,613,991
Receivables	115,111,400	118,560,892
Loans	2,194,402,572	1,960,898,333
Investments accounted for using the equity method	26,375,381	26,210,448
Other financial assets	3,185,034	4,407,889
Property and equipment	23,240,260	23,065,875
Right-of-use assets	3,199,137	3,094,570
Investment property	2,287,293	2,220,443
Intangible assets	7,720,765	7,851,363
Deferred tax assets	4,002,806	3,891,662
Other assets	<u>27,952,712</u>	<u>37,564,033</u>
<b>Total</b>	<u><u>\$ 4,091,072,337</u></u>	<u><u>\$ 3,761,095,473</u></u>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 98,537,489	\$ 80,353,346
Financial liabilities at fair value through profit or loss	118,617,221	118,438,521
Notes and bonds under repurchase agreements	17,452,214	27,425,356
Payables	38,831,333	32,031,854
Current tax liabilities	259,354	213,942
Deposits and remittances	3,434,524,066	3,152,915,221
Financial debentures payable	27,100,000	37,147,398
Other financial liabilities	63,275,636	53,934,322
Provisions	3,803,246	3,920,792
Lease liabilities	3,214,934	3,108,736
Deferred tax liabilities	2,051,886	1,613,297
Other liabilities	<u>11,473,715</u>	<u>12,258,460</u>
<b>Total liabilities</b>	<u><u>3,819,141,094</u></u>	<u><u>3,523,361,245</u></u>
<b>Equity</b>		
Share capital	108,598,655	108,598,655
Capital surplus	38,869,080	38,858,661
Retained earnings	130,619,952	104,851,907
Other equity	<u>(6,156,444)</u>	<u>(14,574,995)</u>
<b>Total equity</b>	<u><u>271,931,243</u></u>	<u><u>237,734,228</u></u>
<b>Total</b>	<u><u>\$ 4,091,072,337</u></u>	<u><u>\$ 3,761,095,473</u></u>



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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 101,813,247	\$ 63,225,297
Interest expense	<u>(53,377,926)</u>	<u>(18,151,219)</u>
Net interest income	48,435,321	45,074,078
Net income and gains other than interest income	<u>34,872,416</u>	<u>26,203,204</u>
Profit from operations	83,307,737	71,277,282
Provision for bad debt, commitments and guarantee reserve	(4,232,581)	(4,407,253)
Operating expenses	<u>(43,419,657)</u>	<u>(36,089,834)</u>
Profit before income tax	35,655,499	30,780,195
Income tax expense	<u>(6,850,000)</u>	<u>(5,190,000)</u>
Net income	28,805,499	25,590,195
Other comprehensive income (loss)	<u>7,436,700</u>	<u>(18,330,589)</u>
Total comprehensive income	<u>\$ 36,242,199</u>	<u>\$ 7,259,606</u>
Basic earnings per share	<u>\$2.65</u>	<u>\$2.36</u>

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 20,242,811	\$ 11,726,117
Due from the Central Bank and call loans to banks	3,498,001	6,160,133
Financial assets at fair value through profit or loss	5,968,989	1,741,394
Financial assets at fair value through other comprehensive income	8,408,052	9,013,045
Notes and bonds purchased under resale agreements	-	5,152,217
Receivables	1,091,060	739,096
Current tax assets	-	9,243
Loans	40,072,058	39,451,591
Property and equipment	667,430	701,477
Right-of-use assets	114,279	135,118
Intangible assets	49,980	31,593
Deferred tax assets	186,413	200,063
Other assets	<u>87,397</u>	<u>70,250</u>
<b>Total</b>	<b><u>\$ 80,386,470</u></b>	<b><u>\$ 75,131,337</u></b>
<b>Liabilities</b>		
Due to the Central Bank and banks	\$ 15,863,538	\$ 16,402,025
Financial liabilities at fair value through profit or loss	12,873	238,963
Payables	1,468,125	1,348,714
Current tax liabilities	47,773	-
Deposits and remittances	54,879,142	49,003,715
Provisions	4,251	5,082
Lease liabilities	97,718	110,381
Deferred tax liabilities	124,483	20,693
Other liabilities	<u>19,703</u>	<u>22,049</u>
<b>Total liabilities</b>	<b><u>72,517,606</u></b>	<b><u>67,151,622</u></b>
<b>Equity</b>		
Capital	6,094,911	6,094,911
Retained earnings	1,009,628	1,627,815
Other equity	<u>764,325</u>	<u>256,989</u>
<b>Total equity</b>	<b><u>7,868,864</u></b>	<b><u>7,979,715</u></b>
<b>Total</b>	<b><u>\$ 80,386,470</u></b>	<b><u>\$ 75,131,337</u></b>

**Indovina Bank Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 4,551,366	\$ 4,276,573
Interest expense	<u>(3,007,631)</u>	<u>(2,211,393)</u>
Net interest income	1,543,735	2,065,180
Net income and gains other than interest income	<u>434,719</u>	<u>45,966</u>
Profit from operations	1,978,454	2,111,146
Provision for bad debt, commitments and guarantee reserve	(850,183)	(1,094,173)
Operating expenses	<u>(695,645)</u>	<u>(718,044)</u>
Profit before income tax	432,626	298,929
Income tax expense	<u>(110,011)</u>	<u>(55,913)</u>
Net income	322,615	243,016
Other comprehensive income (loss)	<u>507,336</u>	<u>(179,469)</u>
Total comprehensive income	<u>\$ 829,951</u>	<u>\$ 63,547</u>
Basic earnings per share	Note	Note

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

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,697,663	\$ 1,499,607
Due from the Central Bank and call loans to banks	2,355,361	2,071,557
Financial assets at fair value through other comprehensive income	786	786
Debt instruments at amortized cost	178,542	150,523
Receivables	221,374	145,177
Loans	15,281,640	13,218,727
Property and equipment	211,999	196,749
Right-of-use assets	74,531	59,547
Intangible assets	34,447	28,549
Deferred tax assets	5,371	19,238
Other assets	63,851	75,737
<b>Total</b>	<b>\$ 20,125,565</b>	<b>\$ 17,466,197</b>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 8,309,375	\$ 6,120,991
Payables	328,326	358,303
Current tax liabilities	16,217	107,384
Deposits and remittances	7,702,183	7,421,413
Provisions	1,913	1,959
Lease liabilities	80,651	66,423
Deferred tax liabilities	34,002	-
Other liabilities	4,348	7,400
<b>Total liabilities</b>	<b>16,477,015</b>	<b>14,083,873</b>
<b>Equity</b>		
Share capital	3,020,769	3,020,769
Retained earnings	568,638	310,305
Other equity	59,143	51,250
<b>Total equity</b>	<b>3,648,550</b>	<b>3,382,324</b>
<b>Total</b>	<b>\$ 20,125,565</b>	<b>\$ 17,466,197</b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 1,390,766	\$ 923,209
Interest expense	<u>(658,578)</u>	<u>(257,339)</u>
Net interest income	732,188	665,870
Net income and gains other than interest income	<u>44,519</u>	<u>34,964</u>
Profit from operations	776,707	700,834
Provision for bad debt, commitments and guarantee reserve	(71,546)	(17,651)
Operating expenses	<u>(567,425)</u>	<u>(519,710)</u>
Profit before income tax	137,736	163,473
Income tax expense	<u>(57,011)</u>	<u>(57,715)</u>
Net income	80,725	105,758
Other comprehensive income	<u>7,893</u>	<u>327,877</u>
Total comprehensive income	<u>\$ 88,618</u>	<u>\$ 433,635</u>
Basic earnings per share	<u>\$0.81</u>	<u>\$1.06</u>

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 387,719	\$ 541,650
Due from the Central Bank and call loans to banks	10,100,898	8,145,207
Financial assets at fair value through profit or loss	6,531,117	2,442,420
Financial assets at fair value through other comprehensive income	24,257,494	25,594,789
Debt instruments at amortized cost	1,854,953	2,803,163
Receivables	8,436,730	18,388,786
Current tax assets	60,174	-
Loans	30,814,797	31,513,806
Property and equipment	167,902	212,199
Right-of-use assets	252,758	323,770
Intangible assets	172,579	142,248
Deferred tax assets	744	28,268
Other assets	<u>799,677</u>	<u>307,237</u>
<b>Total</b>	<b><u>\$ 83,837,542</u></b>	<b><u>\$ 90,443,543</u></b>
<b>Liabilities</b>		
Deposits from the Central Bank and banks	\$ 3,649,463	\$ 9,165,034
Financial liabilities at fair value through profit or loss	4,495,857	2,375,394
Notes and bonds sold under repurchase agreements	866,278	3,306,450
Payables	9,408,091	18,853,960
Current tax liabilities	-	3,111
Deposits and remittances	46,452,421	36,821,499
Other financial liabilities	1,392,927	2,084,874
Provisions	17,821	14,827
Lease liabilities	280,265	351,120
Other liabilities	<u>685,254</u>	<u>661,333</u>
<b>Total liabilities</b>	<b><u>67,248,377</u></b>	<b><u>73,637,602</u></b>
<b>Equity</b>		
Capital	14,377,562	14,377,562
Capital surplus	2,522,670	2,522,670
Retained earnings	1,289,518	1,033,905
Other equity	<u>(1,600,585)</u>	<u>(1,128,196)</u>
<b>Total equity</b>	<b><u>16,589,165</u></b>	<b><u>16,805,941</u></b>
<b>Total</b>	<b><u>\$ 83,837,542</u></b>	<b><u>\$ 90,443,543</u></b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 2,294,425	\$ 2,079,255
Interest expense	<u>(1,262,379)</u>	<u>(1,179,893)</u>
Net interest income	1,032,046	899,362
Net income and gains other than interest income	<u>310,069</u>	<u>349,118</u>
Profit from operations	1,342,115	1,248,480
Provision for bad debt, commitment and guarantee reserve	77,348	(4,917)
Operating expenses	<u>(1,078,484)</u>	<u>(988,694)</u>
Profit before income tax	340,979	254,869
Income tax (expense) benefit	<u>(85,366)</u>	<u>5,011</u>
Net income	255,613	259,880
Other comprehensive loss	<u>(472,389)</u>	<u>(38,202)</u>
Total comprehensive (loss) income	<u>\$ (216,776)</u>	<u>\$ 221,678</u>
Basic earnings per share	Note	Note

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 52,466,442	\$ 32,104,696
Financial assets at fair value through other comprehensive income - non-current	562	286
Investments accounted for using the equity method	3,445,226	2,439,948
Property and equipment	253,863	257,337
Right-of-use assets	141,249	117,555
Intangible assets	53,640	64,968
Deferred tax assets	9,237	128,637
Other non-current assets	616,052	603,267
<b>Total</b>	<b>\$ 56,986,271</b>	<b>\$ 35,716,694</b>
<b>Liabilities</b>		
Current liabilities	\$ 41,447,804	\$ 22,578,609
Lease liabilities - non-current	71,725	58,129
Deferred tax liabilities	36,423	5,235
Other non-current liabilities	37,557	31,808
<b>Total liabilities</b>	<b>41,593,509</b>	<b>22,673,781</b>
<b>Equity</b>		
Share capital	7,700,000	7,700,000
Capital surplus	914,810	914,787
Retained earnings	4,875,415	3,643,095
Other equity	1,902,537	785,031
<b>Total equity</b>	<b>15,392,762</b>	<b>13,042,913</b>
<b>Total</b>	<b>\$ 56,986,271</b>	<b>\$ 35,716,694</b>



**Cathay Securities Corporation**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenues	\$ 7,060,371	\$ 5,439,609
Service fee expenses	(374,471)	(319,656)
Employee benefit expenses	(2,009,123)	(1,618,923)
Operating expenses	(2,338,530)	(1,817,299)
Share of profit (loss) of subsidiaries, associates and joint venture accounted for using the equity method	104,829	(40,542)
Non-operating income and expenses	118,833	39,892
Profit before income tax	2,561,909	1,683,081
Income tax expense	(449,670)	(273,666)
Net income	2,112,239	1,409,415
Other comprehensive income (loss)	1,224,177	(288,092)
 Total comprehensive income	 \$ 3,336,416	 \$ 1,121,323
 Basic earnings per share	 \$2.74	 \$1.83

**Cathay Futures Co., Ltd.**

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

	<u>December 31</u>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 13,034,156	\$ 15,572,868
Financial assets at fair value through other comprehensive income - non-current	1,965,395	1,000,374
Property and equipment	63,233	66,280
Investment property	290,341	290,341
Right-of-use assets	6,594	11,024
Intangible assets	22,168	24,185
Deferred tax assets	566	252
Other non-current assets	<u>162,000</u>	<u>159,513</u>
Total	<u>\$ 15,544,453</u>	<u>\$ 17,124,837</u>
 <b>Liabilities</b>		
Current liabilities	\$ 12,491,891	\$ 15,126,609
Deferred tax liabilities	6,335	6,399
Other non-current liabilities	<u>2,355</u>	<u>6,400</u>
Total liabilities	<u>12,500,581</u>	<u>15,139,408</u>
 <b>Equity</b>		
Share capital	667,000	667,000
Capital surplus	2,455	2,455
Retained earnings	441,016	347,249
Other equity	<u>1,933,401</u>	<u>968,725</u>
Total equity	<u>3,043,872</u>	<u>1,985,429</u>
Total	<u>\$ 15,544,453</u>	<u>\$ 17,124,837</u>

**Cathay Futures Co., Ltd.**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenues	\$ 437,023	\$ 460,650
Operating expenses	<u>(505,613)</u>	<u>(488,010)</u>
Operating loss	(68,590)	(27,360)
Non-operating income and expenses	<u>261,135</u>	<u>136,706</u>
Profit before income tax	192,545	109,346
Income tax expense	<u>(34,490)</u>	<u>(17,506)</u>
Net income	158,055	91,840
Other comprehensive income (loss)	<u>964,676</u>	<u>(207,428)</u>
Total comprehensive income (loss)	<u>\$ 1,122,731</u>	<u>\$ (115,588)</u>
Basic earnings per share	<u>\$2.37</u>	<u>\$1.38</u>

**Cathay Securities (Hong Kong) Limited**

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 829,978	\$ 1,134,276
Investments accounted for using the equity method	(89,658)	(74,392)
Property and equipment	1,060	919
Right-of-use assets	5,946	19,862
Intangible assets	1,958	1,960
Other non-current assets	<u>18,320</u>	<u>31,290</u>
Total	<u>\$ 767,604</u>	<u>\$ 1,113,915</u>
 <b>Liabilities</b>		
Current liabilities	\$ 365,966	\$ 653,138
Non-current liabilities	<u>-</u>	<u>6,072</u>
Total liabilities	<u>365,966</u>	<u>659,210</u>
 <b>Equity</b>		
Capital	1,108,244	1,108,244
Retained earnings	(669,889)	(616,678)
Other equity	<u>(36,717)</u>	<u>(36,861)</u>
Total equity	<u>401,638</u>	<u>454,705</u>
Total	<u>\$ 767,604</u>	<u>\$ 1,113,915</u>

**Cathay Securities (Hong Kong) Limited**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenues	\$ 87,772	\$ 70,005
Service fee expenses	(2,727)	(2,923)
Employee benefit expenses	(48,536)	(46,848)
Operating expenses	(80,011)	(74,921)
Non-operating income and expenses	<u>(9,709)</u>	<u>(77,686)</u>
Net loss	(53,211)	(132,373)
Other comprehensive income	<u>144</u>	<u>53,843</u>
Total comprehensive loss	<u>\$ (53,067)</u>	<u>\$ (78,530)</u>
Basic earnings per share	Note	Note

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 144,305	\$ 693,607
Other non-current assets	<u>-</u>	<u>3,386</u>
Total	<u>\$ 144,305</u>	<u>\$ 696,993</u>
<b>Liabilities</b>		
Current liabilities	\$ 233,963	\$ 771,387
Total liabilities	<u>233,963</u>	<u>771,387</u>
<b>Equity</b>		
Capital	3,875	3,875
Retained earnings	(91,552)	(76,012)
Other equity	<u>(1,981)</u>	<u>(2,257)</u>
Total equity	<u>(89,658)</u>	<u>(74,394)</u>
Total	<u>\$ 144,305</u>	<u>\$ 696,993</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue (loss)	\$ 16,767	\$ (36,727)
Operating costs	(22,070)	(24,621)
Operating expenses	(10,344)	(17,634)
Non-operating income and expenses	<u>107</u>	<u>101</u>
Net loss	(15,540)	(78,881)
Other comprehensive income (loss)	<u>276</u>	<u>(1,914)</u>
Total comprehensive loss	<u>\$ (15,264)</u>	<u>\$ (80,795)</u>
Basic earnings per share	Note	Note

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

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

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 4,449,227	\$ 4,007,540
Financial assets at fair value through other comprehensive income - non-current	14,696	13,685
Investments accounted for using the equity method	341,253	390,709
Property and equipment	96,131	91,173
Right-of-use assets	28,577	53,917
Intangible assets	54,137	58,390
Deferred tax assets	19,976	19,782
Guarantee deposits paid	396,146	325,565
Other non-current assets	4,805	10,397
<b>Total</b>	<b>\$ 5,404,948</b>	<b>\$ 4,971,158</b>
<b>Liabilities</b>		
Current liabilities	\$ 1,045,084	\$ 941,549
Non-current liabilities	121,503	101,137
<b>Total liabilities</b>	<b>1,166,587</b>	<b>1,042,686</b>
<b>Equity</b>		
Share capital	1,500,000	1,500,000
Capital surplus	23,169	23,108
Retained earnings	2,797,615	2,481,215
Other equity	(82,423)	(75,851)
<b>Total equity</b>	<b>4,238,361</b>	<b>3,928,472</b>
<b>Total</b>	<b>\$ 5,404,948</b>	<b>\$ 4,971,158</b>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 4,318,036	\$ 4,008,491
Operating expenses	<u>(2,126,345)</u>	<u>(1,981,724)</u>
Operating profit	2,191,691	2,026,767
Non-operating income and expenses	<u>27,696</u>	<u>(55,989)</u>
Profit before income tax	2,219,387	1,970,778
Income tax expense	<u>(446,253)</u>	<u>(409,881)</u>
Net income	1,773,134	1,560,897
Other comprehensive (loss) income	<u>(6,572)</u>	<u>51,337</u>
Total comprehensive income	<u>\$ 1,766,562</u>	<u>\$ 1,612,234</u>
Basic earnings per share	<u>\$11.82</u>	<u>\$10.41</u>



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

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

<b>Assets</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current assets	\$ 72,796	\$ 71,608
Other non-current assets	50,171	48,067
Total	\$ 122,967	\$ 119,675
<b>Liabilities</b>		
Current liabilities	\$ 11,768	\$ 13,700
Other non-current liabilities	482	606
Total liabilities	12,250	14,306
<b>Equity</b>		
Share capital	150,000	150,000
Capital surplus	361	323
Retained earnings	(39,644)	(44,954)
Total equity	110,717	105,369
Total	\$ 122,967	\$ 119,675

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 52,943	\$ 53,302
Operating expenses	(47,993)	(48,117)
Operating profit	4,950	5,185
Non-operating income and expenses	1,437	(3,151)
Net profit before income tax	6,387	2,034
Income tax expense	(1,077)	(1,067)
Net income	5,310	967
Other comprehensive income	-	-
Total comprehensive income	\$ 5,310	\$ 967
Basic earnings-per share	\$ 0.35	\$ 0.06

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

	<b>December 31</b>	
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets	\$ 775,861	\$ 1,203,116
Financial assets at fair value through profit or loss - non-current	5,055,063	5,171,319
Financial assets at fair value through other comprehensive income - non-current	459,053	483,483
Investments accounted for using the equity method	270,037	272,975
Property and equipment	2,730	3,545
Right-of-use assets	16,351	25,029
Deferred tax assets	151,350	68,454
Other non-current assets	2,086	1,944
Total	<b>\$ 6,732,531</b>	<b>\$ 7,229,865</b>
<b>Liabilities</b>		
Current liabilities	\$ 44,915	\$ 1,014,773
Non-current liabilities	12,981	25,209
Total liabilities	57,896	1,039,982
<b>Equity</b>		
Share capital	5,181,730	5,181,730
Capital surplus	576,952	576,952
Retained earnings	917,243	430,638
Other equity	(1,290)	563
Total equity	6,674,635	6,189,883
Total	<b>\$ 6,732,531</b>	<b>\$ 7,229,865</b>

**Cathay Venture Inc.**

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 632,217	\$ 242,736
Operating costs	(43,309)	(43,671)
Operating expenses	(23,078)	(17,149)
Non-operating income and expenses	(1,759)	2,776
Profit before income tax	564,071	184,692
Income tax benefit (expense)	63,848	(27,677)
Net income	627,919	157,015
Other comprehensive (loss) income	(1,853)	85
 Total comprehensive income	 \$ 626,066	 \$ 157,100
 Basic earnings per share	 \$1.21	 \$0.30

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

For the year ended December 31, 2023

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.47	0.41	8.28	7.29	16.94
The Company	5.62	5.99	6.90	7.34	101.18
Cathay Life	0.22	0.20	3.36	3.04	2.38
Cathay Century	2.65	2.18	10.93	8.97	4.96
Cathay United Bank	0.91	0.73	13.99	11.30	34.58
Cathay Securities	5.53	4.56	18.02	14.86	29.92

For the year ended December 31, 2022

Unit: %

	Return on Assets		Return on Equity		Net Income
	Before Tax	After Tax	Before Tax	After Tax	Ratio
The Group	0.42	0.32	6.55	4.98	11.12
The Company	4.62	4.21	5.46	4.98	87.09
Cathay Life	0.51	0.42	6.80	5.65	5.05
Cathay Century	(44.99)	(35.99)	(180.08)	(144.03)	(85.42)
Cathay United Bank	0.86	0.72	12.72	10.57	35.90
Cathay Securities	3.64	3.04	12.90	10.81	25.91

Note: Net income ratio = Net income/Net revenue.

### **34. BUSINESS OR TRADING ACTIVITIES WITHIN SUBSIDIARIES**

#### **a. Integration of business activities**

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

#### **b. Cross utilization of information**

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

#### **c. Business facilities and locations**

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

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

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

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

### 35. 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 year ended December 31, 2023

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 52,484,937	\$ 193,372,120	\$ 634,364	\$ 535,479	\$ (1,397,216)	\$ 245,629,684
Net income and gains other than interest income (loss)	22,185,145	22,195,547	(2,756,074)	5,863,527	11,054,810	58,542,955
Profit (loss) from operations	74,670,082	215,567,667	(2,121,710)	6,399,006	9,657,594	304,172,639
Provision for bad debt, commitments and guarantee reserve	(5,076,962)	975,982	-	(2,205)	-	(4,103,185)
Net changes in insurance liability reserve	-	(147,994,473)	8,890,792	-	-	(139,103,681)
Operating expenses	(44,479,971)	(36,762,093)	(4,172,557)	(3,492,657)	(13,589,206)	(102,496,484)
Profit (loss) from continuing operations before taxes	25,113,149	31,787,083	2,596,525	2,904,144	(3,931,612)	58,469,289
Income tax (expense) benefit	(7,104,705)	(1,405,763)	(280,824)	(449,688)	2,285,508	(6,955,472)
Net income (loss) from continuing operations	18,008,444	30,381,320	2,315,701	2,454,456	(1,646,104)	51,513,817

For the year ended December 31, 2022

Segment	Banking Division	Life Insurance Division	Property Insurance Division	Securities Division	Other Division	Total
Net interest income (loss)	\$ 49,085,147	\$ 176,976,148	\$ 613,894	\$ 525,929	\$ (1,038,592)	\$ 226,162,526
Net income and gains other than interest income (loss)	15,264,393	95,518,731	(10,927,230)	4,318,542	11,096,696	115,271,132
Profit (loss) from operations	64,349,540	272,494,879	(10,313,336)	4,844,471	10,058,104	341,433,658
Provision for bad debt, commitments and guarantee reserve	(5,523,994)	748,103	-	(1,689)	-	(4,777,580)
Net changes in insurance liability reserve	-	(188,388,841)	(9,709,164)	-	-	(198,098,005)
Operating expenses	(37,024,405)	(34,286,631)	(3,607,391)	(2,774,029)	(10,917,825)	(88,610,281)
Profit (loss) from continuing operations before taxes	21,801,141	50,567,510	(23,629,891)	2,068,753	(859,721)	49,947,792
Income tax (expense) profit	(5,300,262)	(6,648,258)	4,903,828	(273,844)	(4,667,142)	(11,985,678)
Net income (loss) from continuing operations	16,500,879	43,919,252	(18,726,063)	1,794,909	(5,526,863)	37,962,114

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

c. Geographical information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Taiwan	\$ 266,876,720	\$ 308,687,169
Asia	32,131,753	25,780,047
Other countries	<u>5,164,166</u>	<u>6,966,442</u>
	<u>\$ 304,172,639</u>	<u>\$ 341,433,658</u>

d. Major customer

There was no individual external customer whose revenue accounted for 10% or more of the Group's revenue.

### 36. RISK MANAGEMENT FOR INSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS

a. Cathay Life and its subsidiaries

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

a) Objectives of risk management

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

- b) Framework, organizational structure and responsibilities of risk management
- i. The board of directors
    - i) The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly and allocate resources in the most effective manner.
    - ii) The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of Cathay Life as well as operational strategies and operations management.
    - iii) The board of directors should review the risk appetite on a yearly basis and make adjustments as deemed appropriate.
    - iv) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.
    - v) The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.
  - ii. Risk management committee
    - i) The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.
    - ii) The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall risk management mechanisms regularly.
    - iii) The committee should assist and monitor the risk management activities.
    - iv) The committee should assist in the review of the risk limit development process.
    - v) The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.
    - vi) The committee should enhance cross-department interaction and communication.
  - iii. Chief risk officer
    - i) The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of Cathay Life.
    - ii) The chief risk officer should be able to access any business information which may have an impact on risk overview of Cathay Life.
    - iii) The chief risk officer should be in charge of overall risk management of Cathay Life.
    - iv) The chief risk officer should participate in Cathay Life's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

iv. Risk management department

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

v. Business units

- i) Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.
- ii) The duties of the risk management include the following:
  - Identify and measure risks and report risk exposures and potential impacts on time.
  - Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.
  - Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.
  - Ensure that internal control procedures are executed effectively to comply with applicable regulations and the risk management policies.
  - Assist to collect data related to operational risk.
  - Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.
  - Manager of a business unit should supervise the unit to submit risk management information regularly to the risk management department.



vi. Audit department

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

vii. Subsidiaries

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

c) Range and nature of risk assessment or risk reporting

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

i. Market risk

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

ii. Credit risk

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

iii. Country risk

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

iv. Liquidity risk

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

v. Operational risk

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

vi. Insurance risk

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

vii. Asset and liability matching risk

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

viii. Capital adequacy

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

ix. Risk of information security management

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

x. Risk of personal data management

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

xi. Emerging risks

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

xii. ESG and climate risks

ESG risks include environmental, 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 change, including transformation risk (a wide range of risks resulting from the trend of a low-carbon economy, including policy, legal, technological and market change risks) and physical risk (the risk of financial losses due to immediate extreme weather events or long-term climate pattern change). Cathay Life has established related management measures as a response.

xiii. Reputation risk

Reputation risk refers to the risk that Cathay Life's reputation may be adversely impacted due to improper behavior or negative media reports that may damage brand value and shareholders' interests. Cathay Life has established a reputation risk management policy, which includes risk assessment, adoption of countermeasures, and the implementation of procedures, such as stakeholder communication.

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

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

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

ii) Establish methods to evaluate insurance risks.

- iii) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.
    - iv) Regularly summarize the results of implementing risk management policies and report to the risk management committee and risk management department of the Company. When an exceptional insurance risk event occurs, the related departments should propose corresponding solutions to the risk management committee of Cathay Life.
  - ii. The underwriting policies to determine proper risk classification and premium levels
    - i) Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.
    - ii) Cathay Life has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.
    - iii) Cathay Life has established a high-value insurance contract approval procedure to enhance risk management over large policies and avoid adverse selection and moral hazard.
- e) The scope of insurance risk assessment and management from a company-wide perspective
  - i. Insurance risk assessment covers the following risks:
    - i) Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.
    - ii) Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.
    - iii) Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.
    - iv) Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect Cathay Life's credit rating or solvency.
    - v) Claim risk: This risk arises from mishandling claims.
    - vi) Reserve-related risk: This risk occurs when Cathay Life does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.
  - ii. The scope of management of insurance risk
    - i) Develop a risk control framework of Cathay Life's insurance risk to empower related development to execute risk management.
    - ii) Establish Cathay Life's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.

- iii) Develop related response in consideration of Cathay Life's growth strategy and changes in the domestic and global economic and financial environments.
  - iv) Determine methods to measure insurance risks.
  - v) Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.
  - vi) Other insurance risk management issues.
- f) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

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

- g) Asset/liability management
- i. Cathay Life established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks Cathay Life faces.
  - ii. Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of Cathay Life. Furthermore, the annual report is delivered to the risk management division of the Company.
  - iii. When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of Cathay Life and the risk management division of the Company.
- h) The procedures to manage, monitor and control a special event for which Cathay Life is committed to assuming additional liabilities or funding 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 the net equity ratio exceeds the internal risk control criteria or other exceptions occur, Cathay Life is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

i) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

i. Cathay Life enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, single stock futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from Cathay Life's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

ii. Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. Cathay Life executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

iii. Cathay Life assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the board of directors, or the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

j) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, Cathay Life has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, Cathay Life shall not grant loans or make investment in general. However, if Cathay Life has to undertake the business under certain circumstances, Cathay Life shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

2) Information of insurance risk

a) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

i. Cathay Life

For the Year Ended December 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,584,634	Decrease (increase)	\$ 2,867,707
Expense	×1.05 (×0.95)	Decrease (increase)	2,910,130	Decrease (increase)	2,328,104
Surrender rate	×1.05 (×0.95)	Increase (decrease)	744,272	Increase (decrease)	595,418
Rate of return	+0.1%	Increase	7,112,140	Increase	5,689,712
Rate of return	-0.1%	Decrease	7,119,139	Decrease	5,695,311

For the Year Ended December 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 3,428,897	Decrease (increase)	\$ 2,743,118
Expense	×1.05 (×0.95)	Decrease (increase)	2,842,645	Decrease (increase)	2,274,116
Surrender rate	×1.05 (×0.95)	Increase (decrease)	366,668	Increase (decrease)	293,334
Rate of return	+0.1%	Increase	6,861,159	Increase	5,488,927
Rate of return	-0.1%	Decrease	6,867,897	Decrease	5,494,318

ii. Cathay Lujiazui Life

For the Year Ended December 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 166,945	Decrease (increase)	\$ 125,209
Expense	×1.05 (×0.95)	Decrease (increase)	113,045	Decrease (increase)	84,783
Surrender rate	×1.10 (×0.90)	Increase (decrease)	65,554	Increase (decrease)	49,166
Rate of return	+0.25%	Increase	241,337	Increase	181,003
Rate of return	-0.25%	Decrease	241,926	Decrease	181,445

For the Year Ended December 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	\$ 161,540	Decrease (increase)	\$ 121,155
Expense	×1.05 (×0.95)	Decrease (increase)	98,422	Decrease (increase)	73,816
Surrender rate	×1.10 (×0.90)	Increase (decrease)	78,049	Increase (decrease)	58,537
Rate of return	+0.25%	Increase	193,953	Increase	145,465
Rate of return	-0.25%	Decrease	194,427	Decrease	145,820

iii. Cathay Life (Vietnam)

For the Year Ended December 31, 2023					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 10,188	Decrease (increase)	\$ 8,151
Expense	×1.05 (×0.95)	Decrease (increase)	83,016	Decrease (increase)	66,412
Surrender rate	×1.05 (×0.95)	Increase (decrease)	33,069	Increase (decrease)	26,455
Rate of return	+0.1%	Increase	34,142	Increase	27,314
Rate of return	-0.1%	Decrease	34,175	Decrease	27,340

For the Year Ended December 31, 2022					
	Scenarios	Changes in Income Before Tax		Changes in Equity	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	\$ 7,370	Decrease (increase)	\$ 5,896
Expense	×1.05 (×0.95)	Decrease (increase)	81,141	Decrease (increase)	64,913
Surrender rate	×1.05 (×0.95)	Increase (decrease)	20,443	Increase (decrease)	16,354
Rate of return	+0.1%	Increase	30,904	Increase	24,723
Rate of return	-0.1%	Decrease	30,934	Decrease	24,747

- i) Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2023 and 2022. The changes in equity of Cathay Life, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.
- ii) As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for Cathay Life and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

### iii) Sensitivity test

- Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.
- Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.
- Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.
- Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses, and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

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

### b) Concentration of insurance risks

Cathay Life's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). Cathay Life reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, Cathay Life performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, Cathay Life considers unexpected human and natural disasters in each year to estimate the reasonable maximum of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.



c) Claim development trend

i. Cathay Life

i) Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2017	17,297,968	21,370,263	21,769,238	21,867,627	21,919,885	21,957,099	21,979,705	-	-
2018	19,438,330	23,925,964	24,359,320	24,481,181	24,564,887	24,620,563	24,645,752	25,189	25,240
2019	21,412,454	26,422,361	26,916,862	27,046,614	27,126,909	27,183,405	27,210,716	83,807	83,975
2020	21,393,621	26,257,168	26,769,937	26,889,727	26,967,023	27,022,287	27,049,541	159,814	160,134
2021	19,959,588	24,896,544	25,423,565	25,534,828	25,601,344	25,653,101	25,679,491	255,926	256,438
2022	21,550,608	26,964,986	27,466,682	27,584,523	27,654,472	27,710,020	27,738,666	773,680	775,227
2023	24,327,530	29,983,349	30,531,665	30,661,469	30,738,623	30,799,332	30,830,680	6,503,150	6,516,156

Expected future payments \$ 7,817,170  
Add: Assumed reserve for claims not yet filed 19,043  
Reserve for claims not yet filed 7,836,213  
Add: Claims filed but not yet paid 4,863,834  
Loss reserve balance \$ 12,700,047

ii) Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2017	17,425,753	21,529,921	21,929,982	22,028,639	22,081,056	22,118,616	22,141,287	-	-
2018	19,559,154	24,057,586	24,492,262	24,614,499	24,698,757	24,754,544	24,779,907	25,363	25,414
2019	21,440,110	26,462,299	26,958,377	27,088,787	27,169,283	27,225,958	27,253,365	84,082	84,251
2020	21,422,045	26,299,912	26,816,422	26,936,455	27,014,059	27,069,538	27,096,906	160,451	160,771
2021	19,997,051	24,959,116	25,487,641	25,599,427	25,666,354	25,718,397	25,744,940	257,299	257,814
2022	21,642,326	27,071,077	27,576,679	27,695,402	27,766,046	27,822,077	27,850,979	779,902	781,462
2023	24,351,032	30,015,260	30,564,777	30,694,853	30,772,221	30,833,079	30,864,506	6,513,474	6,526,501

Expected future payments \$ 7,836,213  
Add: Claims filed but not yet paid 4,756,597  
Retained loss reserve balance \$ 12,592,810

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. Regarding the reserve for products of statutory infectious disease monthly loss triangle estimation were used, and the reserve for claims filed but not yet paid was provided on a case-by-case basis. The loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in the provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Life may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

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

ii. Cathay Lujiazui Life

i) Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2017	262,399	475,132	518,938	518,938	518,938	518,938	518,938	-
2018	280,826	319,661	450,230	450,230	450,230	450,230	450,230	-
2019	358,501	507,878	686,322	686,322	686,322	686,322	686,322	-
2020	375,047	531,315	770,021	770,021	770,021	770,021	770,021	-
2021	419,976	594,966	831,322	831,322	831,322	831,322	831,322	-
2022	411,364	589,622	790,588	790,588	790,588	790,588	790,588	200,966
2023	635,959	910,621	1,220,995	1,220,995	1,220,995	1,220,995	1,220,995	585,036
			Expected future payments					\$ 786,002
			Less: Assumed reserve for claims not yet filed					(242,122)
			Reserve for claims not yet filed					543,880
			Add: Claims filed but not yet paid					12,948
			Loss reserve balance					<u>\$ 556,828</u>

ii) Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2017	276,184	443,469	470,971	476,415	476,415	476,415	476,415	-
2018	331,271	356,425	431,724	431,724	431,724	431,724	431,724	-
2019	395,663	730,154	1,028,385	1,028,385	1,028,385	1,028,385	1,028,385	-
2020	387,528	549,001	807,357	807,357	807,357	807,357	807,357	-
2021	436,973	589,913	797,179	798,764	798,764	798,764	798,764	1,585
2022	429,826	577,799	765,420	766,941	766,941	766,941	766,941	189,142
2023	648,187	932,251	1,234,968	1,237,423	1,237,423	1,237,423	1,237,423	589,236
			Expected future payments					\$ 779,963
			Less: Expected claims filed but not yet paid					(242,122)
			Add: Claims filed but not yet paid					9,028
			Retained loss reserve balance					<u>\$ 546,869</u>

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

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

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

iii. Cathay Life (Vietnam)

i) Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2019	99,667	120,835	121,232	121,232	121,232
2020	298,921	340,051	340,051	340,493	340,493
2021	444,834	527,090	527,118	527,578	527,578
2022	996,865	1,211,090	1,211,608	1,212,666	1,212,666
2023	873,525	1,042,277	1,042,722	1,043,633	1,043,633

ii) Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2019	99,667	120,835	121,232	121,232	121,232
2020	298,921	340,051	340,051	340,493	340,493
2021	444,834	527,090	527,118	527,578	527,578
2022	996,865	1,211,090	1,211,608	1,212,666	1,212,666
2023	873,525	1,042,277	1,042,722	1,043,633	1,043,633

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

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

3) Credit risk, liquidity risk, and market risk for insurance contracts

a) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, Cathay Life chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with Cathay Life's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of Cathay Life’s reinsurers are above a certain level, complying with Cathay Life’s internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to Cathay Life’s total assets; therefore, no significant credit risk exists.

b) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance claim 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 experience and expected amount.

**Unit: In 100 Millions of NTD**

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
December 31, 2023	\$ 310	\$ 4,869	\$ 188,818
December 31, 2022	329	4,805	182,307

Note: Separate account products were not included.

c) Market risk

Cathay Life measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for Cathay Life’s valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of Cathay Life. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

b. Cathay Century and its subsidiaries

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

a) Framework, organizational structure and responsibilities

i. Board of directors

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

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

ii. Risk management department

i) Risk management committee

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

ii) Chief risk officer

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

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

iii) Risk management department

Cathay Century and its subsidiaries established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, performed independently to business units.

Duties of risk management department are as follows:

- Propose and execute the risk management policies set by the board of directors.
- Propose the risk limits based on risk appetite.
- Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.
- Regularly present risk management reports.
- Regularly review the risk limits and its use of each business unit.
- Assist to execute stress testing and back testing if necessary.
- Other risk management related issues.

iii. Business unit

i) The risk management duties of the manager of a business unit are as follows:

- Manage and report daily risk of the business unit and take necessary responsive actions.
- Supervise regular submission of risk management information to the risk management department.

ii) The risk management duties of a business unit are as follows:

- Identify and measure risks and report risk exposures.
- 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 chairman, and makes quarterly report to the risk management committee and the board of directors.

ii. The scope and nature of risk assessment

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

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

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

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

Insurance risk management of Cathay Century and its subsidiaries covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

e) Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When Cathay Century and its subsidiaries implement business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

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

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

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

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

f) Asset-liability management

i. Asset-liability coordinated with risk identification and measurement

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

ii. Asset-liability coordinated with risk response

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

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

Cathay Century and its subsidiaries have established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the risk-based capital ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose a response to the risk management committee and inform the Company to review the impact on the Group's risk-based capital.



2) Liability on policyholders' claims filed and losses not yet filed

Claims and payments recoverable for policyholders' claims filed and paid

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

3) Receivables and payables of insurance contracts

a) Receivables

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

Aging analysis of premiums receivable:

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

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

b) Accounts payables

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

  

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

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

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

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

The overdue amounts as of December 31, 2023 and 2022 in the above due from reinsurers and ceding companies were \$1,185,311 thousand and \$13,877 thousand, respectively, and loss allowances of \$174,157 thousand and \$4,163 thousand were provided, respectively.

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

4) Reserve required for specific assets

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

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

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

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

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

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

- a) Treasury bills.
- b) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.
- c) Government bonds under repurchase agreement.

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

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

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

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

5) Acquisition cost of insurance contracts

Insurance Type	For the Year Ended December 31, 2023				
	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 218,679	\$ 6,301	\$ 58,314	\$ 40,123	\$ 323,417
Marine insurance	90,888	318	2,010	3,469	96,685
Land and air insurance	1,607,241	(1)	5,566	660,925	2,273,731
Liability insurance	300,604	12	370	54,915	355,901
Guarantee insurance	13,156	(8)	1,237	787	15,172
Other property insurance	153,704	809	16,553	8,296	179,362
Accident insurance	494,540	20	158	193,174	687,892
Health insurance	47,029	(2)	(6)	12,669	59,690
Policy-oriented residential earthquake insurance	11,342	66	-	13,882	25,290
Compulsory automobile liability insurance	-	326,044	-	-	326,044
	<u>\$ 2,937,183</u>	<u>\$ 333,559</u>	<u>\$ 84,202</u>	<u>\$ 988,240</u>	<u>\$ 4,343,184</u>
Insurance Type	For the Year Ended December 31, 2022				
	Commission Expenses	Service fee Charge	Reinsurance Commission Expenses	Others	Total
Fire insurance	\$ 212,202	\$ 9,970	\$ 80,934	\$ 40,130	\$ 343,236
Marine insurance	93,746	185	2,027	3,174	99,132
Land and air insurance	1,386,902	123	3,276	591,304	1,981,605
Liability insurance	261,183	102	(185)	49,954	311,054
Guarantee insurance	11,955	112	1,462	762	14,291
Other property insurance	143,459	1,158	16,843	6,761	168,221
Accident insurance	367,739	75	(759)	130,132	497,187
Health insurance	104,312	221	886	3,179	108,598
Policy-oriented residential earthquake insurance	11,431	139	-	13,646	25,216
Compulsory automobile liability insurance	-	322,298	-	-	322,298
	<u>\$ 2,592,929</u>	<u>\$ 334,383</u>	<u>\$ 104,484</u>	<u>\$ 839,042</u>	<u>\$ 3,870,838</u>

Acquisition costs of the insurance contracts were not deferred.

6) Profit and loss analysis of the insurance business

Direct underwriting business

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

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

## Reinsurance inward business

<b>For the Year Ended December 31, 2023</b>						
<b>Insurance Type</b>	<b>Reinsurance Premium</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Reinsurance Commission Expense</b>	<b>Reinsurance Claim</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 220,892	\$ (85,571)	\$ 58,314	\$ 447,798	\$ (160,374)	\$ (39,275)
Marine insurance	20,896	(3,548)	2,010	34,672	(17,449)	5,211
Land and air insurance	20	(2,852)	5,566	18,782	(23,937)	2,461
Liability insurance	4,059	81	370	1,015	(331)	2,924
Guarantee insurance	3,711	(236)	1,237	6,918	419	(4,627)
Other property insurance	74,955	4,011	16,553	42,015	7,359	5,017
Accident insurance	8,354	(1,373)	158	5,745	(741)	4,565
Health insurance	(63)	(851)	(6)	247	(954)	1,501
Policy-oriented residential earthquake insurance	57,817	40	-	-	-	57,777
Compulsory automobile liability insurance	<u>770,333</u>	<u>9,183</u>	<u>-</u>	<u>721,677</u>	<u>1,973</u>	<u>37,500</u>
	<u>\$ 1,160,974</u>	<u>\$ (81,116)</u>	<u>\$ 84,202</u>	<u>\$ 1,278,869</u>	<u>\$ (194,035)</u>	<u>\$ 73,054</u>
<b>For the Year Ended December 31, 2022</b>						
<b>Insurance Type</b>	<b>Reinsurance Premium</b>	<b>Net Changes in Unearned Premium Reserve</b>	<b>Reinsurance Commission Expense</b>	<b>Reinsurance Claim</b>	<b>Net Changes in Loss Reserve</b>	<b>Profit (Loss)</b>
Fire insurance	\$ 408,623	\$ (113,777)	\$ 80,934	\$ 416,312	\$ 122,633	\$ (97,479)
Marine insurance	28,920	(9,600)	2,027	46,786	11,860	(22,153)
Land and air insurance	13,802	(16,212)	3,276	41,993	4,229	(19,484)
Liability insurance	1,592	(2,907)	(184)	1,151	139	3,393
Guarantee insurance	5,932	(3,122)	1,462	12,353	(5,472)	711
Other property insurance	78,507	(11,731)	16,842	63,913	(34,610)	44,093
Accident insurance	5,399	(6,470)	(759)	7,638	(2,081)	7,071
Health insurance	8,856	(220)	886	11,578	(3,000)	(388)
Policy-oriented residential earthquake insurance	59,219	276	-	311	-	58,632
Compulsory automobile liability insurance	<u>758,002</u>	<u>11,940</u>	<u>-</u>	<u>708,812</u>	<u>32,171</u>	<u>5,079</u>
	<u>\$ 1,368,852</u>	<u>\$ (151,823)</u>	<u>\$ 104,484</u>	<u>\$ 1,310,847</u>	<u>\$ 125,869</u>	<u>\$ (20,525)</u>

## Ceded reinsurance business

<b>For the Year Ended December 31, 2023</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>Loss (Profit)</b>
Fire insurance	\$ 3,796,487	\$ 526,317	\$ 224,843	\$ 1,076,945	\$ (1,074,767)	\$ 3,043,149
Marine insurance	909,095	19,213	87,087	248,379	75,555	478,861
Land and air insurance	924,861	194,807	279,389	274,088	7,641	168,936
Liability insurance	928,197	108,568	172,533	362,743	387,992	(103,639)
Guarantee insurance	118,583	19,151	18,533	45,525	9,860	25,514
Other property insurance	1,575,277	242,058	266,091	1,384,882	311,460	(629,214)
Accident insurance	269,094	(35,875)	68,160	131,178	5,181	100,450
Health insurance	(25)	(34,013)	(13)	97,349	(976,945)	913,597
Policy-oriented residential earthquake insurance	470,077	639	-	-	-	469,438
Compulsory automobile liability insurance	<u>1,259,534</u>	<u>10,306</u>	<u>-</u>	<u>1,241,744</u>	<u>(32,970)</u>	<u>40,454</u>
	<u>\$ 10,251,180</u>	<u>\$ 1,051,171</u>	<u>\$ 1,116,623</u>	<u>\$ 4,862,833</u>	<u>\$ (1,286,993)</u>	<u>\$ 4,507,546</u>
<b>For the Year Ended December 31, 2022</b>						
<b>Insurance Type</b>	<b>Reinsurance Expenses</b>	<b>Net Changes in Ceded Unearned Premium Reserve</b>	<b>Reinsurance Commission Income</b>	<b>Claims and Payments (Recovered from Reinsurers)</b>	<b>Net Changes in Ceded Loss Reserve</b>	<b>Loss (Profit)</b>
Fire insurance	\$ 2,877,190	\$ 101,439	\$ 237,667	\$ 635,006	\$ 712,822	\$ 1,190,256
Marine insurance	775,712	9,770	81,247	398,332	240,508	45,855
Land and air insurance	471,942	6,270	114,497	205,785	41,949	103,441
Liability insurance	735,045	107,503	155,322	360,576	(31,383)	143,027
Guarantee insurance	71,850	3,169	13,243	(2,394)	3,037	54,795
Other property insurance	1,107,631	(26,800)	182,263	189,537	322,095	440,536
Accident insurance	339,596	50,869	78,332	111,717	27,416	71,262
Health insurance	100,867	(172,778)	37,860	3,110,355	957,030	(3,831,600)
Policy-oriented residential earthquake insurance	468,289	7,443	-	-	-	460,846
Compulsory automobile liability insurance	<u>1,233,778</u>	<u>7,760</u>	<u>-</u>	<u>1,223,516</u>	<u>(13,463)</u>	<u>15,965</u>
	<u>\$ 8,181,900</u>	<u>\$ 94,645</u>	<u>\$ 900,431</u>	<u>\$ 6,232,430</u>	<u>\$ 2,260,011</u>	<u>\$ (1,305,617)</u>



7) Sensitivity to insurance risk

a) Cathay Century

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

Note: The expected loss rate is calculated based on the simple average loss rate of the past five years. Health insurance excludes the impact of 2022 and 2023 epidemic prevention insurance.

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

b) Cathay Insurance (Vietnam)

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

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

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

## 8) Risk concentration

### a) Cathay Century

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

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

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

##### ii) Exposure to unanticipated changes in trend

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

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

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

##### iv) Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, 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 execute 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 December 31, 2023, measures have been taken to deal with the impact of interest rate raise on operating, insurance and investment business.

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

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

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

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi) Concentration of geographic regions and operating segments

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

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

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

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

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

b) Cathay Insurance (Vietnam)

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

i) Single insurance contract or several related contracts

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

ii) Exposure to unanticipated changes in trend

As of December 31, 2023, the premium revenues of comprehensive travel insurance of Cathay Insurance (Vietnam) have increased year-on-year resulting from the increased demand for traveling since Vietnam has returned life to normal. Cathay Insurance (Vietnam) will keep on observing the changes of risk exposure.

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

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

- iv) Correlation and interaction among different risks

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

- v) Concentration of geographical regions and operating segments

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

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

The following table summarizes the Cathay Insurance (Vietnam)’s concentration of risk before and after reinsurance by insurance type:

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

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

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

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

## 9) Development trends of claims

### a) Cathay Century

#### December 31, 2023

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

#### December 31, 2022

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

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 \$1,565,904 thousand and \$1,511,891 thousand as of December 31, 2023, \$1,624,445 thousand and \$1,705,926 thousand as of December 31, 2022.

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.

### 37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 2,009,183,691	\$ 1,675,024,629
Financial assets at FVTOCI	876,261,075	929,052,914
Financial assets for hedging	1,109	29,891
Financial assets at amortized cost		
Cash and cash equivalents	320,831,824	412,013,900
Due from the Central Bank and call loans to banks	336,768,960	266,322,216
Debt instruments at amortized cost	4,728,733,650	4,510,776,595
Notes and bonds purchased under resale agreements	43,324,997	38,076,491
Discounts and loans, net	2,684,520,400	2,495,516,810
Receivables, net	248,954,635	217,153,186
Other financial assets, net	739,364,082	669,832,659
Guarantee deposits paid	39,375,034	76,325,669
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	146,895,790	182,999,244
Financial liabilities for hedging	2,038,001	3,716,091
Financial liabilities at amortized cost		
Deposits from the Central Bank and banks	117,130,854	97,309,239
Notes and bonds sold under repurchase agreements	25,757,726	34,723,428
Commercial paper payable, net	76,528,247	73,880,000
Payables	90,464,445	73,787,470
Deposits and remittances	3,496,982,688	3,185,436,089
Bonds payable	175,941,430	132,147,398
Other borrowings	12,988,127	12,763,713
Other financial liabilities	800,999,585	720,648,395
Lease liabilities	20,030,215	19,240,853
Guarantee deposits received	23,441,709	12,004,348



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	December 31, 2023				December 31, 2022			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>								
Assets								
Financial assets at FVTPL								
Stocks	\$ 506,051,539	\$ 499,868,751	\$ 376,902	\$ 5,805,886	\$ 416,247,404	\$ 408,945,237	\$ 568,290	\$ 6,733,877
Bonds	396,449,856	13,464,226	374,900,727	8,084,903	339,757,260	43,181,978	293,931,134	2,644,148
Other	975,972,730	583,332,319	189,049,949	203,590,462	815,745,994	497,446,455	115,564,993	202,734,546
Financial assets at FVTOCI								
Stocks	168,478,976	155,146,650	-	13,332,326	116,432,806	105,173,539	-	11,259,267
Bonds (Note)	679,308,760	163,755,983	515,484,159	68,618	579,711,806	107,142,057	472,569,749	-
Other	31,934,434	-	31,934,434	-	246,261,699	-	246,261,699	-
Liabilities								
Financial liabilities at FVTPL								
Financial liabilities designated as at FVTPL	40,481,221	-	40,481,221	-	39,076,751	-	39,076,751	-
Held for trading	623,246	623,246	-	-	972,190	972,190	-	-
<u>Derivative instruments</u>								
Assets								
Financial assets at FVTPL	130,709,566	256,797	126,370,314	4,082,455	103,273,971	399,573	97,915,434	4,958,964
Financial assets for hedging	1,109	-	1,109	-	29,891	-	29,891	-
Liabilities								
Financial liabilities at FVTPL	105,791,323	298,915	101,409,953	4,082,455	142,950,303	236,563	137,754,776	4,958,964
Financial liabilities for hedging	2,038,001	-	2,038,001	-	3,716,091	-	3,716,091	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the year ended December 31, 2023 and 2022, due to the availability of market quotes transferred its investment of \$308,578 thousand and \$43,424 thousand, respectively in fair value stocks from Level 2 to Level 1.

2) Reconciliation for movements in Level 3 fair value measurements

	<b>For the Year Ended December 31, 2023</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 217,071,535	\$ 11,259,267	\$ 4,958,964
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	5,476,183	-	(653,430)
Loss on reclassification using the overlay approach	1,312,482	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	(224,177)	(63,617)	-
Other comprehensive income reclassified using the overlay approach	(1,312,482)	-	-
Gain on financial assets at FVTOCI	-	2,037,601	-
Acquisitions or issuances	37,513,479	130,291	-
Capital reduction, return of shares	-	(23,000)	-
Disposals or settlements	(37,508,330)	(197,732)	(223,079)
Transfers in of Level 3	4,188	258,134	-
Transfers out of Level 3	(769,172)	-	-
Ending balance	<u>\$ 221,563,706</u>	<u>\$ 13,400,944</u>	<u>\$ 4,082,455</u>
	<b>For the Year Ended December 31, 2022</b>		
	<b>Financial Assets</b>		<b>Financial Liabilities</b>
	<b>At FVTPL</b>	<b>At FVTOCI</b>	<b>At FVTPL</b>
Beginning balance	\$ 199,370,926	\$ 13,283,131	\$ 4,365,620
Recognized in profit or loss			
Gain on financial assets and liabilities at FVTPL	20,656,554	-	776,056
Loss on reclassification using the overlay approach	(5,573,263)	-	-
Recognized in other comprehensive income			
Exchange differences on the translation of financial statements of foreign operations	224,764	52,100	-
Other comprehensive income reclassified using the overlay approach	5,573,263	-	-
Gain on financial assets at FVTOCI	-	(2,056,010)	-
Acquisitions or issuances	44,412,823	705,191	68,922
Disposals or settlements	(47,094,968)	(725,145)	(251,634)
Transfers in of Level 3	280,635	-	-
Transfers out of Level 3	(779,199)	-	-
Ending balance	<u>\$ 217,071,535</u>	<u>\$ 11,259,267</u>	<u>\$ 4,958,964</u>

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2023 and 2022, unrealized losses of \$1,976,155 thousand and unrealized gains of \$668,486 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 years ended December 31, 2023 and 2022, unrealized gains of \$543,231 thousand and unrealized losses of \$646,714 thousand were related to financial liabilities held at the end of the period, respectively.

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

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

#### Cathay Life and its subsidiaries

<b>December 31, 2023</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	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	21%-30%	The higher the discount for lack of liquidity and control the lower the fair value estimates	
			Growth rate of net profit after tax	(72%)-3103%	The higher the growth rate of adjusted net profit after tax the higher the fair value estimates
			Dividend payout ratio	41%-90%	The higher the dividend payout ratio the higher the fair value estimates
<b>December 31, 2022</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Market approach	Discount for lack of liquidity	3%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates	
	Income approach	Discount for lack of liquidity, discount for minority interest	10%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates	
			Growth rate of net profit after tax	(113%)-281%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
			Dividend payout ratio	57%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Cathay United Bank and its subsidiaries

<b>December 31, 2023</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	10%-20%	The higher the discount for lack of liquidity the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity the lower the fair value of shares
	Residual income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate the lower the fair value of the shares
	Value of net assets approach	Value of net assets	N/A	The higher the value of net assets the higher the fair value of the shares
	Discounted cash flow method	Lending rate	9.15%	The higher the lending rate, the lower the fair value
<b>December 31, 2022</b>				
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>
Financial assets at FVTPL	Market approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value of shares
Financial assets at FVTOCI	Market approach	Discount for lack of liquidity	15%-30%	The higher the discount for lack of liquidity, the lower the fair value of shares
	Residual 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 Securities and its subsidiaries

<b>December 31, 2023</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	<b>Sensitivity of the Input to Fair Value</b>
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)
<b>December 31, 2022</b>					
<b>Items</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-average)</b>	<b>Relationship Between Inputs and Fair Value</b>	<b>Sensitivity of the Input to Fair Value</b>
Equity instruments at FVTOCI	Market comparison approach	Discount for lack of liquidity	15%-20%	The higher the discount for lack of liquidity, the lower the fair value	Rate of discount for lack of liquidity (3%)-3%, floating rate of fair value 3.67%-(3.67%)

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, discounts and loans, partial other financial assets, guarantee deposits paid, deposits from 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:

December 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,737,839,107	\$ 76,898,999	\$ 3,927,031,201	\$ 544,041	\$ 4,004,474,241

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Debt instruments at amortized cost (Note)	\$ 4,524,789,081	\$ 51,391,454	\$ 3,642,906,760	\$ 484,104	\$ 3,694,782,318

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

Hedging Instrument	Nominal Amount of the Hedging Instrument	December 31, 2023			Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Carrying Amount of the Hedging Instrument				
		Assets	Liabilities			
IRS	\$ 3,000,000	\$ 1,109	\$ -	Financial assets for hedging	\$ (8,387)	
IRS	-	-	-	Financial assets for hedging	(12,277)	

December 31, 2022					
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	\$ 19,193	\$ -	Financial assets for hedging	\$ (31,937)
IRS	729,315	10,698	-	Financial assets for hedging	24,519

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>December 31, 2023</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -
Average fixed rate	-	-	1.7%	-	-

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
<u>December 31, 2022</u>					
IRS					
Nominal principal	\$ -	\$ -	\$ 1,729,315	\$ 3,000,000	\$ -
Average fixed rate	-	-	1.7%-2.5%	1.7%	-

c) Hedged items

	For the Year Ended December 31, 2023							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Year	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	\$ 8,387	\$ 1,109	N/A	\$ (8,387)	\$ -	\$ -	\$ (9,697)	Net other noninterest gain (loss)
Payables	12,277	-	N/A	(12,277)	-	-	-	Net other noninterest gain (loss)
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	-	Net other noninterest gain (loss)
Expected investment	(2,150)	896	N/A	896	-	-	-	Net other noninterest gain (loss)

For the Year Ended December 31, 2022								
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Year	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	\$ 31,937	\$ 19,193	N/A	\$(31,937)	\$ -	\$ -	\$(39,176)	Net other noninterest gain (loss)
Payables	(24,519)	10,698	N/A	24,519	-	-	-	Net other noninterest gain (loss)
Discontinued hedge - bond investments	N/A	N/A	-	N/A	N/A	N/A	260	Net other noninterest gain (loss)

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

	For the Year Ended December 31	
	2023	2022
Beginning balance	\$ 18,799	\$ 51,118
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument recognized in other comprehensive loss	(19,768)	(7,442)
Amount reclassified from the cash flow hedge reserve to profit or loss	(9,697)	(38,916)
Tax effects	<u>6,153</u>	<u>14,039</u>
Ending balance	<u>\$ (4,513)</u>	<u>\$ 18,799</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

December 31, 2023					
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line Item in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
		Assets	Liabilities		
Forward	\$ 27,603,100	\$ -	\$ 2,038,001	Financial liabilities for hedging	\$ (1,108,966)



December 31, 2022					
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		
		Forward	\$ 49,153,550		

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>December 31, 2023</u>					
Forward					
Nominal principal	\$ -	\$ 13,643,800	\$ -	\$ 13,959,300	\$ -
Exchange rate (USD/TWD)	-	27.2876	-	27.9502	-
<u>December 31, 2022</u>					
Forward					
Nominal principal	\$ -	\$ -	\$ -	\$ 49,153,550	\$ -
Exchange rate (USD/TWD)	-	-	-	27.2701	-

c) Hedged items

For the Year Ended December 31, 2023								
	Book Value of Hedged Item		Cumulative Adjustment for Change in Fair Value of Hedged Item Included in the Book Value of Hedged Item		Line Item in the Statement of Financial Position That Includes the Hedged Items	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for Current Period	Ineffectiveness Recognized in Profit or Loss	Line Item in Profit or Loss That Includes the Hedge Ineffectiveness
	Assets	Liabilities	Assets	Liabilities				
Overseas bonds	\$ 27,603,100	\$ -	\$ 1,108,966	\$ -	Financial assets at amortized cost	\$ 1,108,966	\$ -	\$ -
<u>For the Year Ended December 31, 2022</u>								
Overseas bonds	\$ 49,153,550	\$ -	\$ 4,208,300	\$ -	Investment in debt instruments at amortized cost	\$ 4,208,300	\$ -	\$ -

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Foreign currency basis - related period</u>		
Beginning balance	\$ 931,466	\$ 284,733
Gross amount recognized in other comprehensive income		
Change in the value of the hedging instrument		
recognized in other comprehensive (loss) income	(1,310,859)	284,405
Amount reclassified to profit or loss	790,292	524,011
Tax effects	<u>104,113</u>	<u>(161,683)</u>
Ending balance	<u>\$ 515,012</u>	<u>\$ 931,466</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:

December 31, 2023

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Financial Collateral Received	
Derivative financial instruments	\$ 51,848,334	\$ -	\$ 51,848,334	\$ 24,226,850	\$ 12,973,500	\$ 14,647,984

  

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial 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	Financial Collateral Pledged	
Derivative financial instruments	\$ 26,108,612	\$ -	\$ 26,108,612	\$ 24,226,850	\$ 1,409,662	\$ 472,100

December 31, 2022

<b>Financial Assets Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on the Balance Sheet (b)	Net Financial Assets Recognized on the Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Financial Collateral Received	
Derivative financial instruments	\$ 21,481,797	\$ -	\$ 21,481,797	\$ 17,230,342	\$ 2,081,387	\$ 2,170,068

<b>Financial Liabilities Bound by Offsetting or Enforceable Master Netting Arrangements or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial 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	Financial Collateral Pledged	
Derivative financial instruments	\$ 67,385,253	\$ -	\$ 67,385,253	\$ 17,230,342	\$ 31,313,555	\$ 18,841,356

Cathay United Bank and its subsidiaries

Cathay United Bank and its subsidiaries engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amounts.

Cathay United Bank and its subsidiaries is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example: Global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or, if not the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2023

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 79,815,708	\$ -	\$ 79,815,708	\$ 79,815,708	\$ -	\$ -

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivative financial instruments	\$ 82,644,730	\$ -	\$ 82,644,730	\$ 79,815,708	\$ 2,829,022	\$ -
Repurchase bonds	18,318,492	-	18,318,492	17,663,248	655,244	-

December 31, 2022

<b>Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 84,633,679	\$ -	\$ 84,633,679	\$ 81,976,127	\$ 2,657,552	\$ -

<b>Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement</b>						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)=(a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivative financial instruments	\$ 81,976,127	\$ -	\$ 81,976,127	\$ 81,976,127	\$ -	\$ -
Repurchase bonds	30,731,806	-	30,731,806	26,843,862	3,887,944	-

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

Cathay Securities and its subsidiaries

Cathay Securities and its subsidiaries enter into secured repurchase agreements with counterparties, for which Cathay Securities and its subsidiaries provide securities as collateral. Only in the event of default, insolvency or bankruptcy, these transactions are allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

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

December 31, 2023

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	\$ 7,439,234	\$ -	\$ 7,439,234	\$ 7,834,900	\$ -	\$ (395,666)

December 31, 2022

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 Pledged	
Repurchase bonds	\$ 3,991,622	\$ -	\$ 3,991,622	\$ 4,021,487	\$ -	\$ (29,865)

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

g. Reclassification information

Section 4.4 of IFRS 9 “Financial Instruments” provides the principles and regulations for reclassification of financial assets. For practical application, the Accounting Research and Development Foundation of the Republic of China (ARDF) provided a reference guideline on October 7, 2022 on the “Financial Asset Reclassification Concerns of an insurer arising from Changes in the Business Model for Managing Financial Assets due to Drastic Changes in the International Economic Situation”. According to the press release of the FSC, if an insurer intends to reclassify financial assets, it should follow IFRS 9 regulations and the reference guideline of the ARDF.

In 2022, the global financial situation has been in full turmoil, especially from late August 2022 to late September 2022, the stock, bond and foreign exchange markets have experienced drastic changes that are rare in history. Changes are not for single market risk or specific financial asset price fluctuations, but interest rates have risen to the extreme level as defined by the International Insurance Capital Standards (ICS). Cathay Life’s senior management adjusted its investment strategy, performance evaluation and risk management activities in relation to financial assets by September 30, 2022, in order to ensure Cathay Life’s solvency and stable operation. The aforementioned adjustments indicate that Cathay Life’s business model, which was to generate cash flows by both collecting contractual cash flows and selling financial assets, has been changed to a model whose objective is to hold financial assets in order to collect contractual cash flows. Therefore, on October 1, 2022, Cathay Life reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1 of IFRS 9.

Due to the change in business model, Cathay Life reclassified part of the financial assets at FVTOCI to financial assets measured at amortized cost on October 1, 2022. After the reclassification, other equity increased by \$242,647,172 thousand, financial assets measured at amortized cost increased by \$1,054,624,855 thousand, financial assets at FVTOCI decreased by \$755,311,088 thousand and deferred income tax assets decreased by \$56,666,595 thousand as of October 1, 2022.

As of December 31, 2023 and 2022, the fair value of the above reclassified financial assets that have not been derecognized amounted to \$798,876,325 thousand and \$759,417,410 thousand. If the financial assets had not been reclassified as of October 1, 2022, other equity would decrease by \$172,456,898 thousand and \$205,982,811 thousand as of December 31, 2023 and 2022. Fair value gain, after tax, recognized in other comprehensive income amounted to \$33,525,913 thousand and \$36,664,361 thousand from October 1, 2022 to December 31, 2023 and 2022.

h. Transfers of financial assets

Financial assets transferred that have not been fully removed

Cathay United Bank and its subsidiaries

In the daily operations of Cathay United Bank and its subsidiaries, transferred financial assets that do not meet the criteria for full removal are mostly debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The cash flows of these transactions have been transferred, and reflects the liability where Cathay United Bank is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, Cathay United Bank and its subsidiaries will not be able to use, sell or pledge such transferred financial assets during the effective period. However Cathay United Bank and its subsidiaries are still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table analyses financial assets and financial liabilities that have not been fully removed:

December 31, 2023					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 18,293,739	\$ 17,909,086	\$ 18,293,739	\$ 17,909,086	\$ 384,653
Debt instruments at amortized cost					
Repurchase agreements	536,129	409,406	516,314	409,406	106,908

December 31, 2022					
Category of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase agreements	\$ 18,473,749	\$ 18,969,910	\$ 18,473,749	\$ 18,969,910	\$ (496,161)
Debt instruments at amortized cost					
Repurchase agreements	15,297,777	11,761,896	13,290,096	11,761,896	1,528,200

#### 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 years. 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:

December 31, 2023					
Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase bonds	\$ 7,834,900	\$ 7,439,234	\$ 7,834,900	\$ 7,439,234	\$ 395,666

December 31, 2022					
Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at FVTOCI					
Repurchase bonds	\$ 4,021,487	\$ 3,991,622	\$ 4,021,487	\$ 3,991,622	\$ 29,865

#### i. 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

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

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

a) Value at Risk

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

b) 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 Year Ended December 31	
		2023	2022
Equity risk (stock price index)	-10%	\$ (89,147,959)	\$ (71,112,360)
Interest rate risk (yield curve)	+100bps	(128,233,130)	(102,696,275)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(17,658,776)	(18,142,326)

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserve for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 4: Change in equity was included in the impact on the change in profit or loss.

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

Note 6: Since the second quarter of 2022, equity risk has been calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable periods has been revised accordingly.

#### c) Sensitivity analysis

#### Summary of Sensitivity Analysis

Risk Factor	Variable (+/-)	For the Year Ended December 31, 2023	
		Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 7,842,504	\$ 4,904,458
	Appreciation of CNY/USD by 1%	705,625	294,089
	Appreciation of HKD/USD by 1%	1,173	201,072
	Appreciation of EUR/USD by 1%	406,399	209,774
	Appreciation of GBP/USD by 1%	134,424	234,250
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	-	(1,192,970)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,686)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(8,951)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,466)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(64,728)
Equity price risk	Increase in equity price by 1%	65,410	8,851,500



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

Risk Factor	Variable (+/-)	Change in Profit or Loss	Change in Equity
Foreign currency risk	Appreciation of USD/NTD by 1%	\$ 9,761,235	\$ 5,143,889
	Appreciation of CNY/USD by 1%	449,528	329,859
	Appreciation of HKD/USD by 1%	(1,266)	283,170
	Appreciation of EUR/USD by 1%	14,018	294,607
	Appreciation of GBP/USD by 1%	290	213,638
Interest rate risk	Upward parallel shift of the yield curve (USD) by 1bp	(385)	(940,470)
	Upward parallel shift of the yield curve (CNY) by 1bp	-	(1,639)
	Upward parallel shift of the yield curve (EUR) by 1bp	-	(3,654)
	Upward parallel shift of the yield curve (GBP) by 1bp	-	(3,028)
	Upward parallel shift of the yield curve (NTD) by 1bp	-	(67,856)
	Equity price risk	Increase in equity price by 1%	107,336

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserve for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 4: Change in equity was excluded from the impact on the change in profit or loss.

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

Note 6: Since the second quarter of 2022, equity risk is calculated by including other financial instruments, such as unlisted stocks, hedge funds, private equity funds and infrastructure funds, and the disclosure for comparable period was revised accordingly.

Note 7: Since the fourth quarter of the major investment of New Taiwan dollar Bond-linked ETF are foreign bonds, and Cathay Life adjusted the sensitivity disclosure of interest rate, and its disclosure for comparable period accordingly.

## 2) Credit risk

### a) Sources of credit risk

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

- i. Issuer credit risk is the risk that Cathay Life may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk that Cathay Life may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

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

b) Concentration risk

i. Regional distribution of maximum risk exposure for Cathay Life's financial assets:

December 31, 2023

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 141,809,444	\$ 19,193,627	\$ 114,898	\$ 65,530,250	\$ 8,400,000	\$ 235,048,219
Financial assets at FVTPL	70,969,669	10,043,910	107,723,192	97,631,619	11,308,593	297,676,983
Financial assets at FVTOCI	24,810,380	23,246,952	45,273,886	226,078,827	108,558,308	427,968,353
Financial assets for hedging	674	-	-	435	-	1,109
Financial assets at amortized cost	<u>121,449,268</u>	<u>234,471,649</u>	<u>609,316,281</u>	<u>2,045,910,809</u>	<u>1,019,543,754</u>	<u>4,030,691,761</u>
	<u>\$ 359,039,435</u>	<u>\$ 286,956,138</u>	<u>\$ 762,428,257</u>	<u>\$ 2,435,151,940</u>	<u>\$ 1,147,810,655</u>	<u>\$ 4,991,386,425</u>
Proportion	7.2%	5.7%	15.3%	48.8%	23.0%	100%

December 31, 2022

Financial Assets	Taiwan	Asia	Europe	North America	Emerging Markets and Others	Total
Cash and cash equivalents	\$ 222,557,044	\$ 8,118,563	\$ 152,250	\$ 67,519,659	\$ 14,713,280	\$ 313,060,796
Financial assets at FVTPL	53,064,453	11,994,548	96,520,732	88,419,141	11,507,321	261,506,195
Financial assets at FVTOCI	12,849,696	20,985,346	44,478,922	162,192,932	104,411,118	344,918,014
Financial assets for hedging	10,544	-	-	8,649	-	19,193
Financial assets at amortized cost	<u>129,720,872</u>	<u>229,815,612</u>	<u>607,127,824</u>	<u>1,999,938,066</u>	<u>1,010,414,398</u>	<u>3,977,016,772</u>
	<u>\$ 418,202,609</u>	<u>\$ 270,914,069</u>	<u>\$ 748,279,728</u>	<u>\$ 2,318,078,447</u>	<u>\$ 1,141,046,117</u>	<u>\$ 4,896,520,970</u>
Proportion	8.5%	5.5%	15.3%	47.4%	23.3%	100%

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

December 31, 2023

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 149,313,689	\$ 35,329,719	\$ 47,460,225	\$ 260,750	\$ 232,364,383
Non-accrual receivables	<u>502,771</u>	<u>14,812</u>	<u>21,525</u>	<u>1,380,708</u>	<u>1,919,816</u>
	<u>\$ 149,816,460</u>	<u>\$ 35,344,531</u>	<u>\$ 47,481,750</u>	<u>\$ 1,641,458</u>	<u>\$ 234,284,199</u>
Proportion	63.9%	15.1%	20.3%	0.7%	100%

December 31, 2022

Location of Collaterals	Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	\$ 183,312,721	\$ 42,186,493	\$ 55,912,566	\$ 1,259,825	\$ 282,671,605
Non-accrual receivables	<u>520,568</u>	<u>12,562</u>	<u>18,155</u>	<u>1,379,494</u>	<u>1,930,779</u>
	<u>\$ 183,833,289</u>	<u>\$ 42,199,055</u>	<u>\$ 55,930,721</u>	<u>\$ 2,639,319</u>	<u>\$ 284,602,384</u>
Proportion	64.6%	14.8%	19.7%	0.9%	100%

c) Categories for credit risk quality

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

- i. Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.
- ii. Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.
- iii. High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.
- iv. Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and Cathay Life evaluates the potential losses and determines it as impaired.

d) Determination on the credit risk that has increased significantly since initial recognition

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

e) The definition of default and credit-impaired financial assets

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

- i. Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.
- ii. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:
  - i) The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.
  - ii) The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.
  - iii) The collateral of the borrowers had been provisionally seized or enforced.
  - iv) The borrowers claim for a change of credit conditions due to financial difficulties.

- iii. The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by Cathay Life, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- f) Measurement of expected credit loss
- i. The methodology and assumptions applied

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

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

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

- ii. Forward-looking information considerations

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

- g) Gross carrying amounts of maximum credit risk exposure and categories for credit quality

- i. Financial assets of Cathay Life

	December 31, 2023					
	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		
Investment grade						
Debt instruments at FVTOCI	\$ 417,136,556	\$ 8,174	\$ -	\$ -	\$ -	\$ 417,144,730
Financial assets at amortized cost	4,005,535,303	-	-	-	(1,428,846)	4,004,106,457
Non-investment grade						
Debt instruments at FVTOCI	7,151,032	278,022	3,394,569	-	-	10,823,623
Financial assets at amortized cost	8,276,741	1,491,789	18,770,769	-	(1,953,995)	26,585,304

	December 31, 2022					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	\$ 334,627,073	\$ -	\$ -	\$ -	\$ -	\$ 334,627,073
Financial assets at amortized cost	3,947,124,047	-	-	-	(1,466,690)	3,945,657,357
Non-investment grade						
Debt instruments at FVTOCI	6,389,795	186,515	3,714,631	-	-	10,290,941
Financial assets at amortized cost	12,233,358	2,330,571	18,792,809	-	(1,997,323)	31,359,415

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

	December 31, 2023						
	Stage 1		Stage 2		Stage 3		Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount	
Secured loans and non-accrual receivables	\$ 228,911,070	\$ 351,261	\$ 5,021,868	\$ -	\$ (1,277,067)	\$ (2,773,153)	\$ 230,233,979
	December 31, 2022						
	Stage 1		Stage 2		Stage 3		Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount	
Secured loans and non-accrual receivables	\$ 277,691,739	\$ 1,306,065	\$ 5,604,580	\$ -	\$ (1,200,475)	\$ (3,147,892)	\$ 280,254,017

h) Reconciliation for loss allowance is summarized below:

i. Debt instruments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 144,268	\$ 33,000	\$ 917,054	\$ -	\$ 1,094,322
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(45)	45	-	-	-
Transferred to 12-month expected credit losses	1,836	(1,836)	-	-	-
New financial assets originated or purchased	30,503	-	-	-	30,503
Financial assets that have been derecognized during the year	(30,188)	(3,412)	-	-	(33,600)
Changes in models/risk parameters	4,932	29,269	19,095	-	53,296
Foreign exchange and other movements	(341)	(1,525)	(11,333)	-	(13,199)
December 31, 2023	<u>\$ 150,965</u>	<u>\$ 55,541</u>	<u>\$ 924,816</u>	<u>\$ -</u>	<u>\$ 1,131,322</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, 2022	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(1,066)	1,066	-	-	-
Transferred to credit-impaired financial assets	(2,270)	-	2,270	-	-
New financial assets originated or purchased	80,837	-	95	-	80,932
Financial assets that have been derecognized during the year	(594,037)	(95,454)	-	-	(689,491)
Changes in models/risk parameters	244,664	123,266	841,804	-	1,209,734
Foreign exchange and other movements	70,246	4,122	72,885	-	147,253
December 31, 2022	<u>\$ 144,268</u>	<u>\$ 33,000</u>	<u>\$ 917,054</u>	<u>\$ -</u>	<u>\$ 1,094,322</u>

ii. Financial assets at amortized cost

	12-month Expected Credit Losses	Lifetime Expected Credit Losses			Total of Impairment Charged in Accordance with IFRS 9
		Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	
January 1, 2023	\$ 1,489,750	\$ 215,409	\$ 1,758,854	\$ -	\$ 3,464,013
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses	(48)	48	-	-	-
Transferred to 12-month expected credit losses	75,463	(75,463)	-	-	-
New financial assets originated or purchased	68,435	-	-	-	68,435
Financial assets that have been derecognized during the year	(63,743)	(45)	-	-	(63,788)
Changes in models/risk parameters	(118,820)	(17,641)	46,835	-	(89,626)
Foreign exchange and other movements	2,037	224	1,546	-	3,807
December 31, 2023	<u>\$ 1,453,074</u>	<u>\$ 122,532</u>	<u>\$ 1,807,235</u>	<u>\$ -</u>	<u>\$ 3,382,841</u>

	<u>Lifetime Expected Credit Losses</u>				
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit- impaired Financial Assets	Purchased or Originated Credit- impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2022	\$ 627,027	\$ 117,199	\$ -	\$ -	\$ 744,226
Changes due to financial instruments recognized as at January 1					
Transferred to lifetime expected credit losses during the duration of the period	(288)	288	-	-	-
Transferred to credit-impaired financial assets	(4,064)	-	4,064	-	-
Transferred to 12-month expected credit losses	24,139	(24,139)	-	-	-
New financial assets originated or purchased	314,453	-	49	-	314,502
Financial assets that have been derecognized during the year	(132,759)	(71,281)	-	-	(204,040)
Changes in models/risk parameters	601,034	190,922	1,557,613	-	2,349,569
Foreign exchange and other movements	<u>60,208</u>	<u>2,420</u>	<u>197,128</u>	<u>-</u>	<u>259,756</u>
December 31, 2022	<u>\$ 1,489,750</u>	<u>\$ 215,409</u>	<u>\$ 1,758,854</u>	<u>\$ -</u>	<u>\$ 3,464,013</u>

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, Cathay Life transferred the 12-month expected credit losses to lifetime expected credit losses when assessing the loss allowance as the Russian-Ukrainian War broke out in February 2022, international economic sanctions were imposed on Russia and its credit ratings were largely downgraded, which was evaluated as a credit-impairment event.

iii. Secured loans and non-accrual receivables

	<u>Lifetime Expected Credit Losses</u>				Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
January 1, 2023	\$ 125,823	\$ 5,008	\$ 1,069,644	\$ -	\$ 1,200,475	\$ 3,147,892	\$ 4,348,367
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(40)	40	-	-	-	-	-
Transferred to credit-impaired financial assets	(134)	(98)	232	-	-	-	-
Transferred to 12-month expected credit losses	1,790	(35)	(1,755)	-	-	-	-
New financial assets originated or purchased	1,068	-	7,396	-	8,464	-	8,464
Financial assets that have been derecognized during the year	(15,828)	(2,306)	(108,452)	-	(126,586)	-	(126,586)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(374,739)	(374,739)
Changes in models/risk parameters	<u>(66,914)</u>	<u>2,807</u>	<u>258,821</u>	<u>-</u>	<u>194,714</u>	<u>-</u>	<u>194,714</u>
December 31, 2023	<u>\$ 45,765</u>	<u>\$ 5,416</u>	<u>\$ 1,225,886</u>	<u>\$ -</u>	<u>\$ 1,277,067</u>	<u>\$ 2,773,153</u>	<u>\$ 4,050,220</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, 2022	\$ 27,181	\$ 3,679	\$ 694,683	\$ -	\$ 725,543	\$ 4,423,948	\$ 5,149,491
Changes due to financial instruments recognized as at January 1							
Transferred to lifetime expected credit losses	(3)	71,310	(71,307)	-	-	-	-
Transferred to credit-impaired financial assets	(28)	(3)	31	-	-	-	-
Transferred to 12-month expected credit losses	193	(21)	(172)	-	-	-	-
New financial assets originated or purchased	11,520	-	14,782	-	26,302	-	26,302
Financial assets that have been derecognized during the year	(4,284)	(2,029)	(71,967)	-	(78,280)	-	(78,280)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(1,276,056)	(1,276,056)
Changes in models/risk parameters	91,244	(67,928)	503,594	-	526,910	-	526,910
December 31, 2022	<u>\$ 125,823</u>	<u>\$ 5,008</u>	<u>\$ 1,069,644</u>	<u>\$ -</u>	<u>\$ 1,200,475</u>	<u>\$ 3,147,892</u>	<u>\$ 4,348,367</u>

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

i) Exposure to credit risk and loss allowance of receivables

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

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2023</u>					
Gross carrying amount (Note)	\$ 38,809,549	\$ 61,429	\$ 363	\$ 172	\$ 38,871,513
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,229	36	86	1,351

Note: Notes receivable of \$21,480 thousand and other receivables of \$38,850,033 thousand were included.

	Aging of Receivables Recognized				
	Not Yet Due/within 1 Month	1-3 Months	3-6 Months	Over 6 Months	Total
<u>December 31, 2022</u>					
Gross carrying amount (Note)	\$ 24,167,420	\$ 63,738	\$ 175	\$ -	\$ 24,231,333
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,275	17	-	1,292

Note: Notes receivable of \$84,290 thousand and other receivables of \$24,147,043 thousand were included.



The loss allowance was reconciled as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 1,292	\$ 1,031
Provision for the current year	<u>59</u>	<u>261</u>
Ending balance	<u>\$ 1,351</u>	<u>\$ 1,292</u>

### 3) Liquidity risk

#### a) Sources of liquidity risk

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

#### b) Liquidity risk management

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

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

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

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

	<b>December 31, 2023</b>				
	<b>Less than 6 Months</b>	<b>Due in 6-12 Months</b>	<b>Due in 1-2 Years</b>	<b>Due in 2-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Payables	\$ 20,690,322	\$ 725,449	\$ 1,127,487	\$ 351,664	\$ 21,553
Other financial liabilities	950,766	940,275	2,295,625	2,254,257	1,800,308
Bonds payable (Note 1)	559,620	2,066,062	4,121,677	8,690,032	124,196,066
Lease liabilities (Note 2)	372,954	450,324	751,386	2,607,699	33,211,417
<u>Derivative financial liabilities</u>					
SWAP	21,269,335	230,350	226,390	-	-
Forward	6,916,547	147,000	1,408,200	-	-
CCS	1,154,232	-	-	-	-

	December 31, 2022				
	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	\$ 21,112,481	\$ 773,900	\$ 257,959	\$ 194,121	\$ -
Other financial liabilities	684,274	508,721	3,111,951	2,130,410	1,086,821
Bonds payable (Note 1)	559,620	1,194,411	2,715,000	6,885,000	80,600,000
Lease liabilities (Note 2)	365,854	603,735	693,767	2,362,748	34,174,095
<u>Derivative financial liabilities</u>					
SWAP	40,838,254	5,746,330	-	-	-
Forward	22,292,640	4,562,550	3,104,900	-	-
CCS	1,644,997	5,797,653	845,644	-	-

Note 1: For the bonds payable without maturity dates, the contractual cash flows were calculated on the basis of 10 years starting from the issuance date. For the bonds payable with maturity dates, the contractual cash flows were calculated on the basis of the issuance period (10 or 15 years) starting from the issuance date.

Note 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 years.

#### Cathay United Bank and its subsidiaries

Cathay United Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, Cathay United Bank adopts different risk management methods to identify its risks and Cathay United Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

Cathay United Bank has set up its risk management committee, whose responsibilities are as follows:

- 1) To amend the risk management policies, risk appetite or risk tolerance and periodic presentations of the important risk management reports, are submitted to the board of directors for approval.
- 2) To manage and decide the strategy about Cathay United Bank's credit risk, market risk and operational risk.
- 3) To report the significant risk management issues, such as credit ratings, market assessment, risk indicators, capital adequacy, and other relevant project summaries, are reviewed comprehensively.
- 4) Development, establishment, validation, and monitoring of credit rating models.
- 5) The results of stress testing execution.
- 6) Important research and discussion matters raised by various risk management-related units of the Bank.
- 7) Other issues.

Cathay United Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

## 1) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

### a) Credit risk policy and implementation

#### i. Cathay United Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Division and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures; and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Division, Credit and Operational Management Division, Consumer Finance Credit Management Division, Corporate Finance Credit Management Division, and International Credit Management Division. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the overall of the bank is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to Cathay United Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

Cathay United Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose on or liquidate the collateral, which effectively reduces the credit risk of Cathay United Bank, Indovina Bank and CUBCN Bank.

#### ii. CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces Cathay United Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

b) Judgment of significant increase in credit risk after initial recognition

i. Cathay United Bank

Cathay United Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, Cathay United Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for 30 days to 90 days (inclusive) at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Auditors' opinion-adverse opinion.
- Auditors' opinion-disclaimer of opinion.
- The stock was placed in full-cash delivery stock.
- Other changes in the internal or external information on judging the credit quality changes.

Cathay United Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

## ii. CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

### i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Information on the overdue status of contract

When the contract payment is overdue for less than 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

### ii) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

- Any financial instruments are classified as special mention.
- Other changes in the internal or external information on judging the credit quality changes.

## iii. Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

### i) Quantitative indicators

- Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

- Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

- Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

- Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

ii) Qualitative indicators

- Bounced checks are reported.
- Auditors have expressed significant doubt on the entity's ability to continue as a going concern.
- Other changes in the internal or external information on judging the credit quality.

iv. CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

i) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

ii) Loan classification from National Bank of Cambodia

A loan contract with special mention position at reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

iii) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

c) Default and credit impairment of financial asset

i. Cathay United Bank

Cathay United Bank's criteria for determining that a financial asset is in default is the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, Cathay United Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit impaired.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Bailout, reorganization, individual agreement due to debtor's financial difficulties.
- Lawsuit action has been taken.
- Debt settlement, debt negotiation.
- Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by Cathay United Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

ii. CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

i) Quantitative indicator

- Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

- Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

- Information from credit records obtained from the People's Bank of China

On the reporting date, the financial instruments have not yet become overdue but the credit subject has been classified by financial institutions as non-performing (classified as substandard, doubtful, or loss) based on the credit records obtained from the People's Bank of China and remains unsettled, or the principal and interest payments are overdue for more than 90 days.

ii) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- Any financial instruments are classified as substandard, doubtful or loss.
- 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 31 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.



ii) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

iii) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

d) Measurement of expected credit loss

i. Cathay United Bank

For the purpose of assessing the expected credit losses, Cathay United Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

<b>Credit Category</b>	<b>Definition</b>
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), Cathay United Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, Cathay United Bank will measure the allowance for losses based on the lifetime expected credit losses.

For the measurement of the expected credit losses (“ECL”), Cathay United Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of Cathay United Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

Cathay United Bank assesses the EAD of loan at the reporting date. According to internal and external information, Cathay United Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

Cathay United Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortized cost in accordance with related requirements:

- i) The EAD is measured at the amortized cost of a financial asset plus its interest receivable.
- ii) The PD is based on the information regularly published by Moody’s, and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).

iii) The LGD is selected according to the type of debt instrument based on the information regularly published by Moody's.

ii. CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank grouped the credit assets by business segments and forward-looking models:

Financial assets are classified into the following categories according to their assessment methods and business segments:

<b>Credit Category</b>	<b>Definition</b>
Loan activities, interbank loans and off-balance sheet credit business	Grouped by product category and internal/external credit rating
Billing business, factoring receivables business and other interbank credit-utilizing business	Grouped by product category and internal/external credit rating
Bond business and interbank deposits business	Grouped by product category and internal/external credit rating
Due from banks, interbank lending market and reverse repurchase	Grouped by product category and internal/external credit rating
Other receivables	Grouped by product category and internal/external credit rating

Financial assets are classified into non-retail on the basis of forward-looking model requirements.

i) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:

- For financial instruments in Stage 1, the allowance for losses is measured by the 12-month expected credit losses.
- For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.
- For financial instruments in Stage 3, if the single account loan balance exceeds a certain amount, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.

ii) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:

- The PD is based on the information regularly published by Moody's, and based on the historical data, calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information.
- The LGD is based on LGD regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking Regulatory Commission as a reference for the evaluation.
- The EAD is measured at current exposure method. Besides, off-balance sheet credit business also converts using credit conversion factor regulated in the Capital of Commercial Banks (for Trial Implementation) published by China Banking Regulatory Commission.

iii. Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the financial assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

<b>Category</b>	<b>Description</b>
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by counterparty type

i) Loan portfolio

The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default (PD) and loss given default (LGD) were built using the Bank's historical delinquent information and recovery data and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

ii) Bond portfolio

The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is based on three main parameters: Probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iii) Cash equivalents, deposits and interbank lending

The segmentation of Indovina Bank's cash equivalents due from and call loans to banks is based on its counterparty type. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default is calculated using Sovereign PD. The loss given default is determined by the foundation approach in Basel II. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

iv. CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic including product category and counterparty type as follows:

<b>Category</b>	<b>Description</b>
Loan	Grouped by product characteristics, industry and counterparty type
Credit card	Grouped by product characteristics

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

e) Write-off policy

In cases of overdue credit, if any of the following situations occur, the estimated recoverable portion should be deducted and then transferred to non-performing loans:

- i. The debtor is dissolved, absconded, settled, declared bankrupt, or for other reasons, resulting in the total or partial unrecoverability of the debt.
- ii. The collateral and the assets of the primary and secondary debtors have been appraised at a very low value or, after deducting the priority mortgage rights, it is impossible to recover, or the execution costs are close to or may exceed the recoverable amount by Cathay United Bank, rendering the execution futile.
- iii. The collateral and the assets of the primary and secondary debtors have been auctioned multiple times at reduced prices without any buyers, and Cathay United Bank have also failed to acquire any beneficial interest.
- iv. Overdue loans and collections overdue for more than two years, which remain uncollected after collection efforts.

Cathay United Bank may still be engaged in ongoing recovery activities for written-off financial assets, including overdue loans and collections, and continues to pursue legal proceedings in accordance with relevant policies.

f) Consideration of forward-looking information

Cathay United Bank

Cathay United Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by Cathay United Bank in 2023 are as follows:

<b>Credit Category</b>	<b>Probability of Default (PD)</b>
Enterprise loan	Proportion of revenue less expenditures from government to GDP % Nominal GDP %
Consumer loan	GDP per capita Unemployment rate % Price index
Credit card	Price index

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing banking industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank in 2023 include but are not limited to gross domestic product (GDP) published by the National Bureau of Statistics of China and other government authorities, consumer price index (CPI), producer price index (PPI) and supply of currency, etc.

### Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The macroeconomic factors selected by Indovina Bank for the forward-looking adjustments in 2023 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

### CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2023 are as follows:

<b>Segment</b>	<b>Selected Factors</b>
Loans	Change of GDP (%) Change of volume of imports (%) Total external debt as percent of GDP (%) Change in reserves
Credit card	Current account balance as percent of GDP (%) Total general government expenditure

The valuation techniques or significant assumptions used by the Cathay United Bank and its subsidiaries for assessing the expected credit losses have no significant change for the year ended December 31, 2023.

#### g) Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

##### i. Category of credit asset

The credit risk of Cathay United Bank are classified into five categories. Normal credit assets are classified as "Category One". The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time the asset is overdue. Assets that require special mention are classified as "Category Two", assets that are substandard are classified as "Category Three", assets that are doubtful are classified as "Category Four", and assets for which there is loss are classified as "Category Five". For managing the default credits, the Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

ii. Grade of credit quality

The Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients' relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and make necessary revision to the parameters to optimize the results.

With respect to consumer credit assets such as housing mortgages, credit cards, and small-scale credit loans, the Bank also evaluates default risk of clients by using the rating model developed by the Bank.

To ensure the reasonableness of the estimated values of the credit rating system's design, process, and relevant risk factors, Cathay United Bank executes the relevant verification and tests the model according to the actual default regularly so that the calculated results will be close to actual default.

Cathay United Bank evaluates the counterparties' credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

iii. Hedge of credit risk and easing policy

i) Collateral

Cathay United Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collateral. To ensure the creditor's rights, Cathay United Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; Cathay United Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, 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-based securities and other similar financial instruments are secured by an asset pool of financial instruments.

ii) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, Cathay United Bank limits the credit amounts of single counterparties and groups; Cathay United Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, Cathay United Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

iii) Net settlement agreement

Cathay United Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, the 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	
	December 31, 2023	December 31, 2022
Irrevocable loan commitments	\$ 174,872,790	\$ 167,371,093
Credit card commitments	780,378,572	805,391,737
Unused commercial letters of credit	7,473,158	6,869,348
Guarantees on duties and contracts	18,835,713	19,613,957

ii) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2023	December 31, 2022
Financial guarantee contracts	\$ 1,157,447	\$ 1,308,628
Unused commercial letters of credit	524,797	387,030

iii) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2023	December 31, 2022
Financial guarantee contracts	\$ 16,628	\$ 19,684
Credit card commitments	352,725	330,599
Irrevocable loan commitments	219,358	268,441

iv) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2023	December 31, 2022
Financial guarantee contracts	\$ 266,732	\$ 289,824
Unused commercial letters of credit	196,114	573,635
Irrevocable loan commitments	271,323	262,406



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, the 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 the Company uses stricter rating procedures when extending credits and conducts reviews regularly.

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

December 31, 2023

	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 2,231,297,751	\$ 69,398,181	\$ 18,783,183	\$ -	\$ 2,319,479,115
Less: Allowance impairment	(4,208,728)	(3,254,669)	(7,222,828)	-	(14,686,225)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(24,221,823)	(24,221,823)
	<u>\$ 2,227,089,023</u>	<u>\$ 66,143,512</u>	<u>\$ 11,560,355</u>	<u>\$ (24,221,823)</u>	<u>\$ 2,280,571,067</u>

	Receivables				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 115,276,076	\$ 1,856,377	\$ 2,155,129	\$ -	\$ 119,287,582
Less: Allowance impairment	(565,354)	(393,971)	(1,730,384)	-	(2,689,709)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(57,255)	(57,255)
	<u>\$ 114,710,722</u>	<u>\$ 1,462,406</u>	<u>\$ 424,745</u>	<u>\$ (57,255)</u>	<u>\$ 116,540,618</u>

December 31, 2022

	Discounts and Loans				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 1,996,179,020	\$ 66,527,131	\$ 17,394,606	\$ -	\$ 2,080,100,757
Less: Allowance impairment	(3,408,785)	(2,480,491)	(6,433,892)	-	(12,323,168)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(22,695,132)	(22,695,132)
	<u>\$ 1,992,770,235</u>	<u>\$ 64,046,640</u>	<u>\$ 10,960,714</u>	<u>\$ (22,695,132)</u>	<u>\$ 2,045,082,457</u>

	Receivables				Total
	Stage 1	Stage 2	Stage 3	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses		
Total carrying amount	\$ 118,271,889	\$ 1,880,551	\$ 2,003,379	\$ -	\$ 122,155,819
Less: Allowance impairment	(506,839)	(360,011)	(1,591,166)	-	(2,458,016)
Less: Difference from impairment charged in accordance with regulations	-	-	-	(58,994)	(58,994)
	<u>\$ 117,765,050</u>	<u>\$ 1,520,540</u>	<u>\$ 412,213</u>	<u>\$ (58,994)</u>	<u>\$ 119,638,809</u>

v. Credit concentration risk of Cathay United Bank and its subsidiaries

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of Cathay United Bank and its subsidiaries derives from the assets, liabilities and off-balance-sheet items, and arises from performing obligations or engaging in transactions of cross-line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. Cathay United Bank and its subsidiaries does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to Cathay United Bank and its subsidiaries' total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of Cathay United Bank and its subsidiaries according to industry and geographic region is listed below:

Industry Type	December 31			
	2023		2022	
	Amount	%	Amount	%
Manufacturing	\$ 205,649,922	8.78	\$ 180,834,137	8.60
Financial institutions and insurance	101,379,845	4.33	88,601,202	4.21
Leasing and real estate	228,379,255	9.75	206,214,278	9.80
Individuals	1,500,439,286	64.07	1,326,538,540	63.07
Others	<u>306,092,565</u>	<u>13.07</u>	<u>301,179,305</u>	<u>14.32</u>
	<u>\$ 2,341,940,873</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>

Geographic Region	December 31			
	2023		2022	
	Amount	%	Amount	%
Domestic	\$ 2,057,589,878	87.86	\$ 1,824,223,790	86.73
Asia	225,881,867	9.64	225,080,654	10.70
America	41,933,105	1.79	39,009,043	1.85
Others	<u>16,536,023</u>	<u>0.71</u>	<u>15,053,975</u>	<u>0.72</u>
	<u>\$ 2,341,940,873</u>	<u>100.00</u>	<u>\$ 2,103,367,462</u>	<u>100.00</u>

2) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk means the possible losses arising from the failure of Cathay United Bank to obtain funds at a reasonable price within a reasonable time to cover the increase in assets or repay matured liabilities.

b) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of Cathay United Bank and its subsidiaries is to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and Cathay United Bank and its subsidiaries adopt the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks. Cathay United Bank and its subsidiaries have set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

c) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities.

i. Financial assets held to manage liquidity risk

Cathay United Bank and its subsidiaries holds highly marketable and diverse financial assets to meet payment obligations, i.e., assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortized cost, discounts and loans, and securities purchased under resell agreements.

ii. Maturity analysis of non-derivative financial liabilities of Cathay United Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2023				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 40,467,947	\$ 28,002,343	\$ 30,033,933	\$ 829,245	\$ 99,333,468
Non-derivative financial liabilities at FVTPL	-	-	610,807	39,648,150	40,258,957
Notes and Bonds sold under repurchase agreements	8,662,306	1,009,618	-	7,853,418	17,525,342
Payables	25,444,637	3,875,097	46,958	543,586	29,910,278
Deposits and remittances	636,004,859	1,465,878,993	1,208,481,287	131,109,766	3,441,474,905
Financial debentures payable	-	14,563,066	-	12,865,620	27,428,686
Lease liabilities	137,548	493,459	502,076	2,120,575	3,253,658
Other capital outflow at maturity	25,858,441	35,035,011	2,256,610	897,997	64,048,059

  

	December 31, 2022				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 26,294,815	\$ 24,698,838	\$ 29,836,399	\$ 33,136	\$ 80,863,188
Non-derivative financial liabilities at FVTPL	93,455	-	516,815	39,613,320	40,223,590
Notes and Bonds sold under repurchase agreements	19,238,256	8,399,398	-	-	27,637,654
Payables	23,033,030	3,674,958	58,834	496,028	27,262,850
Deposits and remittances	509,020,050	1,238,894,551	1,259,165,792	149,088,303	3,156,168,696
Financial debentures payable	-	10,493,264	-	27,100,000	37,593,264
Lease liabilities	129,360	547,937	675,597	1,783,493	3,136,387
Other capital outflow at maturity	20,809,680	27,951,203	4,986,616	534,345	54,281,844

Additional information about the maturity analysis for lease liabilities:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Less than 1 year	\$ 1,133,083	\$ 1,352,894
1-5 years	1,715,536	1,537,290
5-10 years	<u>405,039</u>	<u>246,203</u>
	<u>\$ 3,253,658</u>	<u>\$ 3,136,387</u>

iii. Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: non-delivery forwards and cash-settled exchange options.
- ii) Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	<b>December 31, 2023</b>				
	<b>0-30 Days</b>	<b>31-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 15,911	\$ 11,396	\$ 9,263	\$ -	\$ 36,570
Interest rate derivative instruments	<u>150,411</u>	<u>2,026,363</u>	<u>2,154,834</u>	<u>24,143,098</u>	<u>28,474,706</u>
	<u>\$ 166,322</u>	<u>\$ 2,037,759</u>	<u>\$ 2,164,097</u>	<u>\$ 24,143,098</u>	<u>\$ 28,511,276</u>
	<b>December 31, 2022</b>				
	<b>0-30 Days</b>	<b>31-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments	\$ 141,969	\$ 10,196	\$ 6,961	\$ 48	\$ 159,174
Interest rate derivative instruments	<u>41,516</u>	<u>1,906,874</u>	<u>543,514</u>	<u>27,585,335</u>	<u>30,077,239</u>
	<u>\$ 183,485</u>	<u>\$ 1,917,070</u>	<u>\$ 550,475</u>	<u>\$ 27,585,383</u>	<u>\$ 30,236,413</u>

Gross settled derivative financial instruments engaged by Cathay United Bank include:

- i) Foreign exchange derivative instruments: forwards, swaps and total return exchange options.
- ii) Interest rate derivative instruments: Cross currency CCS.

The table below shows Cathay United Bank's gross settled derivative instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and part of the disclosed amounts are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	December 31, 2023				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL					
Foreign exchange derivative instruments					
Cash outflow	\$ (414,572,102)	\$ (444,892,193)	\$ (40,418,411)	\$ (6,388,153)	\$ (906,270,859)
Cash inflow	406,725,701	435,318,902	40,097,255	6,380,659	888,522,517
Interest rate derivative instruments					
Cash outflow	(1,536,750)	(122,404)	(4,634,554)	(7,131,402)	(13,425,110)
Cash inflow	1,390,250	119,419	4,462,141	6,927,048	12,898,858
Cash outflow subtotal	(416,108,852)	(445,014,597)	(45,052,965)	(13,519,555)	(919,695,969)
Cash inflow subtotal	408,115,951	435,438,321	44,559,396	13,307,707	901,421,375
Net cash flow	<u>\$ (7,992,901)</u>	<u>\$ (9,576,276)</u>	<u>\$ (493,569)</u>	<u>\$ (211,848)</u>	<u>\$ (18,274,594)</u>
December 31, 2022					
	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	\$ (324,842,748)	\$ (501,385,923)	\$ (106,664,116)	\$ (11,172,117)	\$ (944,064,904)
Cash inflow	316,664,323	487,806,235	104,373,667	10,794,877	919,639,102
Interest rate derivative instruments					
Cash outflow	(2,474,451)	(5,469,504)	(9,945,031)	(3,674,320)	(21,563,306)
Cash inflow	2,250,080	5,068,272	9,090,580	3,422,140	19,831,072
Cash outflow subtotal	(327,317,199)	(506,855,427)	(116,609,147)	(14,846,437)	(965,628,210)
Cash inflow subtotal	318,914,403	492,874,507	113,464,247	14,217,017	939,470,174
Net cash flow	<u>\$ (8,402,796)</u>	<u>\$ (13,980,920)</u>	<u>\$ (3,144,900)</u>	<u>\$ (629,420)</u>	<u>\$ (26,158,036)</u>

iv. Maturity analysis of off-balance sheet items

- i) Irrevocable commitments: Include Cathay United Bank's irrevocable loan commitments and credit card commitments.
- ii) Financial guarantee contracts: Cathay United Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

December 31, 2023

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 136,394,665	\$ 32,014,131	\$ 6,463,994	\$ 174,872,790
Credit card commitments	202,422,445	230,536,858	347,419,269	780,378,572
Financial guarantee contracts	20,878,211	5,427,238	3,422	26,308,871

December 31, 2022

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	\$ 134,435,530	\$ 23,859,560	\$ 9,076,003	\$ 167,371,093
Credit card commitments	50,692,716	205,458,267	549,240,754	805,391,737
Financial guarantee contracts	21,216,584	5,225,513	41,208	26,483,305

### 3) Market risk

#### a) Source and definition of market risk

Market risk is the potential gain or loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

Cathay United Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine Cathay United Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing, and uses medium and long term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of Cathay United Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

#### b) Market risk management strategy and process

##### Market risk management process

##### i. Identification and measurement

The operations department and risk management department of Cathay United Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instrument, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., are used to measure the extent of investment portfolio loss that is influenced by market risk factors.

##### ii. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. Cathay United Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, the relevant measures will be implemented immediately. If it meets special circumstance, the transaction department should document the responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

#### c) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Portfolio is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

##### i. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, Cathay United Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

ii. Policy and procedure

Cathay United Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding the trading portfolio.

iii. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent source and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

iv. Method of measurement

i) The assumptions and calculation method are described in the VaR section.

ii) Cathay United Bank executes the stress testing monthly based on the following scenarios: The fluctuation of interest rate at 150bp, changes in domestic and foreign equity securities price at 15% and 20% respectively, foreign exchange rate at 5%, and reports to the risk management committee regularly.

d) Interest risk management of trading book

i. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

ii. Interest risk management procedure of trading book

Cathay United Bank prudently chooses its investment target by studying the credibility 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 interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to Cathay United Bank’s capital and earnings.

i. Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and Cathay United Bank and its subsidiaries should pay attention to risk diversification.

ii. Management procedure

Cathay United Bank and its subsidiaries have established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

iii. Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint ( $\Delta NII$ ) analysis, and economic value viewpoint ( $\Delta EVE$ ) analysis. Cathay United Bank and its subsidiaries adopt appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

f) Foreign exchange risk management

i. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. Cathay United Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc. Cathay United Bank's foreign exchange transactions are implemented daily to offset clients' positions. Thus, Cathay United Bank is not exposed to significant foreign exchange risk.

ii. Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, Cathay United Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, Cathay United Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR are described in the VaR section.

For foreign exchange risk, Cathay United Bank sets the scenario at 5% fluctuation of foreign exchange rates of major currencies to execute the stress testing quarterly, and reports to the risk management committee.

g) Risk management of equity securities price

i. Definition of risk of equity securities price

The market risk of equity securities held by Cathay United Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

ii. Purpose of risk management of equity securities price

The purpose is 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 market risk in addition to the country, industries and companies. The above limitations are approved by the board of directors. Once the transaction reaches its stop-loss limitation, a response will be implemented immediately. In special circumstances, the transaction department should document the reason plan, report to the executive management for approval and report to the board of directors regularly.

iv. Measurement method

The risk of equity securities price in trading book is mainly controlled by VaR.

h) Value-at-risk of the trading books

Value-at-risk (VaR) is Cathay United Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. Cathay United Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

<b>December 31, 2023</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 475,212	\$ 740,017	\$ 267,725	\$ 633,802
Foreign exchange	132,858	262,458	24,287	24,287
Equity securities price	142,206	218,808	64,876	198,309

<b>December 31, 2022</b>				
<b>Factors of Market Risk</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Ending</b>
Interest rate	\$ 252,904	\$ 292,247	\$ 215,547	\$ 267,725
Foreign exchange	154,112	227,124	84,253	149,695
Equity securities price	159,701	365,415	61,215	69,494

Cathay United Bank transacts derivative contracts within the allowed market risk limit. The objectives in trading derivative instruments are to meet customers' hedging and trading needs or to manage Cathay United Bank's exposure to risks and to generate revenues through trading activities.

i) Market risk stress testing

The stress testing is used to measure the maximum loss of risk asset portfolio under the worst-case scenario. Cathay United Bank takes into consideration various types of risk factors during stress testing and the results will be reported to the executive management.

<b>Stress Testing</b>			
<b>Market/Product</b>	<b>Scenarios</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Stock market	Domestic stock exchanges + 15%	\$ 1,688,630	\$ 524,137
	Domestic stock exchanges -15%	(1,688,630)	(524,137)
	Foreign stock exchanges + 20%	-	39,238
	Foreign stock exchanges - 20%	-	(39,238)
Interest rate/ bond market	Major interest rate +150bp	(3,727,660)	(2,596,593)
	Major interest rate -150bp	1,328,162	1,408,178
Foreign exchange market	Major currencies +5%	327,284	277,947
	Major currencies -5 %	(327,284)	(277,947)

The information of stress testing is defined by market risk management.

j) Market risk sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivative portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. Cathay United Bank’s interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, forward rate agreements and interest rate collars.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

iii. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% in the underlying stock prices fluctuation. Cathay United Bank’s equity portfolios include stocks and equity index options.

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>December 31, 2023</b>	
		<b>Sensitivity of Profit or Loss</b>	<b>Sensitivity of Equity</b>
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 65,457	\$ -
	Exchange rate of each currency - 1%	(65,457)	-

(Continued)

Risk Factors	Changes (+/-)	December 31, 2023	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	\$ (24,851)	\$ -
	Yield curves parallel shift - 1bp	8,854	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	13,517	99,058
	Equity securities price - 1%	(13,517)	(99,058)
(Concluded)			

Risk Factors	Changes (+/-)	December 31, 2022	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 55,589	\$ -
	Exchange rate of each currency - 1%	(55,589)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(17,311)	-
	Yield curves parallel shift - 1bp	9,388	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	1,564	35,340
	Equity securities price - 1%	(1,564)	(35,340)

Note: The information of sensitivity analysis is defined by market risk management

k) Effect of interest rate benchmark reform

Cathay United Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, when existing contracts and agreements that reference USD LIBOR transfer to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with Cathay United Bank’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

Cathay United Bank established a USD LIBOR transition project plan to handle risk management policies changes, internal processes adjustments, IT systems updates and valuation models adjustments, as well as to manage any related tax and accounting issues in accordance with interest rate benchmark reform. By the end of, 2023, changes required to IT systems and internal processes have been identified and have completed the transition of benchmark interest rates for LIBOR derivatives and non-derivative financial assets and liabilities.

### Cathay Century and its subsidiaries

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

#### 1) Source of market risk

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

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

##### a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors 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 whether the event would result in losses to the current investment portfolio in the event.

ii) Hypothetical scenario

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

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

**Table of Stress Testing**

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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

- Foreign currency risk

Cathay Century and its subsidiaries has foreign currency-denominated assets and liabilities, which expose Cathay Century and its subsidiaries to foreign currency risk.

- Price risk

Cathay Century and its subsidiaries was exposed to equity price risk through its investments in listed shares and beneficiary certificates.

- Sensitivity analysis

**Summary of Sensitivity Analysis**

<b>For the Year Ended December 31, 2023</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Foreign currency risk sensitivity	USD appreciates 1%	\$ 28,917	\$ 6,622
	CNY appreciates 1%	696	-
	HKD appreciates 1%	4	230
	EUR appreciates 1%	8	-
	VND appreciates 1%	-	7,008

(Continued)

<b>For the Year Ended December 31, 2023</b>			
<b>Risk Factors</b>	<b>Variation (+/-)</b>	<b>Effect on Profit and Loss</b>	<b>Effect on Equity</b>
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	\$ (4,778)	\$ -
	Yield curve (CNY): Upward parallel shift by 1bp	(22)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(2,358)	(810)
Equity securities price sensitivity	Increases 1% in equity price	-	103,486
			(Concluded)

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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

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

Note 4: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

## 2) Credit risk

- a) Cathay Century and its subsidiaries' credit risk exposure of financial transactions include issuer credit risk, counterparty credit risk and credit risk of underlying assets.
  - i. Issuer's credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.

- ii. Counterparty credit risk is the risk that Cathay Century and its subsidiaries may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.
- iii. Credit risk of the underlying assets is the risk that Cathay Century and its subsidiaries may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Credit concentration risk analysis

- i. Regional distribution of maximum risk exposure for Cathay Century and its subsidiaries' financial assets:

December 31, 2023

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

December 31, 2022

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

c) Determinants for whether the credit risk has increased significantly since initial recognition

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

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

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

- i. Quantitative factor: When contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

- ii. Qualitative factors: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
    - i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.
    - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
    - iii) The collaterals of the borrowers are seized provisionally or enforced.
    - iv) The borrowers claim for a change of credit conditions due to financial difficulties.
  - iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Century and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.
- e) Measurement of expected credit losses
- i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Century and its subsidiaries multiply exposure at default by the 12-month and lifetime probability of default of issuers, guarantee agencies or borrowers and loss given default. Cathay Century and its subsidiaries also consider the effect of the time value of money to calculate the 12-month and lifetime expected credit losses, respectively.

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

- ii. Consideration of forward-looking information

Cathay Century and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.



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

i. Financial assets of Cathay Century and its subsidiaries

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

Note: Investment grade assets refer to those with credit 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

	December 31, 2023					
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	\$ 124,832	\$ -	\$ -	\$ -	\$ (1,755)	\$ 123,077
<b>December 31, 2022</b>						
	Stage 1		Stage 2		Stage 3	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	\$ 139,828	\$ -	\$ -	\$ -	\$ (1,884)	\$ 137,944

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, 2023	\$ 34	\$ -	\$ -	\$ -	\$ 34
Changes in models/ risk parameters	8	-	-	-	8
December 31, 2023	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>
January 1, 2022	\$ 19	\$ -	\$ -	\$ -	\$ 19
Changes in models/ risk parameters	15	-	-	-	15
December 31, 2022	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>

ii. Financial assets at amortized cost

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

iii. Secured loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses				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	Total of Impairment Charged in Accordance with IFRS 9		
January 1, 2023	\$ 70	\$ -	\$ -	\$ -	\$ 70	\$ 1,814	\$ 1,884
Changes in model/risk parameters	(57)	-	-	-	(57)	-	(57)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>(72)</u>
December 31, 2023	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 1,742</u>	<u>\$ 1,755</u>
January 1, 2022	\$ 43	\$ -	\$ -	\$ -	\$ 43	\$ 2,415	\$ 2,458
Changes in model/risk parameters	27	-	-	-	27	-	27
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(601)</u>	<u>(601)</u>
December 31, 2022	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 1,814</u>	<u>\$ 1,884</u>

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

h) Exposure to credit risk and loss allowance of receivables

Cathay Century and its subsidiaries apply the simplified approach to providing for expected credit loss prescribed by IFRS 9, are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under a simplified approach is as follows:

December 31, 2023	Due	Overdue	Total
Carrying amount	\$ 2,071,170	\$ 844,584	\$ 2,915,754
Expected credit loss rate	1.01%	2.12%	
Lifetime expected credit losses	\$ 20,955	\$ 17,919	\$ 38,874

<b>December 31, 2022</b>	<b>Due</b>	<b>Overdue</b>	<b>Total</b>
Carrying amount	\$ 1,595,293	\$ 647,179	\$ 2,242,472
Expected credit loss rate	1.04%	8.05%	
Lifetime expected credit losses	\$ 16,578	\$ 52,077	\$ 68,655

### 3) Liquidity risk

#### a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as funding liquidity risk and market liquidity risk. Funding liquidity risk represents the default risk that Cathay Century and its subsidiaries is unable to turn assets into cash or obtain sufficient funds to meet matured obligations. Market liquidity risk represents the risk of significant changes in fair value that Cathay Century faces when it sells or offsets its assets during market disorder.

#### b) Liquidity risk management

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

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

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

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

#### December 31, 2023

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

#### December 31, 2022

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

## Cathay Securities and its subsidiaries

### 1) Risk management system

#### a) Risk management objectives

Adhering to the risk management policies of the Company, Cathay Securities and its subsidiaries manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

#### b) Risk management policies

Cathay Securities and its subsidiaries comply with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of Cathay Securities and its subsidiaries cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, Cathay Securities and its subsidiaries identify relevant risks and have integrated planning of risk management mechanism and methods to ensure that such business is compliant with the management policies.

#### c) Risk management organization

##### i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk and monitors the effective implementation of risk management policies.

##### ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors takes chair of the committee, and the members include the general manager, department supervisor, director for compliance matters, information security officer, finance supervisor, accounting manager, risk management supervisor, and strategic planning supervisor. The meetings of the committee are typically held quarterly and provisional meetings are called by the chairman of the board.

##### iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of Cathay Securities and its subsidiaries.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures periodically to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department regularly.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department monthly.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflow for Cathay Securities and its subsidiaries includes risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in Cathay Securities and its subsidiaries' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

Cathay Securities and its subsidiaries set up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implement those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, Cathay Securities and its subsidiaries provide the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk back-testing model and perform stress testing by each extreme scenario to control the risks that Cathay Securities and its subsidiaries face and manage all risks as a whole efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by Cathay Securities and its subsidiaries as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

Cathay Securities and its subsidiaries check and review the credit position of each counterparty before trading and manage risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody's, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the Company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

Cathay Securities and its subsidiaries establish authority levels and the segregation of duties for the processes of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. Cathay Securities and its subsidiaries request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports periodically to lower the loss arising from the operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to Cathay Securities and its subsidiaries' acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and Cathay Securities and its subsidiaries compile 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 compile the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of Cathay Securities and its subsidiaries' operations, leading to the loss of customers or revenue, and the need for Cathay Securities and its subsidiaries to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors and changes in industry.

## ii) Controls

In response to significant events related to reputation and strategy risk, Cathay Securities and its subsidiaries establish internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. Cathay Securities and its subsidiaries also establish the constraints for each risk and review the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee and board of directors of Cathay Securities and its subsidiaries, and risk management office of the Company every half year to assess risk tolerance and the appropriateness of the current risk management scheme.

## e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for Cathay Securities and its subsidiaries refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing, report to the risk management department and be approved by general manager.

Cathay Securities and its subsidiaries establish the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator (including e-mail) in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures and report to the responsible supervisor for approval based on authorized decision-making powers.

## 2) Market risk

Cathay Securities and its subsidiaries assess, monitor, and manage market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

### a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of Cathay Securities and its subsidiaries. The degree of risk exposure is monitored and measured by the sensitivities of interest and commodity factors.

#### i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.



ii. Measurement based on commodity factors

- i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.
- ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.
- iii) Vega: Denoting the change in the value of a position given a 1% price volatility change of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. Cathay Securities and its subsidiaries currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	<b>December 31, 2023</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 57,816	\$ 84,867	\$ 37,782	\$ 61,939
	<b>December 31, 2022</b>			
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>End of Period</b>
VaR	\$ 26,328	\$ 39,680	\$ 14,383	\$ 37,440

c) Stress testing

Cathay Securities and its subsidiaries perform stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events, find the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which are performed periodically by taking rapid changes in foreign and domestic financial environments into consideration, and the maximum losses arising from these scenarios are measured to ensure that Cathay Securities and its subsidiaries manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

Cathay Securities and its subsidiaries assess the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into the consideration of the immediate, significant, and comprehensive impact on financial markets.

ii. Hypothesis Scenario

Cathay Securities and its subsidiaries make reasonable expected hypotheses on possible future extreme market fluctuations, include movements of the related risk factors in the current investment portfolio, and measure the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

**For the Year Ended December 31, 2023  
Stress Test Table**

(In Thousands of New Taiwan Dollars)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (247,887)
Interest rate risk (yield curve)	+50bps	(217,076)
Exchange rate risk (exchange rate)	3%	(10,826)
Product risk (price)	-10%	(72)

**For the Year Ended December 31, 2022  
Stress Test Table**

(In Thousands of New Taiwan Dollars)

Risk Factor	Changes (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	\$ (188,484)
Interest rate risk (yield curve)	+50bps	(105,313)
Exchange rate risk (exchange rate)	3%	108
Product risk (price)	-10%	-

3) Credit risk

a) Source of credit risk

Credit risk refers to the credit risk that Cathay Securities and its subsidiaries may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

- i. Issuer credit risk refers to the risk of financial loss that Cathay Securities and its subsidiaries may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.
- ii. Counterparty credit risk is the risk of financial loss that Cathay Securities and its subsidiaries may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.
- iii. Underlying asset credit risk refers to the risk of loss that Cathay Securities and its subsidiaries may encounter when the credit quality of the target financial instrument turns weak, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose Cathay Securities and its subsidiaries to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and resale of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

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

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

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

- i. Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:
    - i) The issuers, guarantee institutions or counterparties have entered bankruptcy or are probable to close, undergo financial reorganization, file bankruptcy, dissolve or have a significant impact on the entity's ability to continue.
    - ii) The borrowers fail to make interest or principal payments based on original terms and conditions.
  - ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by Cathay Securities and its subsidiaries, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.
- d) Measurement of expected credit losses
    - i. Methods and assumptions adopted

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

To measure expected credit losses, Cathay Securities and its subsidiaries multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and counterparties and loss given default. Cathay Securities and its subsidiaries also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a counterparty defaults. Loss given default is the loss rate that results from the default of issuers, guarantee agencies and counterparties. Loss given default used by Cathay Securities and its subsidiaries in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (i.e., gross domestic product and economic growth rate) after adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

Cathay Securities and its subsidiaries take forward-looking information into consideration while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Receivables	Other Receivables	Overdue Receivables	Securities Financing Receivables	Security Lending Receivables	Futures Trading Margin Receivables	Total
Balance at								
January 1, 2023	\$ 2,784	\$ 190	\$ 23	\$ 5,784	\$ 294	\$ 80	\$ 74	\$ 9,229
Increase	2,859	382	11	1,592	149	71	-	5,064
Recoveries of credits written off	-	-	-	84	-	-	-	84
Written off	-	-	-	(1,949)	-	-	-	(1,949)
Balance at								
December 31, 2023	<u>\$ 5,643</u>	<u>\$ 572</u>	<u>\$ 34</u>	<u>\$ 5,511</u>	<u>\$ 443</u>	<u>\$ 151</u>	<u>\$ 74</u>	<u>\$ 12,428</u>
Balance at								
January 1, 2022	\$ 342	\$ 378	\$ 18	\$ 3,747	\$ 646	\$ 81	\$ 74	\$ 5,286
Increase (decrease)	2,442	(188)	5	2,226	(352)	(1)	-	4,132
Recoveries of credits written off	-	-	-	185	-	-	-	185
Written off	-	-	-	(374)	-	-	-	(374)
Balance at								
December 31, 2022	<u>\$ 2,784</u>	<u>\$ 190</u>	<u>\$ 23</u>	<u>\$ 5,784</u>	<u>\$ 294</u>	<u>\$ 80</u>	<u>\$ 74</u>	<u>\$ 9,229</u>

4) Capital liquidity risk analysis:

Bank loans are important liquidity resource for Cathay Securities and its subsidiaries. As of December 31, 2023 and 2022, the unused credits of short-term bank loans of Cathay Securities and its subsidiaries amounted to \$7,445,886 thousand and \$9,173,021 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.

**December 31, 2023**

**Cash Flows Analysis of Financial Liabilities**

	Payment Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial liabilities</u>					
Short-term borrowings	\$ 322,988	\$ -	\$ -	\$ -	\$ 322,988
Commercial paper payable	7,128,247	-	-	-	7,128,247
Financial liabilities at FVTPL	860,708	-	-	-	860,708
Liabilities for bonds with repurchase agreements	7,439,234	-	-	-	7,439,234
Short sale margins and payables for short sale collateral received	152,455	304,910	457,365	1,829,465	2,744,195
Securities lending margin - deposit received	693	1,386	2,079	8,315	12,473
Futures trader's equity	11,894,720	-	-	-	11,894,720
Customer rights of special account and sub-account	45,512	-	-	-	45,512
Accounts payable	21,385,562	636,340	237,520	401,790	22,661,212
Other financial liabilities	271,026	-	-	-	271,026
Lease liabilities	8,726	16,626	22,970	35,569	83,891
Others	<u>375,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,805</u>
Total	<u>\$ 49,885,676</u>	<u>\$ 959,262</u>	<u>\$ 719,934</u>	<u>\$ 2,275,139</u>	<u>\$ 53,840,011</u>
% to the total	<u>92.65%</u>	<u>1.78%</u>	<u>1.34%</u>	<u>4.23%</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, 2023**

**Cash Flow Gap**

	Fund Receipt Period				Total
	Less than 1 Month	1 to 3 Months	3 to 6 Months	More than 6 Months	
<u>Financial assets</u>					
Cash and cash equivalents	\$ 2,579,555	\$ -	\$ -	\$ -	\$ 2,579,555
Financial assets at FVTPL	-	-	-	-	-
Operation securities	5,014,817	-	-	-	5,014,817
Open-end funds and beneficiary certificates	51,844	-	-	-	51,844
Futures trading margin	177,930	-	-	-	177,930
Structured products	3,299	812	-	-	4,111
Financial assets at FVTOCI - current	7,888,104	-	-	-	7,888,104
Securities financing receivables	717,305	1,420,342	2,130,513	8,522,060	12,790,220
Refinancing margin and refinancing deposits receivable	3,632	7,264	10,896	43,591	65,383
Security lending receivable	250,720	501,440	752,159	-	1,504,319
Customer's margin accounts	11,915,201	-	-	-	11,915,201
Security lending deposits price and security lending margin deposits paid	438	876	1,314	5,252	7,880
Receivables	21,084,623	-	-	89,795	21,174,418
Others	<u>1,119,266</u>	<u>-</u>	<u>-</u>	<u>1,577,787</u>	<u>2,697,053</u>
	<u>50,806,734</u>	<u>1,930,734</u>	<u>2,894,882</u>	<u>10,238,485</u>	<u>65,870,835</u>
Residual cash	<u>\$ 921,058</u>	<u>\$ 971,472</u>	<u>\$ 2,174,948</u>	<u>\$ 7,963,346</u>	<u>\$ 12,030,824</u>

December 31, 2022

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	\$ 733,178	\$ -	\$ -	\$ -	\$ 733,178
Financial liabilities at FVTPL	1,202,232	647	-	-	1,202,879
Liabilities for bonds with repurchase agreements	3,991,622	-	-	-	3,991,622
Short sale margins and payables for short sale collateral received	236,338	472,676	709,014	2,836,062	4,254,090
Securities lending margin - deposit received	566	1,132	1,698	6,800	10,196
Futures trader's equity	14,121,660	-	-	-	14,121,660
Accounts payable	11,777,015	-	196,410	571,367	12,544,792
Other financial liabilities	25,157	-	-	-	25,157
Lease liabilities	7,509	15,241	20,926	37,875	81,551
Others	1,036,595	-	-	-	1,036,595
Total	<u>\$ 33,131,872</u>	<u>\$ 489,696</u>	<u>\$ 928,048</u>	<u>\$ 3,452,104</u>	<u>\$ 38,001,720</u>
% to the total	<u>87.19%</u>	<u>1.29%</u>	<u>2.44%</u>	<u>9.08%</u>	<u>100%</u>

Short-term borrowings and repurchase bonds are fund procurement instruments of Cathay Securities and its subsidiaries with maturities within three months.

December 31, 2022

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	\$ 3,207,478	\$ -	\$ -	\$ -	\$ 3,207,478
Financial assets at FVTPL					
Securities lending	14,250	-	-	-	14,250
Operation securities	2,323,599	-	-	-	2,323,599
Open-end funds and beneficiary certificates	1,653,645	-	-	-	1,653,645
Futures trading margin	159,636	-	-	-	159,636
Structured products	159	-	-	-	159
Financial assets at FVTOCI - current	4,021,487	-	-	-	4,021,487
Securities financing receivables	376,847	740,404	1,110,606	4,442,419	6,670,276
Refinancing margin and refinancing deposits receivable	2,873	5,746	8,619	34,480	51,718
Security lending receivable	132,946	265,892	398,836	-	797,674
Customer's margin accounts	14,143,696	-	-	-	14,143,696
Security lending deposits price and security lending margin deposits paid	85,267	170,534	255,801	1,023,198	1,534,800
Receivables	11,054,636	-	-	44,491	11,099,127
Others	1,455,722	1,463	2,195	1,255,491	2,714,871
	<u>38,632,241</u>	<u>1,184,039</u>	<u>1,776,057</u>	<u>6,800,079</u>	<u>48,392,416</u>
Residual cash	<u>\$ 5,500,369</u>	<u>\$ 694,343</u>	<u>\$ 848,009</u>	<u>\$ 3,347,975</u>	<u>\$ 10,390,696</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 December 31, 2023 and 2022, Cathay Life and its subsidiaries both provided loans amounting to GBP331,300 thousand in both years, as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

Cathay Life and its subsidiaries

- a) Cathay Life and its subsidiaries 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 December 31, 2023 and 2022, the carrying amounts of Cathay Life and its subsidiaries' assets related to its interests in unconsolidated structured entities are disclosed as follows:

	<u>December 31, 2023</u>	
	<u>Private Equity Funds</u>	<u>Asset-backed Securities</u>
Financial assets at FVTPL	\$ 203,524,086	\$ 25,601,733
Financial assets at FVTOCI	-	43,354,338
Debt instruments at amortized cost	-	167,183,734
	<u>\$ 203,524,086</u>	<u>\$ 236,139,805</u>

	<b>December 31, 2022</b>	
	<b>Private Equity Funds</b>	<b>Asset-backed Securities</b>
Financial assets at FVTPL	\$ 202,700,255	\$ 30,603,875
Financial assets at FVTOCI	-	36,131,806
Debt instruments at amortized cost	-	<u>160,118,682</u>
	<u>\$ 202,700,255</u>	<u>\$ 226,854,363</u>

Cathay United Bank and its subsidiaries

- a) Cathay United Bank and its subsidiaries do not provide financial support or other support to the unconsolidated structured entities. Cathay United Bank and its subsidiaries' maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets Cathay United Bank and its subsidiaries recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Securitization vehicle	Investment in securitization vehicles to receive returns	Investment in asset-backed securities issued by the entity

- b) As of December 31, 2023 and 2022, the carrying amounts of assets recognized by Cathay United Bank and its subsidiaries' asset relating to its interests in unconsolidated structured entities are disclosed as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Financial assets at FVTOCI	\$ 18,546,743	\$ 7,052,947
Debt instruments at amortized cost	<u>70,736,135</u>	<u>64,589,746</u>
	<u>\$ 89,282,878</u>	<u>\$ 71,642,693</u>

Cathay Century and its subsidiaries

- a) Cathay Century and its subsidiaries does not provide financial support or other support to the unconsolidated structured entities. Cathay Century and its subsidiaries' maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets recognized by Cathay Century and its subsidiaries. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset-backed securities	Investment in asset-backed securities to receive returns	Investment in asset-backed securities issued by the entity



- b) As of December 31, 2023 and 2022, the carrying amounts of assets recognized by Cathay Century relating to its interests in unconsolidated structured entities are disclosed as follows:

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

### 38. CAPITAL MANAGEMENT

The Group's capital adequacy ratios meet the statutory requirements currently. Under the pretext that the Group meets the statutory capital adequacy requirements, dynamic capital management mechanism is utilized to increase the capital efficiency of the subsidiaries. After reallocation of capital, the subsidiaries' capabilities of risk-taking are not affected due to lower level of retained core capital. Accordingly, the Company conducts overall planning based on the status of the subsidiaries' capital in order to improve the capital efficiency of the Group.

- a. Capital adequacy ratio of the Group

Item	Shareholding Proportion of the Company	<u>December 31, 2023</u>	
		Eligible Capital	Statutory Capital Requirements
The Company	100%	\$ 786,524,329	\$ 937,490,859
Cathay United Bank	100%	323,802,267	214,715,319
Cathay Securities	100%	12,143,580	3,304,280
Cathay Life	100%	732,635,429	453,007,274
Cathay Century	100%	13,801,435	7,871,092
Cathay Venture	75%	5,005,976	2,524,700
Cathay Securities Investment Trust	100%	4,238,361	2,702,474
Less: Deduction items		<u>(984,855,694)</u>	<u>(931,191,764)</u>
		<u>\$ 893,295,683</u>	<u>\$ 690,424,234</u>
Capital adequacy ratio of the Group			129.38%

Item	December 31, 2022		
	Shareholding Proportion of the Company	Eligible Capital	Statutory Capital Requirements
The Company	100%	\$ 598,506,595	\$ 735,471,177
Cathay United Bank	100%	289,995,650	198,045,076
Cathay Securities	100%	10,337,606	2,437,299
Cathay Life	100%	636,354,819	402,166,250
Cathay Century	100%	12,305,548	6,674,084
Cathay Venture	75%	4,642,412	2,711,141
Cathay Securities Investment Trust	100%	3,928,472	2,485,579
Less: Deduction items		<u>(768,502,076)</u>	<u>(730,397,334)</u>
		<u>\$ 787,569,026</u>	<u>\$ 619,593,272</u>

Capital adequacy ratio of the Group 127.11%

b. Eligible capital

Item	December 31, 2023
	Amount
Ordinary shares	\$ 146,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	202,793,453
Legal reserve	72,994,637
Special reserve	378,461,911
Retained earnings	50,240,458
Equity adjustments	(78,460,876)
Less: Goodwill and other intangible assets	(574)
Less: Deferred assets	(1,529,782)
Less: Treasury stock	-
Total eligible capital	<u>\$ 786,524,329</u>

Item	December 31, 2022
	Amount
Ordinary shares	\$ 146,692,102
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates - qualifying as bank-level Tier I Capital	15,333,000
Other preferred stock and subordinated financial debentures	-
Capital received in advance	-
Capital surplus	215,318,047
Legal reserve	73,747,059

(Continued)

<b>Item</b>	<b>December 31, 2022</b>
	<b>Amount</b>
Special reserve	150,768,651
Retained earnings	230,331,762
Equity adjustments	(233,350,281)
Less: Goodwill and other intangible assets	-
Less: Deferred assets	(333,745)
Less: Treasury stock	-
	<hr/>
Total eligible capital	<u>\$ 598,506,595</u>
	(Concluded)

### 39. BUSINESS COMBINATIONS-SUBSIDIARIES ACQUIRED

#### a. Subsidiaries acquired

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Cathay Power Inc. and its subsidiaries	Energy technical services	November 25, 2022	70.0	<u>\$ 982,162</u>
Chen Fong Power Co., Ltd.	Energy technical services and power of machinery manufacturing generation, transmission, and distribution	December 28, 2022	100.0	<u>\$ 31,000</u>
Pearlmark and its subsidiaries	Real estate investment management	March 28, 2023	55.5	<u>\$ 241,453</u>

Cathay Life held 45% equity shares of Cathay Power, which were recognized as investments accounted for using the equity method. On November 25, 2022, Cathay Life acquired a further part of equity shares, which increased its ownership interest from 45% to 70%, and obtained the controls of Cathay Power and its subsidiaries.

On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for \$31,000 thousand in cash.

On March 28, 2023, C&C acquired 55.5% of Pearlmark shares in cash and obtained the control of Pearlmark and its subsidiaries.

b. Assets acquired and liabilities assumed at the date of acquisition

	<b>Cathay Power and Its Subsidiaries</b>	<b>Chen Fong Power</b>	<b>Pearlmark and Its Subsidiaries</b>
Assets			
Cash and cash equivalents	\$ 583,406	\$ 13,798	\$ 3,167
Receivables	172,852	-	-
Property and equipment	9,860,540	-	1,362
Right-of-use assets	639,514	-	-
Intangible assets	3,799	-	158,056
Investments accounted for using the equity method	18,790	-	-
Other	1,578,044	16,536	53,609
Liabilities			
Payables	(372,242)	(295)	-
Notes payable	(187,190)	-	-
Lease liabilities	(655,651)	-	-
Other financial liabilities	(7,348,409)	-	-
Other	<u>(83,534)</u>	<u>-</u>	<u>(43,646)</u>
	<u>\$ 4,209,919</u>	<u>\$ 30,039</u>	<u>\$ 172,548</u>

c. Non-controlling interests

The non-controlling interest recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	<b>Cathay Power and Its Subsidiaries</b>	<b>Chen Fong Power</b>	<b>Pearlmark and Its Subsidiaries</b>
Consideration Transferred	\$ 982,162	\$ 31,000	\$ 241,453
Plus: Non-controlling interests	1,505,676	-	76,784
Plus: Fair value of the group original equity interest at the date of acquisition	<u>2,240,700</u>	<u>-</u>	<u>-</u>
	4,728,538	31,000	318,237
Less: Fair value of identifiable net assets acquired	<u>(4,209,919)</u>	<u>(30,039)</u>	<u>(172,548)</u>
Goodwill recognized on acquisitions	<u>\$ 518,619</u>	<u>\$ 961</u>	<u>\$ 145,689</u>

The goodwill recognized in the acquisition of Cathay Power and its subsidiaries, Chen Feng Power and Pearlmark and its subsidiaries mainly represents the control premium. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	<b>Cathay Power and Its Subsidiaries</b>	<b>Chen Fong Power</b>	<b>Pearlmark and Its Subsidiaries</b>
Consideration paid in cash	\$ 982,162	\$ 31,000	\$ 241,453
Less: Cash and cash equivalent balances acquired	<u>(583,406)</u>	<u>(13,798)</u>	<u>(3,167)</u>
	<u>\$ 398,756</u>	<u>\$ 17,202</u>	<u>\$ 238,286</u>

f. Impact of acquisitions on the results of the Group

Since the acquisition dates the financial performances acquirees, which are included in the consolidated financial statement, do not have significant impact to the Group.

#### 40. DISPOSAL OF SUBSIDIARIES

CM Energy signed an agreement to dispose of Chen Fong Power on May 2, 2023 and lost control over the subsidiary.

a. Consideration received from disposal

	<b>Chen Fong Power</b>
Cash and cash equivalents	<u>\$ 31,000</u>

b. Analysis of assets and liabilities on the date control lost

	<b>Chen Fong Power</b>
Assets	
Cash	\$ 256
Property and equipment	1,097
Goodwill	961
Guarantee deposits paid	62,979
Other	35,845
Liabilities	
Payables	<u>(70,536)</u>
	<u>\$ 30,602</u>

c. Gain on disposal of subsidiary

	<b>Chen Fong Power</b>
Consideration received	\$ 31,000
Net assets on disposal	<u>(30,602)</u>
Disposal of benefits	<u>\$ 398</u>

d. Net cash inflow from disposal of subsidiary

	<b>Chen Fong Power</b>
Consideration received in cash	\$ 31,000
Less: Cash balance on disposal	<u>(256)</u>
	<u>\$ 30,744</u>

#### 41. 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, except for the following paragraph, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

Cathay Century and its subsidiaries

Written premiums of the insurance products the Cathay Century and its subsidiaries issued for COVID-19 amounted to \$0 thousand and \$567,332 thousand, respectively, and the claims and payments were \$10,714,643 thousand and \$21,681,650 thousand, respectively, for the years ended December 31, 2023 and 2022.

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

The Cathay Century and its subsidiaries evaluated the economic impact resulting from COVID-19. In 2022, the Cathay Century and its subsidiaries performed the stress tests to evaluate the losses resulting from issuing insurance products for COVID-19 by stimulations of epidemic developments. Since the capital adequacy ratio under certain scenarios of stress tests was lower than the required level, the Cathay Century and its subsidiaries was approved by the FSC to increase its capital in cash by \$10,000,000 thousand and \$10,000,000 thousand on June 10, 2022 and December 13, 2022, respectively, with the record date of June 24, 2022 and December 28, 2022, and completed the change of registration on July 5, 2022 and February 3, 2023, respectively.

b. Significant assets and liabilities denominated in foreign currencies

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

	<b>December 31, 2023</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 173,579,027	30.7350	\$ 5,334,951,395
AUD	9,021,451	21.0012	189,461,297
Non-monetary items			
USD	11,255,785	30.7350	345,946,552
<u>Financial liabilities</u>			
Monetary items			
USD	26,136,216	30.7350	803,296,599
	<b>December 31, 2022</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,574,415	30.7080	\$ 5,053,751,136
AUD	8,386,171	20.8262	174,652,074
Non-monetary items			
USD	11,462,813	30.7080	352,000,062
<u>Financial liabilities</u>			
Monetary items			
USD	24,142,488	30.7080	741,367,522

It is not possible to disclose foreign exchange gains (losses) of monetary financial instruments by each significant foreign currency due to the variety of the foreign currencies of the Group. The foreign currency exchange gains for the years ended December 31, 2023 and 2022 were gain on \$4,002,174 thousand and \$301,166,569 thousand, respectively.

c. Information on discretionary investments

1) Cathay Life and its subsidiaries

- a) As of December 31, 2023 and 2022, Cathay Life entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic shares	\$ 174,433,694	\$ 142,343,483
Overseas shares	55,935,334	39,134,811
Notes and bonds purchased under resale agreements	7,914,000	2,260,000
Cash in banks	19,848,409	18,202,638
Beneficiary certificates	113,354	346,459
Futures and options	<u>47</u>	<u>217,004</u>
	<u>\$ 258,244,838</u>	<u>\$ 202,504,395</u>

The carrying amounts of the financial assets held under discretionary securities investment trust enterprises are equal to their fair values.

- b) As of December 31, 2023 and 2022, the discretionary investments limits are as follows (in thousands of each currency):

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
NTD	\$ 122,948,000	\$ 43,079,839
USD	375,400	396,300

2) Cathay Century and its subsidiaries

Cathay Century enters into contracts with securities investment trust companies or consulting companies for discretionary investment management. The investment details are disclosed as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic shares	\$ 2,245,254	\$ 1,345,603
Cash in banks	593,738	794,743
Future margins	<u>38,437</u>	<u>38,272</u>
	<u>\$ 2,877,429</u>	<u>\$ 2,178,618</u>

The fair values of Cathay Century and its subsidiaries' financial assets of discretionary account management contracts are as the same as their carrying amounts.

As of December 31, 2023 and 2022, Cathay Century and its subsidiaries entered into discretionary management contracts with investment limits 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		December 31, 2023					December 31, 2022					
Item		Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 351,596	\$ 417,319,682	0.08%	\$ 2,226,855	633.36%	\$ 202,628	\$ 362,477,214	0.06%	\$ 2,066,060	1019.63%	
	Unsecured	256,523	354,592,441	0.07%	10,923,436	4258.26%	213,726	321,503,794	0.07%	9,536,652	4462.09%	
Consumer banking	Housing mortgage (Note 4)		511,314	561,454,493	0.09%	8,872,209	1735.18%	261,954	537,259,813	0.05%	8,362,419	3192.32%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		617,034	142,052,519	0.43%	6,350,300	1029.17%	332,382	135,356,408	0.25%	5,074,001	1526.56%
	Other (Note 6)	Secured	758,802	701,084,992	0.11%	7,500,658	988.49%	472,542	612,557,071	0.08%	7,069,223	1496.00%
Unsecured		24,097	55,400,843	0.04%	735,340	3051.54%	26,712	25,180,026	0.11%	350,285	1311.35%	
Total Loan		\$ 2,519,366	\$ 2,231,904,970	0.11%	\$ 36,608,798	1453.10%	\$ 1,509,944	\$ 1,994,334,326	0.08%	\$ 32,458,640	2149.66%	
		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		\$ 197,516	\$ 95,453,456	0.21%	\$ 2,423,613	1227.05%	\$ 110,659	\$ 98,759,035	0.11%	\$ 2,194,012	1982.68%	
Accounts receivable factored without recourse (Note 7)		-	2,695,574	-	42,668	-	-	4,523,885	-	45,687	-	

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.  
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.  
Coverage ratio of credit card receivables: Allowance for credit losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494, accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Not reported as nonperforming loans or nonperforming receivables

Type	Items	December 31, 2023		December 31, 2022	
		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)	\$ 322	\$ 15,247	\$ 672	\$ 24,228
	Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	147,370	1,016,657	117,647	1,101,341
	Total	\$ 147,692	\$ 1,031,904	\$ 118,319	\$ 1,125,569

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, %)

December 31, 2023			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 24,761,050	9.11
2	Group B - packaging and testing of semi-conductors	17,226,054	6.33
3	Group C - manufacture of computers	12,171,333	4.48
4	Group D - aluminum casting industry	10,000,000	3.68
5	Group E - convenience store chain	8,096,142	2.98
6	Group F - real estate development activities	7,919,540	2.91
7	Group G - real estate lease activities	7,154,000	2.63
8	Group H - real estate development activities	6,982,857	2.57
9	Group I - manufacture of computers	6,385,530	2.35
10	Group J - other holdings	6,208,578	2.28

December 31, 2022			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 24,871,373	10.46
2	Group B - manufacture of computers	11,951,585	5.03
3	Group C - real estate lease activities	6,688,000	2.81
4	Group D - manufacture of computers	6,682,966	2.81
5	Group E - real estate development activities	6,678,900	2.81
6	Group F - aluminum casting industry	6,000,000	2.52
7	Group G - wired telecommunications industry	5,832,124	2.45
8	Group H - real estate development activities	5,380,257	2.26
9	Group I - manufacture of computers	5,030,605	2.12
10	Group J - other holdings	4,250,693	1.79

3) Information on interest rate sensitivity

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,555,384,283	\$ 46,005,367	\$ 93,540,923	\$ 166,381,743	\$ 2,861,312,316
Interest rate-sensitive liabilities	209,611,134	1,966,210,900	313,789,044	54,815,646	2,544,426,724
Interest rate-sensitive gap	2,345,773,149	(1,920,205,533)	(220,248,121)	111,566,097	316,885,592
Net worth					271,931,243
Ratio of interest rate-sensitive assets to liabilities					112.45%
Ratio of interest rate sensitivity gap to net worth					116.53%

**December 31, 2022**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,317,133,829	\$ 48,638,662	\$ 146,349,593	\$ 149,035,769	\$ 2,661,157,853
Interest rate-sensitive liabilities	184,758,528	1,850,755,542	281,073,767	67,059,704	2,383,647,541
Interest rate-sensitive gap	2,132,375,301	(1,802,116,880)	(134,724,174)	81,976,065	277,510,312
Net worth					237,734,228
Ratio of interest rate-sensitive assets to liabilities					111.64 %
Ratio of interest rate sensitivity gap to net worth					116.73 %

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, %)

**December 31, 2023**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 11,681,053	\$ 2,509,636	\$ 1,926,256	\$ 9,924,929	\$ 26,041,874
Interest rate-sensitive liabilities	16,872,723	4,601,223	5,613,955	4,555,065	31,642,966
Interest rate-sensitive gap	(5,191,670)	(2,091,587)	(3,687,699)	5,369,864	(5,601,092)
Net worth					8,847,608
Ratio of interest rate-sensitive assets to liabilities					82.30%
Ratio of interest rate sensitivity gap to net worth					(63.31%)

**December 31, 2022**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,410,651	\$ 1,728,541	\$ 912,236	\$ 8,776,882	\$ 23,828,310
Interest rate-sensitive liabilities	15,504,653	4,287,079	5,490,219	5,533,033	30,814,984
Interest rate-sensitive gap	(3,094,002)	(2,558,538)	(4,577,983)	3,243,849	(6,986,674)
Net worth					7,741,769
Ratio of interest rate-sensitive assets to liabilities					77.33 %
Ratio of interest rate sensitivity gap to net worth					(90.25 %)

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)

December 31, 2023

	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	\$ 3,478,224,689	\$ 527,532,916	\$ 369,053,716	\$ 332,701,870	\$ 254,690,594	\$ 390,683,886	\$ 1,603,561,707
Main capital outflow on maturity	4,307,534,770	213,455,065	280,477,385	640,935,447	677,633,343	781,545,438	1,713,488,092
Gap	(829,310,081)	314,077,851	88,576,331	(308,233,577)	(422,942,749)	(390,861,552)	(109,926,385)

December 31, 2022

	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	\$ 3,427,100,716	\$ 493,947,489	\$ 357,472,895	\$ 399,922,375	\$ 290,172,438	\$ 459,769,160	\$ 1,425,816,359
Main capital outflow on maturity	4,126,929,540	274,755,910	227,848,929	620,704,006	604,177,127	753,511,191	1,645,932,377
Gap	(699,828,824)	219,191,579	129,623,966	(220,781,631)	(314,004,689)	(293,742,031)	(220,116,018)

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)

December 31, 2023

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 99,195,230	\$ 40,720,995	\$ 24,945,404	\$ 12,758,246	\$ 8,110,737	\$ 12,659,848
Main capital outflow on maturity	101,553,407	35,613,226	25,738,526	13,711,195	17,314,295	9,176,165
Gap	(2,358,177)	5,107,769	(793,122)	(952,949)	(9,203,558)	3,483,683

December 31, 2022

	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	\$ 90,902,217	\$ 30,135,120	\$ 23,226,426	\$ 15,171,143	\$ 11,018,366	\$ 11,351,162
Main capital outflow on maturity	94,818,479	26,469,765	23,748,428	15,681,219	19,004,002	9,915,065
Gap	(3,916,262)	3,665,355	(522,002)	(510,076)	(7,985,636)	1,436,097

Note: The above amounts included only U.S. dollar amounts held by Cathay United Bank.

e. Disclosures according to Article 46 of the Financial Holding Company Act

Ending balances of the transaction mentioned in Paragraph 2 of Article 46 of the Financial Holding Company Act, between all subsidiaries of a financial holding company and the same counterparties mentioned in Paragraph 1 of the same article.

December 31, 2023

Expressed in Thousands of New Taiwan Dollars; %

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
1) Same person		
Central Bank of the Republic of China (Taiwan)	\$ 444,965,305	56.46
United States Treasury Note/Bond	172,670,531	21.91
Taiwan Semiconductor Manufacturing Company Limited	117,433,884	14.90
Fannie Mae	111,425,331	14.14
Treasury bond/treasury bills	96,166,730	12.20
Fubon Asset Management Co., Ltd.	95,313,188	12.09
Freddie Mac	94,186,643	11.95
Capital Investment Trust Corporation	92,827,347	11.78
Ctbc Securities Co., Ltd.	80,387,892	10.20
Macquarie Investment Management Advisers	66,637,314	8.46
Yuanta Securities Investment Trust Co., Ltd.	61,029,410	7.74
Indonesia Government International Bond	60,381,804	7.66
Israel Government International Bond	57,921,331	7.35
KGI Securities Investment Trust Co., Ltd.	49,674,270	6.30
Qatar Government International Bond	48,357,224	6.14
Mexico Government International Bond	46,163,187	5.86
Barclays PLC	43,022,819	5.46
JPMorgan Chase & Co	42,810,461	5.43
Wells Fargo & Co	42,008,640	5.33
Fidelity Worldwide Investment	41,620,044	5.28
BNP Paribas	40,840,260	5.18
AT&T Inc	40,751,093	5.17
Goldman Sachs Group Inc	39,070,678	4.96
Mediatek Inc.	35,011,234	4.44
Ginnie Mae II Pool	34,912,784	4.43
Verizon Communications Inc	32,140,619	4.08
Uni-President Enterprises Corporation	30,180,320	3.83
Goldman Sachs Finance Corp International Ltd	29,331,140	3.72
Panama Government International Bond	29,115,023	3.69
Bank of America, N.A.	28,819,695	3.66
Chunghwa Telecom Co., Ltd.	27,815,434	3.53
Citigroup Inc	27,124,935	3.44
Fubon Financial Holding Co., Ltd.	26,678,282	3.39
Qatar Petroleum	26,368,520	3.35

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Societe Generale	\$ 26,151,242	3.32
Petronas Capital Ltd	26,066,041	3.31
Far Eastone Telecommunications Co., Ltd.	25,879,136	3.28
Bank of Montreal	25,566,407	3.24
Quanta Computer Inc.	25,427,168	3.23
Citigroup Global Markets Holdings Inc	24,961,394	3.17
Sinopec Group Overseas Development Ltd	24,067,436	3.05
Commonwealth Bank of Australia	23,757,902	3.01
Mega Financial Holding Co., Ltd.	23,570,184	2.99
Comcast Corp	23,116,114	2.93
Elevance Health Inc.	22,957,028	2.91
Hon Hai Precision Industry Co., Ltd.	22,455,006	2.85
National Australia Bank Ltd	22,345,179	2.84
Pertamina Pt	22,095,878	2.80
SG Issuer	22,045,592	2.80
London Clearing House	21,894,492	2.78
Taiwan Mobile Co., Ltd.	21,804,295	2.77
Alibaba Group Holding Ltd	21,474,550	2.72
Government National Mortgage Association	21,326,331	2.71
Morgan Stanley	20,964,418	2.66
Saudi Government International Bond	20,954,718	2.66
Tencent Holdings Ltd	20,781,720	2.64
Finance Bureau, Kaohsiung City Government	20,608,118	2.62
Merrill Lynch B.V.	20,500,430	2.60
UnitedHealth Group Inc	20,284,792	2.57
Saudi Arabian Oil Co	19,920,888	2.53
America Movil SAB De CV	19,881,350	2.52
Anheuser-Busch InBev Worldwide Inc	19,860,214	2.52
Russian Foreign Bond - Eurobond	19,565,621	2.48
Abu Dhabi Government International Bond	19,102,277	2.42
Credit Agricole Sa	19,044,571	2.42
Catcher Technology Co., Ltd	18,792,468	2.38
China Steel Corporation	18,738,833	2.38
CTBC Financial Holding Co., Ltd.	18,646,732	2.37
China Development Bank Corp	18,621,701	2.36
Lexington Partners L.P.	18,470,164	2.34
AbbVie Inc	18,228,702	2.31
Compal Electronics, Inc.	18,028,670	2.29
PT Perusahaan Listrik Negara (Persero)	17,683,511	2.24
E.Sun Commercial Bank, Ltd.	17,500,788	2.22
Reliance Industries Ltd	17,362,597	2.20
Republica Orient Uruguay	16,927,018	2.15
Standard Chartered Bank	16,741,233	2.12
Fomento Economico Mexicano SAB De CV	16,684,900	2.12

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
European Investment Bank	\$ 16,633,701	2.11
State of California	16,597,817	2.11
Bank of Taiwan	16,444,310	2.09
Fuh Hwa Securities Investment Trust Co., Ltd.	16,346,578	2.07
Amgen Inc	16,263,710	2.06
BPCE Sa	15,997,511	2.03
MDC-GMTN B.V.	15,853,828	2.01
Raytheon Technologies Corp	15,851,700	2.01
Asustek Computer Incorporation	15,848,533	2.01
CTBC Bank Co., Ltd.	15,485,499	1.96
Lloyds Bank Plc	15,224,691	1.93
IBM Corp	15,185,000	1.93
CVS Health Corp	15,119,142	1.92
Southern Copper Corp	14,918,114	1.89
Colombia Government International Bond	14,866,295	1.89
UBS Ag	14,774,072	1.87
Yuanta Financial Holding Co., Ltd.	14,722,793	1.87
Industrial & Commercial Bank of China	14,685,690	1.86
CNOOC Ltd	14,642,551	1.86
Cigna Corp	14,594,741	1.85
ASE Technology Holding Co., Ltd.	14,580,902	1.85
Cooperatieve Centrale Raiffeisen-Boerenleenbank Ba/Netherlands	14,457,618	1.83
Bristol-Myers Squibb Co	14,422,810	1.83
BlackRock Inc	14,312,497	1.82
Land Bank of Taiwan Co., Ltd.	14,282,711	1.81
Westpac Banking Corp	14,214,782	1.80
President Chain Store Corporation	13,736,484	1.74
T-Mobile Usa Inc	13,698,765	1.74
AIA Group Ltd	13,522,821	1.72
Dragon Steel Corporation	13,503,127	1.71
Sinopec Group Overseas Development 2018 Ltd	13,314,420	1.69
Nan Ya Plastics Corporation	13,207,132	1.68
Citic Limited	12,962,531	1.64
Abbott Laboratories	12,958,099	1.64
Amazon.com Inc	12,763,026	1.62
Australia Government Bond	12,746,242	1.62
Royal Bank of Canada	12,674,927	1.61
Chile Government International Bond	12,653,044	1.61
Prudential Financial Inc	12,601,414	1.60
Bank of China Ltd	12,598,929	1.60
Inventec Corporation	12,569,701	1.59
Hong Kong Government	12,518,043	1.59
United Microelectronics Corporation	12,503,840	1.59

(Continued)



Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Deutsche Bank Ag	\$ 12,417,305	1.58
Berkshire Hathaway Energy Co	12,386,883	1.57
Oracle Corp	12,383,472	1.57
Cnooc Petroleum Na Ulc	12,243,741	1.55
Taishin International Bank Co., Ltd.	12,107,954	1.54
Telefonica Emisiones Sau	12,043,589	1.53
Apple Inc	12,033,937	1.53
Taipei Fubon Commercial Bank Co., Ltd.	11,967,060	1.52
First Financial Holding Co., Ltd.	11,900,270	1.51
GIGA-BYTE Technology Co., Ltd.	11,620,421	1.47
Argricultural Bank of Taiwan Co., Ltd.	11,609,956	1.47
Mega International Commercial Bank Co., Ltd	11,595,764	1.47
Commonwealth Bank of Australia Sydney	11,437,760	1.45
Union Pacific Corp	11,413,351	1.45
LITE-ON Technology Corp.	11,370,460	1.44
WPG Holdings Limited	11,343,970	1.44
Hotai Finance Co., Ltd.	11,328,425	1.44
The Shanghai Commercial & Savings Bank, Ltd.	11,284,823	1.43
Phillips 66	11,238,066	1.43
Gilead Sciences Inc	11,218,713	1.42
Vodafone Group Plc	11,148,217	1.41
Intercontinental Exchange Inc	11,136,478	1.41
Walt Disney Co/The	11,113,120	1.41
Jpmorgan Chase Bank, N.A.	11,028,760	1.40
UBS Group Ag	10,981,184	1.39
Enel Finance International Nv	10,976,163	1.39
Grupo Televisa Sa	10,952,443	1.39
National Bank of Canada	10,788,207	1.37
Credit Suisse Ag	10,757,349	1.37
Sinopac Financial Holdings Co., Ltd.	10,742,390	1.36
TransCanada PipeLines Ltd	10,739,829	1.36
Chailease Finance Co., Ltd.	10,720,935	1.36
Micro-Star International Co., Ltd.	10,706,139	1.36
Realtek Semiconductor Corp.	10,669,579	1.35
Wistron Corporation	10,631,837	1.35
Hamilton Lane Advisors, L.L.C	10,525,155	1.34
Standard Chartered Bank Taiwan	10,250,853	1.30
Nvidia Corp	10,241,924	1.30
Strategic Partners Fund Solutions Advisors L.P	10,152,842	1.29
Australia And New Zealand Banking Group Ltd	9,963,624	1.26
Enbridge Inc	9,778,812	1.24
Taiwan Business Bank Co., Ltd.	9,752,937	1.24
Shinhan Bank	9,628,946	1.22
Enterprise Products Operating Llc	9,597,816	1.22
Philippine Government International Bond	9,583,866	1.22

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Sumitomo Mitsui Financial Group Inc	\$ 9,536,421	1.21
Microsoft Corp	9,482,332	1.20
BP Capital Markets America Inc	9,424,500	1.20
Merck & Co Inc	9,376,627	1.19
PepsiCo Inc	9,233,498	1.17
Shin Kong Investment Trust Co., Ltd.	9,181,019	1.16
Far Eastern New Century Corporation	9,172,814	1.16
HSBC Holdings Plc	9,168,019	1.16
Berkshire Hathaway Finance Corp	9,058,550	1.15
Synnex Technology International Corporation	9,058,187	1.15
Advanced Semiconductor Engineering, Inc.	9,007,989	1.14
Oaktree Capital Management, L.P.	8,876,268	1.13
Sumitomo Mitsui DS Asset Management Company	8,766,120	1.11
Consolidated Edison Co of New York Inc	8,686,055	1.10
HKT Capital No 1 Ltd	8,499,266	1.08
Brookfield Asset Management Inc	8,437,142	1.07
First Commercial Bank Co., Ltd.	8,408,044	1.07
TSMC Arizona Corp	8,399,165	1.07
State Grid Overseas Investment Ltd	8,355,380	1.06
Kazakhstan Government International Bond	8,354,337	1.06
Taiwan Cement Corp.	8,317,995	1.06
Shell International Finance Bv	8,184,896	1.04
Vanguard International Semiconductor Corporation	8,065,485	1.02
Rabobank Nederland	7,962,509	1.01
Burlington Northern Santa Fe Llc	7,930,952	1.01
Fu Yu Construction Co., Ltd.	7,919,540	1.00
Peruvian Government International Bond	7,843,240	1.00
Alexandria real estate equities inc	7,817,550	0.99
Republic of Korea	7,738,371	0.98
Corp Nacional Del Cobre De Chile	7,730,908	0.98
UAE International Government Bond	7,726,990	0.98
QNB Finance Ltd	7,701,821	0.98
Natwest Group Plc	7,582,339	0.96
Rogers Communications Inc	7,566,695	0.96
Dow Chemical Co	7,522,827	0.95
Altria Group Inc	7,472,592	0.95
Morgan Stanley Finance Llc	7,467,167	0.95
CSX Corp	7,448,801	0.95
Bank of America Corp	7,354,197	0.93
Deutsche Telekom Ag	7,257,663	0.92
Canadian Imperial Bank OF Commerce	7,247,767	0.92
Norfolk Southern Corp	7,204,299	0.91
Mercury Taiwan Holdings Limited	7,070,882	0.90
Humana Inc	7,050,435	0.89
Prosus NV	7,024,765	0.89

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Standard Chartered Bank London	\$ 6,988,281	0.89
Dr Pepper Snapple Group Inc	6,977,571	0.89
Bangkok Bank Public Company Limited.	6,952,985	0.88
Bell Canada	6,919,921	0.88
Pfizer Inc	6,900,337	0.88
Bay Area Toll Authority	6,874,051	0.87
Advanced Micro Devices, Inc.	6,849,352	0.87
Santander International Products Plc	6,849,120	0.87
Intel Corp	6,811,360	0.86
JPMorgan Liquidity Funds	6,761,700	0.86
Blackstone Real Estate Advisors L.P.	6,757,730	0.86
PacifiCorp	6,722,332	0.85
Hungary Government International Bond	6,717,260	0.85
Thoma Bravo, Llc	6,716,308	0.85
BBVA Global Markets Bv	6,677,005	0.85
BOC Aviation Limited	6,635,551	0.84
Unicredit Spa	6,601,578	0.84
Baillie Gifford Overseas Limited	6,558,063	0.83
PTT Treasury Center Co Ltd	6,544,177	0.83
Hong Kong Mortgage Corp	6,506,695	0.83
Taiwan Cooperative Bank Co., Ltd.	6,492,137	0.82
Port Authority of New York & New Jersey	6,444,699	0.82
Taishin Financial Holding Co., Ltd.	6,410,103	0.81
Landesbank Baden-Wuerttemberg	6,382,577	0.81
Kinder Morgan Inc/De	6,371,793	0.81
Macquarie Group Ltd	6,348,564	0.81
ConocoPhillips	6,268,372	0.80
Crown Castle Intl Corp	6,218,821	0.79
Banco Santander Sa	6,217,046	0.79
Unimicron Technology Corp.	6,184,280	0.78
Abu Dhabi National Energy Co	6,158,085	0.78
SinoPac Securities Investment Trust Co., Ltd.	6,145,376	0.78
Takeda Pharmaceutical Co Ltd	6,072,495	0.77
American Tower Corp	6,051,865	0.77
Credit Agricole Corporate & Investment Bank Sa	6,034,090	0.77
Siliconware Precision Industries Co., Ltd.	6,024,000	0.76
EQT Fund Management S.À R.L.	6,020,187	0.76
Hua Nan Commercial Bank Co., Ltd.	6,008,875	0.76
Fubon Life Insurance Co., Ltd.	5,998,717	0.76
Anheuser-Busch Inbev Finance Inc	5,962,296	0.76
Taiwan High Speed Rail Corporation	5,933,935	0.75
Mega Bills Finance Co., Ltd.	5,887,517	0.75
Exxon Mobil Corp	5,880,201	0.75
New South Wales Treasury Corp	5,879,623	0.75
Coca-Cola Co	5,870,809	0.74
Warnermedia Holdings Inc	5,862,698	0.74

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Delta Electronics, Inc.	\$ 5,859,606	0.74
Bank of Nova Scotia	5,846,333	0.74
Vivo Capital Llc	5,824,632	0.74
Comision Federal De Electricidad	5,804,383	0.74
Australia And New Zealand Banking Group Ltd Australia	5,787,552	0.73
Minera Mexico SA De CV	5,746,171	0.73
Nationwide Building Society	5,731,335	0.73
Boeing Co	5,727,994	0.73
Mitsubishi UFJ Financial Group Inc	5,723,832	0.73
Bayer US Finance Llc	5,684,842	0.72
China Overseas Land & Investment Ltd	5,681,590	0.72
Vietnam Government Bond	5,675,282	0.72
MetLife Inc	5,540,842	0.70
International Bills Finance Corporation	5,537,474	0.70
Grupo Bimbo SAB De CV	5,535,325	0.70
Treasury Corporation Of Victoria	5,519,943	0.70
Industrias Penoles SAB De CV	5,499,046	0.70
PayPal Holdings Inc	5,475,826	0.69
Southern Co	5,437,548	0.69
Indian Railway Finance Corp Ltd	5,430,481	0.69
China Government Bond	5,371,737	0.68
Regents of The University of California Medical Center Pooled Revenue	5,366,892	0.68
Macquarie Bank Ltd	5,363,969	0.68
Dallas/Fort Worth International Airport	5,342,843	0.68
Blackstone Management Partners L.L.C.	5,323,552	0.68
Halliburton Co	5,231,328	0.66
DowDuPont Inc	5,199,773	0.66
Largan Precision Co., Ltd.	5,174,699	0.66
TSMC Global Ltd	5,154,148	0.65
Queensland Treasury Corp	5,142,188	0.65
Insight Venture Management, Llc	5,129,770	0.65
Yunneng Wind Power Co., Ltd.	5,078,735	0.64
Yuanta Securities Co., Ltd	5,009,606	0.64
Visa Inc	5,004,614	0.64
Indofood Cbp Sukses Makmur Tbk Pt	4,990,226	0.63
Kraft Heinz Food Company	4,979,777	0.63
Pfizer Investment Enterprises Pte. Ltd.	4,979,385	0.63
Paramount Global	4,968,459	0.63
BHP Billiton Finance Usa Ltd	4,967,839	0.63
Capital Securities Corp.	4,904,244	0.62
Kroger Co	4,862,239	0.62
BBVA Bancomer Sa	4,830,008	0.61
Canadian Pacific Railway Ltd	4,809,584	0.61
Baidu Inc	4,799,751	0.61
American International Group Inc	4,786,221	0.61

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
National Retail Properties Inc	\$ 4,738,190	0.60
PCCW Capital No 5 Ltd	4,678,285	0.59
Nuveen Asset Management	4,656,360	0.59
Export-Import Bank of China	4,640,411	0.59
Freeport-McMoRan Copper & Gold Inc	4,634,109	0.59
Suncor Energy Inc	4,619,367	0.59
Coatue Management, L.L.C.	4,618,723	0.59
Italy Govt Int Bond	4,616,257	0.59
East Pride Group Limited	4,610,250	0.59
Keppel Corporation Limited	4,610,250	0.59
PIMCO Funds: Global Investors Series Plc	4,597,823	0.58
Srisawad Corporation Public Company Limited	4,594,803	0.58
Broadcom Inc	4,591,232	0.58
Toronto-Dominion Bank	4,573,195	0.58
Corp Andina De Fomento	4,542,364	0.58
Hartford financial services group inc	4,538,618	0.58
Sherwin-Williams Co	4,521,395	0.57
KGI Securities Co., Ltd.	4,479,860	0.57
Kasikornbank Plc/Hong Kong	4,477,424	0.57
JUT Land Development Company Limited	4,468,670	0.57
Astrazeneca PLC	4,413,111	0.56
Electricite De France	4,373,663	0.55
HSBC Investment Funds Limited	4,344,606	0.55
Elite Material Co., Ltd.	4,326,586	0.55
United Technologies Corp	4,323,384	0.55
Mega Securities Co., Ltd.	4,308,404	0.55
Canadian Natural Resources Ltd	4,303,247	0.55
France Government Bond OAT	4,292,010	0.54
HSBC Bank (Taiwan) Limited	4,286,985	0.54
SinoPac Securities Co., Ltd.	4,281,490	0.54
Lombard Odier Funds	4,262,152	0.54
San Miguel Corporation	4,241,430	0.54
ADCB Finance Cayman Ltd	4,215,893	0.53
Orsted Wind Power Tw Holding A/S	4,213,779	0.53
BAT Capital Corp	4,200,819	0.53
State Street Bank And Trust Company	4,196,214	0.53
Korea Development Bank	4,175,697	0.53
Vale Overseas Ltd	4,168,326	0.53
Deutsche Telekom International Finance Bv	4,164,544	0.53
Yuanta Futures Co., Ltd.	4,160,741	0.53
Allianz Global Investors Gmbh	4,157,582	0.53
Alphabet Inc	4,156,872	0.53
Moody's Corp	4,149,751	0.53
Intesa Sanpaolo Spa	4,142,949	0.53
China Cinda Asset Management Co Ltd	4,131,047	0.52

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
United Overseas Bank Ltd	\$ 4,114,291	0.52
Charter Communications Operating Llc	4,081,067	0.52
Banco De Chile	4,065,969	0.52
Nextera Energy Capital Holdings Inc	4,054,254	0.51
ONEOK Inc	4,044,952	0.51
Ecopetrol SA	4,040,783	0.51
Pttep Canada International Finance Ltd	4,027,900	0.51
Tyson Foods Inc	4,024,333	0.51
Total Capital International Sa	4,020,654	0.51
Yageo Corp.	4,011,809	0.51
Molson Coors Brewing Co	3,957,980	0.50
ABN Amro Bank	3,951,929	0.50
Nisource Finance Corp	3,938,958	0.50
Blackrock Global Funds - Asian High Yield Bond Fund	3,891,050	0.49
Carrier Global Corp	3,867,463	0.49
Sino-American Silicon Products Inc.	3,852,331	0.49
Asia Alternatives Management Llc	3,851,749	0.49
Kookmin Bank	3,851,088	0.49
Homeplus Digital Co., Ltd.	3,850,066	0.49
Fina Finance & Trading Co., Ltd.	3,838,412	0.49
Air Lease Corp	3,834,796	0.49
Infraestructura Energetica Nova SAB De CV	3,834,263	0.49
China Cinda 2020 I Management Ltd	3,828,274	0.49
Australia and New Zealand Banking Group Limited	3,825,891	0.49
Platinum Equity Advisors, Llc	3,819,648	0.48
Marsh & McLennan Cos Inc	3,813,017	0.48
Nea Management Company, Llc	3,791,291	0.48
Powertech Technology Inc.	3,730,255	0.47
ICG Alternative Investment Limited	3,691,882	0.47
IBF Securities Investment Consulting Co., Ltd.	3,670,000	0.47
BP Capital Markets PLC	3,667,652	0.47
Valero Energy Corp	3,663,596	0.46
Home Depot Inc	3,660,069	0.46
Orbimed Advisors LLC	3,653,329	0.46
Asia Vital Components Co., Ltd.	3,624,844	0.46
Eli Lilly & Co	3,601,573	0.46
MDGH GMTN RSC Ltd	3,590,021	0.46
Walmart, Inc	3,567,012	0.45
Dominion Energy Inc	3,566,190	0.45
Credit Agricole Cib, London	3,564,372	0.45
Sun Hung Kai Properties (Financial Services) Limited	3,540,581	0.45
Grand Parkway Transportation Corp	3,485,448	0.44
Accton Technology Corporation	3,452,821	0.44
Allstate Corp	3,452,718	0.44
E Ink Holdings Inc.	3,428,684	0.44

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Deutsche Bahn Finance Gmbh	\$ 3,427,863	0.43
Taiwan Power Company	3,421,201	0.43
Export-Import Bank of Korea	3,406,302	0.43
Newmont Corp	3,362,130	0.43
Fubon Securities Co., Ltd.	3,357,560	0.43
Yang○○	3,349,431	0.43
Banco de Credito del Peru	3,344,896	0.42
Yuen Foong Yu Paper Mfg. Co., Ltd.	3,315,646	0.42
Thaioil Treasury Center Co Ltd	3,284,701	0.42
Tripod Technology Corporation	3,283,368	0.42
Ares Capital Management LLC	3,276,891	0.42
MasterLink Securities Corporation	3,276,768	0.42
Pitango Venture Partners 2004 Ltd.	3,272,411	0.42
Blackstone Infrastructure Advisors L.L.C.	3,263,960	0.41
ING Groep Nv	3,261,293	0.41
KGI Bank Co., Ltd.	3,222,883	0.41
Grand Bills Finance Corporation	3,206,074	0.41
Hon Han Investment Co., Ltd.	3,205,482	0.41
CIC	3,199,599	0.41
Yuan Lih Constructions Co., Ltd.	3,198,163	0.41
General Motors Co	3,192,710	0.41
Corebridge Financial Inc	3,191,567	0.40
QUALCOMM Inc	3,190,702	0.40
Barrick North America Finance Llc	3,190,102	0.40
Yue Bow Enterprise Co., Ltd	3,182,000	0.40
ENI Spa	3,162,261	0.40
Becton Dickinson And Co	3,161,744	0.40
DBS Group Holdings Ltd	3,153,053	0.40
Pacific LifeCorp	3,150,875	0.40
Alchip Technologies, Inc	3,137,450	0.40
Entel Chile Sa	3,128,797	0.40
Barclays Bank Plc	3,122,591	0.40
Pttep Treasury Center Co	3,093,455	0.39
Manulife Financial Corp	3,085,491	0.39
Qtel International Finance Ltd	3,079,944	0.39
Chicago O'Hare International Airport	3,079,088	0.39
Japan Government	3,073,559	0.39
Mizuho Securities Co., Ltd.	3,073,500	0.39
Credit Suisse AG, London Branch	3,073,500	0.39
HSBC BANK PLC	3,073,500	0.39
Yuanta Commercial Bank Co., Ltd.	3,064,853	0.39
Zurich Finance Ireland Designated Activity Co	3,055,722	0.39
Foresite Capital Management, LLC	3,046,992	0.39
Banco De Bogota Sa	3,043,541	0.39
Nasdaq Inc	3,018,208	0.38

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Texas Instruments Inc	\$ 3,009,788	0.38
Mondelez International Inc	3,003,966	0.38
Temasek Financial I Ltd	3,003,616	0.38
2) Enterprises where the same natural person and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge		
Enterprises where Huang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	45,826,634	5.82
Enterprises where Liu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	22,464,712	2.85
Enterprises where Liang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	18,806,825	2.39
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	18,227,770	2.31
Enterprises where Hong and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	14,336,141	1.82
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	9,289,560	1.18
Enterprises where Yang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	7,174,510	0.91
Enterprises where He and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	6,024,001	0.76
Enterprises where Zhang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,276,789	0.54
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	4,040,877	0.51
Enterprises where Cheng and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,920,666	0.50
Enterprises where Fan and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,891,566	0.49
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,560,566	0.45

(Continued)



Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Enterprises where Ruan and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	\$ 3,511,232	0.45
Enterprises where Lee and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,461,075	0.44
Enterprises where Wang and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,442,877	0.44
Enterprises where Hsu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,424,069	0.43
Enterprises where Zhao and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,145,997	0.40
Enterprises where Chen and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,092,106	0.39
Enterprises where Xu and his/her spouse, blood relative within the second degree of kinship, oneself or his/her spouse is the person-in-charge	3,012,386	0.38
3) Affiliates with same juridical person		
Republic of China and its supervisory agency	564,690,153	71.65
United States of America and its supervisory agency	453,639,104	57.56
Fubon Group	168,667,574	21.40
Tsmc Group	139,801,187	17.74
Group of CTBC Financial Holdings	117,264,365	14.88
Capital Financial Group	100,371,429	12.74
Group of Yuanta Financial Holdings	91,449,383	11.60
Macquarie Group Ltd and its related parties	79,095,392	10.04
Goldman Sachs Group Inc and its related parties	69,967,935	8.88
JPMorgan Chase & Co and its related parties	67,206,406	8.53
China Development Group	62,966,550	7.99
Republic of Indonesia and its supervisory agency	60,407,131	7.67
Bank of America Corp and its related parties	58,123,680	7.38
Citigroup Inc and its related parties	54,652,856	6.94
Uni-President Group	52,936,695	6.72
United Mexican States and its supervisory agency	48,766,333	6.19
Societe Generale Sa and its related parties	48,233,478	6.12
The Far Eastern Group	48,067,656	6.10
Barclays Plc and its related parties	46,184,323	5.86
Ubs Group Ag and its related parties	45,949,747	5.83

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Group of Mega Financial Holdings	\$ 45,534,325	5.78
Fidelity and its related parties	44,539,025	5.65
Bnp Paribas Sa and its related parties	44,050,270	5.59
Wells Fargo & Co and its related parties	42,500,039	5.39
At&T Inc and its related parties	40,865,478	5.19
China Petrochemical Corp and its related parties	40,095,970	5.09
Berkshire Hathaway Inc and its related parties	38,531,085	4.89
Mediatek Group	35,782,106	4.54
Commonwealth Bank of Australia and its related parties	35,257,201	4.47
Standard Chartered Plc and its related parties	34,216,192	4.34
China Steel Group	33,137,638	4.20
Yuen Foong Yu Group	32,529,456	4.13
Credit Agricole Group and its related parties	32,244,093	4.09
ASE Technology Holding Group	32,089,527	4.07
Foxconn Technology Group	31,098,843	3.95
Morgan Stanley and its related parties	29,697,095	3.77
Australia and its supervisory agency	29,287,996	3.72
HSBC Holdings Plc and its related parties	28,890,773	3.67
CHT Group	28,286,570	3.59
China National Offshore Oil Corp and its related parties	26,886,292	3.41
Anheuser-Busch Inbev Sa/Nv and its related parties	26,450,368	3.36
Quanta Computer Group	25,582,072	3.25
Hon Tai Group	24,977,592	3.17
London Stock Exchange Group Plc and its related parties	24,512,306	3.11
Group of First Financial Holdings	23,994,566	3.04
Kingdom of Saudi Arabia and its supervisory agency	22,723,704	2.88
Group of Taishin Financial Holdings	22,564,012	2.86
Blackstone Group Inc and its related parties	21,794,097	2.77
Sumitomo Group and its related parties	21,371,070	2.71
Blackrock Inc and its related parties	20,710,004	2.63
Grupo Mexico Sab De Cv and its related parties	20,665,240	2.62
UMC Group	20,461,508	2.60
Australia & New Zealand Banking Group Ltd and its related parties	20,296,399	2.58
Kinpo Group	19,904,286	2.53
Bank of China Group	19,756,362	2.51
China Development Bank and its related parties	19,541,182	2.48
Mubadala Investment Co and its related parties	19,443,849	2.47
Emirate of Abu Dhabi United Arab Emirates and its related parties	19,238,605	2.44
Group of E.Sun Financial Holdings	18,588,533	2.36
Fomento Economico Mexicano Sab De Cv and its related parties	18,235,693	2.31
Groupe Bpce and its related parties	17,610,887	2.23
ASUS Group	17,087,418	2.17

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Royal Bank of Scotland Group Plc and its related parties	\$ 16,884,837	2.14
Chailease Holding Group	16,796,383	2.13
Banco Santander Sa and its related parties	16,381,519	2.08
Industrial & Commercial BOC and its related parties	16,069,142	2.04
Land Bank of Taiwan Group	16,053,044	2.04
Lloyds Banking Group Plc and its related parties	15,611,007	1.98
Deutsche Bank Ag and its related parties	14,620,196	1.86
Hotai Motor Group	14,538,113	1.84
Bp Plc and its related parties	14,412,719	1.83
Westpac Banking Corp and its related parties	14,276,363	1.81
Wistron Group	14,181,400	1.80
WPG Group	14,117,667	1.79
Shanghai Commercial & Savings Bank Ltd and its related parties	13,867,003	1.76
Nan Ya Plastics Group	13,780,824	1.75
T-Mobile Us Inc and its related parties	13,725,769	1.74
PTT Pcl and its related parties	13,666,356	1.73
Citic Group	13,589,606	1.72
Enel Spa and its related parties	13,548,912	1.72
Pccw Ltd and its related parties	13,177,551	1.67
Group of Shin Kong Financial Holdings	13,026,257	1.65
Royal Bank of Canada and its related parties	12,967,585	1.65
Dowdupont Inc and its related parties	12,722,600	1.61
Tacb Group	12,589,349	1.60
Pfizer Inc and its related parties	12,201,133	1.55
American Electric Power Co Inc and its related parties	12,174,157	1.54
Telefonica Sa and its related parties	12,051,848	1.53
Lite-On Technology Group	11,689,364	1.48
Banco Bilbao Vizcaya Argentaria Sa and its related parties	11,547,664	1.47
Deutsche Telekom Ag and its related parties	11,422,207	1.45
Phillips 66 and its related parties	11,267,872	1.43
Enterprise Products Partners Lp and its related parties	11,138,869	1.41
Transcanada Corp and its related parties	10,757,223	1.37
IBF Group	10,755,382	1.36
Duke Energy Corp and its related parties	10,501,277	1.33
Group of Hua Nan Financial Holdings	10,143,609	1.29
Shinhan Financial Group Co., Ltd. and its related parties	9,813,251	1.25
TCC Group	9,248,827	1.17
Mitac-Synnex Group	9,169,161	1.16
Mitsubishi Corporation Group	8,952,857	1.14
China Cinda Asset Management Co., Ltd. and its related parties	8,950,342	1.14
Consolidated Edison Inc and its related parties	8,714,224	1.11
CK Hutchison Holdings Ltd and its related parties	8,639,474	1.10

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Allianz Se and its related parties	\$ 8,570,980	1.09
Charter Communications Inc and its related parties	8,543,494	1.08
Brookfield Asset Management Inc and its related parties	8,451,634	1.07
Grupo Bimbo Sab De Cv and its related parties	8,411,906	1.07
Royal Dutch Shell Plc and its related parties	8,196,142	1.04
American International Group Inc and its related parties	7,977,788	1.01
Industrias Penoles Sab De Cv and its related parties	7,975,769	1.01
Baillie Gifford and its related parties	7,847,323	1.00
Southern Company Gas and its related parties	7,615,463	0.97
State Street Corp and its related parties	7,267,105	0.92
Bayer Ag and its related parties	7,197,504	0.91
Triumph Transcend Group	7,154,000	0.91
Dbx Group Holdings Ltd and its related parties	7,094,203	0.90
Naspers Ltd and its related parties	7,078,396	0.90
Oneok Inc and its related parties	7,000,272	0.89
JUT Group	6,982,857	0.89
ING Groep Nv and its related parties	6,912,437	0.88
Intesa Sanpaolo Spa and its related parties	6,907,652	0.88
Intel Corp and its related parties	6,825,925	0.87
Keppel Group	6,690,173	0.85
China State Construction Engineering and its related parties	6,580,310	0.83
Nextera Energy Inc and its related parties	6,560,685	0.83
Elite Material Group	6,335,307	0.80
Export-Import Bank of China and its related parties	6,266,247	0.80
Eqx Partners and its related parties	6,058,156	0.77
Walmart Inc and its related parties	5,952,736	0.76
Dominion Energy Inc and its related parties	5,918,277	0.75
Delta Electronics Group	5,874,668	0.75
Zurich Insurance Group Ag and its related parties	5,760,401	0.73
Exelon Corp and its related parties	5,732,295	0.73
China Network Group	5,706,101	0.72
British American Tobacco Plc and its related parties	5,512,281	0.70
Barrick Gold Corp and its related parties	5,495,919	0.70
AXA Sa and its related parties	5,473,525	0.69
San Miguel Group	5,427,045	0.69
Temasek Holdings Pte Ltd and its related parties	5,423,653	0.69
Sino-American Crystal Group	5,149,218	0.65
Bhp Group Ltd and its related parties	4,993,759	0.63
Kraft Heinz Co and its related parties	4,982,397	0.63
Pimco and its related parties	4,876,553	0.62
Credit Mutuel-Cm11 Group and its related parties	4,795,772	0.61
Vale Sa and its related parties	4,752,481	0.60
Republic of Italy and its supervisory agency	4,740,529	0.60
Evergreen Group	4,735,731	0.60
Asia Vital Components Group	4,661,960	0.59

(Continued)

Name	Total Balance	Total Balance to Financial Holding Company's Net Value (%)
Kasikornbank Pcl and its related parties	\$ 4,627,124	0.59
Nisource Inc and its related parties	4,557,289	0.58
Yageo Group	4,508,881	0.57
Fudu shin Group	4,432,140	0.56
Pitango Venture Partners and its related parties	4,398,819	0.56
Aercap Group	4,391,730	0.56
United Overseas Bank Ltd and its related parties	4,271,886	0.54
Total Sa and its related parties	4,268,108	0.54
Central Trading & Development Group	4,257,768	0.54
Intermediate Capital Group Plc and its related parties	4,120,454	0.52
Williams Cos Inc and its related parties	4,115,740	0.52
General Motors Co and its related parties	4,112,606	0.52
Hui Teng Group	4,080,057	0.52
Sun Hung Kai Properties Group	3,969,531	0.50
Ooredoo Qpsc and its related parties	3,967,612	0.50
Mizuho Financial Group Inc and its related parties	3,941,580	0.50
Sempra Energy and its related parties	3,905,531	0.50
Taiwan Broadband Communications Group	3,826,926	0.49
Newmont Mining Corp and its related parties	3,816,436	0.48
Kingston Group	3,730,750	0.47
Aon Plc and its related parties	3,714,334	0.47
Yulon Group	3,680,310	0.47
Woori Bank and its related parties	3,677,707	0.47
Formosa Chemicals & Fibre Group	3,615,344	0.46
Chow Tai Fook Group	3,589,756	0.46
TPG Capital and its related parties	3,549,138	0.45
CAPITALAND GROUP	3,506,752	0.44
Oil India Ltd and its related parties	3,495,907	0.44
KONGLIN Group	3,474,000	0.44
Eversource Energy and its related parties	3,461,800	0.44
Lien Jade Group	3,459,000	0.44
Ares Capital Co and its related parties	3,421,863	0.43
Formosa Petrochemical Group	3,391,884	0.43
County of Miami-Dade Fl Aviation and its related parties	3,367,584	0.43
Vingroup group	3,313,419	0.42
Thai Oil Pcl and its related parties	3,306,444	0.42
Bank of Communications Co., Ltd. and its related parties	3,272,211	0.42
InvesCo., Ltd. and its related parties	3,244,892	0.41
Ruentex Group	3,229,969	0.41
KELTI Group	3,136,638	0.40
The Vanguard Group	3,087,307	0.39

(Concluded)

## 42. 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	Table 4
2	Acquisition and disposal of real estate at prices over \$300 million or 10% of the paid-in capital	Table 2
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	Table 5
9	Endorsements/guarantees provided	Table 6
10	Marketable securities held as of December 31, 2023	Table 3 (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 7.
- d. The significant intercompany transactions among the Group are disclosed in Note 29 and Table 8.
- 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 9).

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$300 MILLION OR 10% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2023**

**(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 United Bank Co., Ltd	Subsidiary	\$ 4,257,690 (Note 1)	-	\$ -	-	\$ -	\$ -
Cathay Financial Holding Co., Ltd.	Cathay Securities Investment Trust	Subsidiary	443,047 (Note 1)	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	The Company	18,321,042 (Note 1)	-	-	-	-	-

Note 1: The ending balance mainly comprises receivables from integrated tax, etc.

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

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date (Note 1)	Transaction Amount (Note 2)	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 Puzhong Section, Zhongli Dist., Taoyuan City	2023.07.26	\$ 2,003,600	Payment by installment according to the contract	Taoyuan City Government	Non-related parties	-	-	-	\$ -	Valuation report of appraisers	Real estate investment	-
Cathay Life Insurance Co., Ltd.	Lot 2-1, New Station South Section, Wurih District, Taichung City, Taiwan	2023.10.27	3,305,366	Payment by installment according to the contract	Taichung City Government	Non-related parties	-	-	-	-	Valuation report of appraisers	Real estate investment	-

Note 1: The term of event date refers to earlier of the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors' resolutions, or any other date that can confirm the counterpart and monetary amount of the transaction.

Note 2: The transaction amount refers to the total contract price, excluding the land registration fee, transcript expense, scrivener expense and stamp duty.



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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(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	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Cathay Venture Inc.	<u>Beneficiary certificates</u>							
	Mega Diamond Money Market Fund	N/A	Financial assets at fair value through profit or loss	7,821	\$ 100,884	-	\$ 100,884	
	Taishin 1699 Money Market Fund	"	"	14,477	201,841	-	201,841	
	Cathay Taiwan Money Market Fund	"	"	7,932	101,233	-	101,233	
	<u>Shares</u>							
	Tien-Tai Management Consulting Co., Ltd.	Investee accounted for using the equity method	Investments accounted for using the equity method	141	3,267	28.20	3,267	
	Tiantai II Optoelectronics Co., Ltd.	"	"	9,780	131,538	32.28	131,538	
	Tien-Tai Optronics Corporation	"	"	10,125	135,232	33.64	135,232	
	CDIB BioScience Ventures I, Inc.	N/A	Financial assets at fair value through other comprehensive income	2,526	7,855	11.40	7,855	
	Harbinger Venture Capital	"	"	20	141	10.00	141	
	Harbinger Three Venture Capital	"	"	10	259	10.00	259	
	HSBC Venture Capital Co., Ltd.	"	"	140	6,954	5.13	6,954	
	Yu Ji Venture Capital Corporation	"	"	750	13,596	10.00	13,596	
	Hanyu Venture Capital Co., Ltd.	"	"	4,000	35,285	11.11	35,285	
	Grand Cathay Venture Capital II Co., Ltd.	"	"	2,000	27,281	2.50	27,281	
	Baodian Venture Capital Co., Ltd.	"	"	215	2,847	9.79	2,847	
	Harbinger Eight Venture Capital	"	"	10,000	99,303	7.71	99,303	
	Appworks Fund II Co., Ltd.	"	"	4,455	108,193	11.11	108,193	
	Appworks Fund III Co., Ltd.	"	"	16,770	157,339	5.83	157,339	
	Fulgent Sun International (Holding) Co., Ltd.	N/A	Financial assets at fair value through profit or loss	626	83,537	-	83,537	
	Hiroca Holdings Ltd.	"	"	439	18,837	-	18,837	
	Senhwa Biosciences, Inc.	"	"	615	31,304	-	31,304	
	Tanvex BioPharma, Inc.	"	"	417	27,145	-	27,145	
	Shane Global Holdings Inc.	"	"	3,700	255,279	3.35	255,279	
	Nan Pao Resins Chemical Co., Ltd.	"	"	323	90,849	-	90,849	
	Fusheng Precision Co., Ltd.	"	"	800	165,200	-	165,200	
Tot Biopharm Co., Ltd	"	"	6,909	53,546	-	53,546		
WW Holding Inc.	"	"	1,364	143,201	2.17	143,201		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	World Known MFG (Cayman) Limited	N/A	Financial assets at fair value through profit or loss	1,413	\$ 95,236	4.17	\$ 95,236	
	Easywell Biomedicals Inc.	"	"	1,418	58,543	1.24	58,543	
	Smartdisplayer Technology Co., Ltd.	"	"	1,000	14,490	4.01	14,490	
	BioGend Therapeutics Co., Ltd.	"	"	2,000	76,500	1.63	76,500	
	Evergreen Steel Corp.	"	"	1,500	156,000	-	156,000	
	Weblink International Inc.	"	"	1,541	87,375	1.89	87,375	
	EasyCard Investment Holdings Co., Ltd.	"	"	915	51,827	1.37	51,827	
	EasyCard Co., Ltd.	"	"	327	29,415	-	29,415	
	Lan An Co., Ltd.	"	"	125	1,796	5.00	1,796	
	Koatech Technology Corp.	"	"	401	1,158	1.32	1,158	
	Mega Union Technology Incorporated.	"	"	4,154	287,612	6.82	287,612	
	Cathay Healthcare Management Co., Ltd.	"	"	8,250	103,785	15.00	103,785	
	Fashionguide Co., Ltd.	"	"	714	16,731	4.26	16,731	
	Sunmile Group Holding Co., Limited	"	"	528	-	1.85	-	
	NARUKO Beauty Essentials Limited	"	"	43,252	18,382	4.02	18,382	
	Shengzhuang Holdings	"	"	122	-	1.09	-	
	Bravo Ideas Digital Co., Ltd.	"	"	3,386	14,085	6.03	14,085	
	Episonica Holding	"	"	2,708	16,137	7.69	16,137	
	Andros Pharmaceuticals Co., Ltd.	"	"	1,547	35,859	3.46	35,859	
	Transound Electronics Co., Ltd.	"	"	1,200	-	3.05	-	
	Hyper Crystal Inc.	"	"	2,000	-	13.80	-	
	Amaryllo International B.V.	"	"	1,000	-	4.34	-	
	Grandsys, Inc.	"	"	1,860	59,260	6.91	59,260	
	DTCO (Samoa)	"	"	325	-	2.46	-	
	Tennrich International Corp.	"	"	144	-	3.19	-	
	KKDAY	"	"	5,946	18,612	-	18,612	
	Smart Games	"	"	164	-	1.59	-	
	PSS Co., Ltd.	"	"	494	64,355	-	64,355	
	Anywhere 2 Go	"	"	2	-	8.99	-	
	Yikon Genomics	"	"	1,340	51,041	3.04	51,041	
	Mimetas B.V.	"	"	8	10,390	2.81	10,390	
	Xiongchuang (Samoa)	"	"	21	7,364	4.45	7,364	
	Greenway Environmental Technology Co., Ltd.	"	"	4,375	17,675	9.51	17,675	
	CHU CHIEN TECHNOLOGY LIMITED	"	"	2,302	-	1.12	-	
	Pacific 8 Venture	"	"	-	201,670	15.00	201,670	
	Monk's hill Venture Fund	"	"	-	97,412	3.00	97,412	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	"	"	800	13,720	1.34	13,720	
	OneDegree	"	"	350,926	35,093	2.02	35,093	
	Validus Investment Holdings	"	"	183	50,292	2.01	50,292	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	VIZIONFOCUS INC.	N/A	Financial assets at fair value through profit or loss	1,700	\$ 89,658	3.27	\$ 89,658	
	Finaxar Pte. Ltd.	"	"	87	-	4.00	-	
	aetherAI Co., Ltd.	"	"	5,824	19,218	10.00	19,218	
	Intudo Venture II, LP	"	"	-	109,968	3.76	109,968	
	King Point Enterprise Co., Ltd.	"	"	1,000	24,280	2.53	24,280	
	INNOPACK VIETNAM CO., LTD.	"	"	1,350	-	9.00	-	
	Pharmosa Biopharma Inc.	"	"	3,694	122,235	3.33	122,235	
	Transcene Corp.	"	"	4,000	51,080	13.25	51,080	
	Cirocomm Technology Corporation	"	"	542	4,404	4.20	4,404	
	Ampak Technology Inc.	"	"	633	75,960	-	75,960	
	New Garden Co., Ltd.	"	"	6,225	5,540	11.67	5,540	
	TMY Technology Inc.	"	"	1,071	8,871	2.78	8,871	
	Great Giant Fiber Garment Co., Ltd.	"	"	353	39,610	-	39,610	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,025	43,460	-	43,460	
	Taiwan Aerospace Corp.	"	"	1	15	-	15	
	Winking Entertainment Co., Ltd.	"	"	9,307	26,247	3.88	26,247	
	Palm Drive Capital III LP (Cayman)	"	"	-	49,771	2.00	49,771	
	KEE Fresh & Safe Foodtech Co., Ltd.	"	"	950	10,032	2.85	10,032	
	VisEra Technologies Co., Ltd.	"	"	580	160,370	-	160,370	
	Formosa Pharmaceuticals, Inc.	"	"	1,248	34,393	1.10	34,393	
	Phoenix Pioneer technology Co., Ltd.	"	"	2,867	42,804	-	42,804	
	Pickupp Limited	"	"	395	5,721	1.93	5,721	
	Jia Wei Lifestyle, Inc.	"	"	986	59,259	1.23	59,259	
	Annji Pharmaceutical Co., Ltd.	"	"	1,783	92,861	2.71	92,861	
	Morrison Opto-electronics Ltd.	"	"	331	15,641	1.51	15,641	
	Evergreen Aviation Technologies Corporation	"	"	973	105,571	-	105,571	
	Intudo Venture III, LP	"	"	-	43,681	1.39	43,681	
	Morning Glow Holding	"	"	4,683	75,064	9.37	75,064	
	GRAID Technology Inc. (USA)	"	"	682	9,485	2.41	9,485	
	Infinite Finance Co., LTD	"	"	1,500	47,790	-	47,790	
	AmMax Bio, Inc.	"	"	493	-	1.55	-	
	Shenghe Energy Co., LTD	"	"	10,000	94,900	10.00	94,900	
	Airoha Technology Corp.	"	"	78	45,006	-	45,006	
	Cloud Mile, Inc.	"	"	689	28,080	2.27	28,080	
	Tung Mung Development Co., Ltd	"	"	7,000	60,830	1.68	60,830	
	Power Master International Investment Holdings Co., Ltd.	"	"	312	9,981	-	9,981	
	Center Laboratories Inc.	"	"	252	11,164	-	11,164	
	Certain Micro Application Technology Inc	"	"	1,200	24,192	6.48	24,192	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Toyo Automation Co., Ltd.	N/A	Financial assets at fair value through profit or loss	152	\$ 10,848	-	\$ 10,848	
	Partipost Pte Ltd (Singapore)	"	"	629	15,689	1.53	15,689	
	GreenHarvest Co., Ltd.	"	"	1,111	8,299	8.40	8,299	
	H2 Inc. Taiwan Branch (Cayman Islands)	"	"	2,557	31,891	4.05	31,891	
	Taishan Buffalo No. 2 Biotechnology Venture Capital Limited Partnership	"	"	-	355,687	6.78	355,687	
	Taishan Buffalo No. 3 Biotechnology Venture Capital Limited Partnership	"	"	-	69,307	6.09	69,307	
	QT Medical Inc.	"	"	1,053	25,800	4.89	25,800	
	CUUMED CATHETER MEDICAL CO., LTD.	"	"	1,200	21,216	3.06	21,216	
	Reed Semiconductor Corp.	"	"	250	31,875	-	31,875	
	Sunny Friend Environmental Technology Co., Ltd.	"	"	100	11,500	-	11,500	
	INTEGRATED SERVICE TECHNOLOGY INC.	"	"	404	37,370	-	37,370	
	Acepodia, Inc.	"	"	7,509	121,946	1.33	121,946	
	DAWUSHAN FARM TECHNOLOGY CO., LTD	"	"	200	11,200	-	11,200	
	Remex Medical Corp.	"	"	1,154	18,715	6.77	18,715	
	UNITRAVEL SERVICES CO., LTD.	"	"	150	13,500	-	13,500	
	ITH Corporation	"	"	1,000	32,365	-	32,365	
	Yun yun AI Baby camera Co., Ltd.	"	"	2,500	30,000	1.55	30,000	
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	50,965	10.48	50,965	
	<u>Shares</u> Taiwan Futures Exchange	N/A	Financial assets at fair value through other comprehensive income	8,321	1,965,395	1.53	1,965,395	
Conning Inc.	<u>Preferred stock</u> Centerprise Services Inc.	N/A	Financial assets at fair value through other comprehensive income	400	3,118	1.76	3,118	
Cathay Capital (Asia) Limited	<u>Overseas bonds</u> EBIUH 4.38 07/26/29	N/A	Financial assets at fair value through profit or loss	2,620	11,512	-	11,512	
	BNP 4 03/01/24 EMTn	"	"	2,000	8,644	-	8,644	
	EBIUH 4.38 08/01/29 EMTn	"	"	1,630	7,162	-	7,162	
	MQGAU 4 03/01/27	"	"	10	298	-	298	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	EBIUH 3.05 08/06/30 EMTn	N/A	Financial assets at fair value through profit or loss	620	\$ 16,646	-	\$ 16,646	
	EBIUH 3 08/14/30 EMTn	"	"	726	19,476	-	19,476	
	EBIUH 3 03/31/31 CORP	"	"	50	1,326	-	1,326	
	KNFP 8.5 05/15/26	"	"	12,620	19,789	-	19,789	
	MASQUH 3.75 11/15/24	"	"	7,230	31,306	-	31,306	
	MASQUH 4 11/15/24	"	"	1,000	4,303	-	4,303	

(Concluded)

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

## INFORMATION ON INVESTEEES AND COMBINED SHAREHOLDING PERCENTAGE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Shareholding Percentage at the End of the Period	Book Value of Investment	Investment Profits or Losses Recognized in the Current Period	Combined Shareholding of the Company and Its Affiliates (Note 1)				Note
							Number of Existing Shares	Number of Phantom Shares (Note 2)	Total		
									Number of Shares (In Thousands)	Shareholding Percentage	
Cathay Financial Holding Co., Ltd.	Cathay Life	R.O.C.	Life insurance	100.00%	\$ 585,439,401	\$ 16,168,904	6,351,527	-	6,351,527	100.00%	Note 3
	Cathay United Bank	R.O.C.	Commercial banking operations	100.00%	270,588,540	28,814,777	10,859,866	-	10,859,866	100.00%	Note 3
	Cathay Century	R.O.C.	Property and casualty insurance	100.00%	14,991,987	1,245,307	200,000	-	200,000	100.00%	Note 3
	Cathay Securities	R.O.C.	Securities	100.00%	15,394,145	2,112,295	770,000	-	770,000	100.00%	Note 3
	Cathay Venture	R.O.C.	Venture capital investment	75.00%	4,759,564	471,034	518,173	-	518,173	100.00%	Note 3
	Cathay Securities Investment Trust	R.O.C.	Securities investment trust	100.00%	5,828,550	1,772,854	150,000	-	150,000	100.00%	Note 3

Note 1: The existing shares and phantom shares of the investees held by the Company, directors, supervisors, general managers, vice general managers, and affiliates meeting the requirements of the Company Act are included.

Note 2: a. "Phantom shares" refer to the shares acquired due to conversion under the assumption that the Company converts the marketable securities with equity characteristics or derivative instrument contracts (that have not been converted to shares) based on the transaction terms and the equity that the Company has the intention of linking to the reinvestment business and meeting the reinvestment objectives as provided in Paragraph 2, Article 36 and Article 37 of Financial Holding Company Act.

b. The above-mentioned "marketable securities with equity characteristics" refer to the securities stated in Paragraph 1, Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

c. The above-mentioned "derivative instrument contracts" refer to those that meet the definition related to derivative instruments under IFRS 9, such as stock options.

Note 3: Based on the investment profit or loss recognized in the respective company's audited financial statements for the same period.

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

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Cathay Power Inc.	Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	\$ 140,000	\$ -	\$ -	2-2.1	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,583,296	\$ 1,583,296
		Hong Cheng Sing Tech. Co., Ltd.	Other receivables from related parties	Yes	1,500	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	830,000	370,000	120,000	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	15,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	22,000	22,000	20,164	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	30,000	30,000	8,000	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	100,000	70,000	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	2,000	-	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	70,000	70,000	-	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
		Cathy Sunrise Two Co., Ltd.	Other receivables from related parties	Yes	2,200	2,200	2,200	2.1	Short-term financing	-	Operating capital	-	-	-	1,583,296	1,583,296
2	Neo Cathay Power Corp.	Shu Guang Energy Co., Ltd.	Other receivables from related parties	Yes	36,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		SUNRISE PV ONE CO., LTD.	Other receivables from related parties	Yes	100,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Nan Yang Power Co., Ltd.	Other receivables from related parties	Yes	120,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Shen Lyu Co., Ltd.	Other receivables from related parties	Yes	15,000	15,000	11,500	2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
		Cathy Sunrise Electric Power Two Co., Ltd.	Other receivables from related parties	Yes	12,000	12,000	2,100	2.1	Short-term financing	-	Operating capital	-	-	-	640,230	640,230
3	Yong Han Co., Ltd.	Si Yi Co., Ltd.	Other receivables from related parties	Yes	100,000	25,600	-	2.1	Short-term financing	-	Operating capital	-	-	-	107,270	107,270
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	Other receivables from related parties	Yes	2,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Tian Ji Power Co., Ltd.	Other receivables from related parties	Yes	71,800	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Hong Tai Energy Co., Ltd.	Other receivables from related parties	Yes	100,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Cathay Power Inc.	Other receivables from related parties	Yes	230,000	230,000	60,000	2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852
		Chen Fong Power Co., Ltd.	Other receivables from related parties	Yes (Note 2)	150,000	-	-	2-2.1	Short-term financing	-	Operating capital	-	-	-	431,852	431,852

Note 1: The maximum amount for the total loan of Cathay Power, Neo Cathay Power, Yong Han, and CM Energy is 40% of its net worth, as stated in its latest audited financial statements. The limit on loans from Cathay Power, Neo Cathay Power, Yong Han, and CM Energy is 40% of its net worth, as stated in its latest audited financial statements.

Note 2: In May 2023, CM Energy disposed of Chen Fong Power, and the financing contracts were terminated.

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	b	\$ 9,895,599	\$ 3,576,296	\$ 3,574,296	\$ 1,799,816	\$ -	90.30	\$ 9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Cathy Sunrise Electric Power Two Co., Ltd.	b	9,895,599	185,412	185,412	140,812	-	4.68	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Hong Cheng Sing Tech. Co., Ltd.	b	9,895,599	53,000	53,000	51,000	-	1.34	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
		Nan Yang Power Co., Ltd.	b	9,895,599	250,000	250,000	214,400	-	6.32	9,895,599	(Note 2)	(Note 2)	N	(Note 3)
2	SUNRISE PV ONE CO., LTD.	Cathay Power Inc.	c	2,743,359	1,005,590	1,005,590	125,000	-	91.64	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
		Shen Lyu Co., Ltd.	d	2,743,359	354,410	354,410	354,410	-	32.30	2,743,359	(Note 2)	(Note 2)	N	(Note 4)
3	Neo Cathay Power Corp.	Si Yi Co., Ltd.	b	4,001,437	2,220,000	2,220,000	1,136,659	-	138.70	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Da Li Energy Co., Ltd.	b	4,001,437	1,017,500	1,017,500	489,008	-	63.57	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
		Yong Han Co., Ltd.	b	4,001,437	462,500	462,500	300,867	-	28.90	4,001,437	(Note 2)	(Note 2)	N	(Note 5)
4	CM Energy Co., Ltd.	Tian Ji Energy Co., Ltd.	b	2,699,074	29,500	23,521	21,114	-	2.18	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Tian Ji Power Co., Ltd.	b	2,699,074	1,899,200	-	-	-	-	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Energy Co., Ltd.	b	2,699,074	706,296	427,860	327,053	-	39.63	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
		Hong Tai Power Co., Ltd.	b	2,699,074	190,000	-	-	-	-	3,238,889	(Note 2)	(Note 2)	N	(Note 6)
5	Hong Tai Energy Co., Ltd.	Hong Tai Power Co., Ltd.	b	477,006	190,000	-	-	-	-	477,006	(Note 2)	(Note 2)	N	(Note 7)

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- The Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project.
- Due to a joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to their ownership.
- Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: It is not a case where the listed parent company endorses the subsidiary or the subsidiary endorses the listed parent company.

Note 3: The total amount of endorsement/guarantee provided by Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 4: The total amount of endorsement/guarantee provided by SUNRISE PV ONE shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 5: The total amount of endorsement/guarantee provided by Neo Cathay Power shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 6: The total amount of endorsement/guarantee provided by CM Energy shall be 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.

Note 7: The total amount of endorsement/guarantee provided by Hong Tai Energy shall be 250% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall be 250% of the net worth of the current period.



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

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

Investee Company	Main Business and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	\$ 13,497,155	a	\$ 6,748,578	\$ -	\$ -	\$ 6,748,578	\$ 205,040	50.0	\$ 102,520 (Note b)	\$ 7,107,512	\$ -
Cathay Century (China)	Property and casualty insurance	12,196,844	a	5,908,393	-	-	5,908,393	20,355	49.0	9,974 (Note b)	4,851,410	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office equipment leasing company	7,223,435	a	7,223,435	-	-	7,223,435	37,709	100.0	39,977 (Note b)	8,126,552	-
Cathay United Bank (China) Corporation Limited	Wholesale banking	14,377,562	a	14,377,562	-	-	14,377,562	255,613	100.0	255,613 (Note b)	16,589,165	-
BSCOM Cathay Asset Management Co., Ltd.	Fund management services	1,701,823	a	566,707	-	-	566,707	(150,565)	33.3	(50,138) (Note b)	230,536	-
Beijing BSCOM Cathay Capital Management Co., Ltd. (Note 4)	Assets management services	511,481	c	-	-	-	-	(25,535)	33.3	(8,503) (Note b)	166,597	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$34,824,675	\$34,824,675	\$548,103,102

Note 1: The 3 methods of investment are as follows:

- a. Direct investment in China.
- b. Reinvestment in China through companies located in a third region (please indicate the companies located in that third region).
- c. Others.

Note 2: The column of investment profit or loss for the period:

- a. It should be indicated if the entity was in the preparation stage without profit or loss on investment.
- b. It should be indicated if the basis of recognizing the profit or loss on investment are of the following 3 types:
  - 1) The financial statements are audited and certified by international accounting firms which have partnership with R.O.C. accounting firms.
  - 2) The financial statements are audited and certified by the parent company's auditors in Taiwan.
  - 3) Other basis.

Note 3: The related figure in the schedule should be expressed in New Taiwan dollars.

(Continued)

Note 4: BSCOM Cathay Asset Management Co., Ltd. invested in Beijing BSCOM Cathay Capital Management Co., Ltd. in the amount of CNY110 million in Mainland China.

Note 5: Information on investments in mainland China

- a. On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized Cathay Life to remit US\$22,850 thousand and US\$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US\$50,000 thousand to US\$48,330 thousand, approved by the MOEAIC on December 20, 2010. Also, MOEAIC authorized Cathay Life to remit US\$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized Cathay Life to remit US\$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US\$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US\$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life’s subsidiary, Cathay Life Insurance Ltd. (China) has acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. Cathay Life has remitted US\$48,330 thousand to the subsidiary as of December 31, 2009. Cathay Life injected additional US\$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized Cathay Life to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2023, Cathay Life’s remittances to the subsidiary totaled approximately CNY900,000 thousand and US\$78,210 thousand.
- b. On October 17, 2007, MOEAIC authorized Cathay Life to remit US\$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized Cathay Life to increase the remittances from US\$26,390 thousand to US\$28,960 thousand. On August 15, 2008, MOEAIC further authorized Cathay Life to revise the remittance from US\$28,960 thousand to US\$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century Insurance in Shanghai has acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized Cathay Life to remit CNY245,000 thousand on December 6, 2018. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Life’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2023, Cathay Life’s remittances to this general insurance company amounted to approximately CNY445,000 thousand and US\$28,140 thousand.
- c. On November 1, 2011 and April 11, 2012, MOEAIC authorized Cathay Life to remit CNY300,000 (US\$47,000) thousand and CNY500,000 (US\$80,000) thousand, respectively. A total of US\$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. Cathay Life’s subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. has acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized Cathay Life to remit CNY700,000 (US\$111,000) thousand to increase the share capital. As of December 31, 2023, Cathay Life’s remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. totaled approximately CNY1,500,000 thousand.
- d. On December 31, 2006, MOEAIC authorized Cathay Century to remit US\$28,960 thousand as the registered capital to establish an insurance subsidiary (in the form of a joint venture with Cathay Life) which was also approved by China Insurance Regulatory Commission on October 8, 2007. The joint venture company named Cathay Insurance Company Ltd. (China) established by Cathay Life and Cathay Century in Shanghai has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized Cathay Life to remit CNY200,000 thousand to increase the share capital. On June 13, 2013 and March 18, 2014, a remittance of CNY100,000 thousand and CNY100,000 thousand as share capital were authorized by China Insurance Regulatory Commission. On November 23, 2018, according to No. 10700281680 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. On November 26, 2019, according to No. 10800291980 document issued by the MOEAIC, Cathay Century is authorized to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, Cathay Century’s board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized Cathay Life to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2023, Cathay Century has remitted US\$97,292 thousand in total.
- e. MOEAIC approved Cathay United Bank to remit to China CNY400,000 (US\$60,070) thousand. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY400,000 (US\$59,770) thousand. The remaining amount of US\$300 thousand was repatriated by Shanghai Branch, Cathay United Bank on November 5, 2010. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC in January 18, 2011 and were approved on January 24, 2011. In addition, MOEAIC further approved Cathay United Bank to remit CNY600,000 (US\$95,020) thousand to China. According to the capital verification report issued by the local accountants in China, the approved working capital of Cathay United Bank’s Shanghai Branch was CNY600,000 (US\$94,930) thousand. The remaining amount of US\$90 thousand was repatriated by Cathay United Bank’s Shanghai Branch on February 1, 2012. The investment amounts were revised by Cathay United Bank by reporting to MOEAIC on March 20, 2012 and were approved on March 26, 2012. MOEAIC approved Cathay United Bank’s Shanghai Branch to increase the working capital of CNY1,000,000 (US\$164,000) thousand on February 27, 2014, and was authorized by MOEAIC, on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao Branch was CNY600,000 (US\$98,200) thousand on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. Cathay United Bank’s obtained approval from MOEAIC to increase the working capital of Shenzhen branch by CNY400,000 (US\$60,710) thousand on January 5, 2015 and was authorized by MOEAIC on December 22, 2016.
- f. The registered capital of Cathay United Bank (China) Co., Ltd. was CNY3 billion, whose working capital was transferred from Cathay United Bank (Shanghai), Cathay United Bank (Qingdao), Cathay United Bank (Shenzhen) upon obtaining approval from the authorities.
- g. On January 9, 2012, MOEAIC authorized Cathay Securities Investments Trust to remit CNY66,600 thousand as the registered capital to establish a China-based company named BSCOM Cathay Asset Management, originally named CDBS Cathay Asset Management (in the form of a joint venture with China Development Bank Securities CO., Ltd., originally named China Development Bank Securities LLC) Cathay Securities Investment Trust held 33.3% number of shares. CDBS Cathay Asset Management’s capital is CNY200,000 thousand, and has acquired a business license of an enterprise legal person on August 16, 2013. On November 9, 2016, the board of Cathay Securities Investments Trust approved to increase investment in BSCOM Cathay Asset Management accounted for using the equity method as percentage of original ownership amounted to CNY53,280 thousand. The proposal was authorized by the FSC and MOEAIC on May 16, 2017 and June 9, 2017, respectively, and was completed on September 29, 2017. As of December 31, 2023, Cathay Securities Investment Trust remittances to BSCOM Cathay Asset Management totaled approximately CNY119,880 thousand.
- h. Information on Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) is as follows:
  - 1) Location: Shanghai, China.
  - 2) Status of capital funds and related income: As of December 31, 2023, the investment assets of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amount to \$103,486,581 thousand and \$9,429,129 thousand, respectively, and net investment income is \$4,977,694 thousand and \$341,642 thousand, respectively.
  - 3) Provision methodology and balance of insurance policy reserves

As of December 31, 2023, the balances of reserves of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) are as follows:

	Cathay Lujiazui Life Insurance Co., Ltd.	Cathay Century (China)
Provision for unpaid premiums	\$ 410,568	\$ 6,995,881
Claims preparation	556,828	3,895,080
Preparation of responsibilities	<u>72,258,070</u>	<u>64,629</u>
	<u>\$ 73,225,466</u>	<u>\$ 10,955,590</u>

(Continued)

Provision methodology of insurance policy reserves:

- a) Unearned premium reserve: For an unexpired in-force contract with a policy period shorter than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.
  - b) Loss reserve: The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance.
  - c) Policy reserve: The life table and interest rates stipulated in the mainland reserve law shall be provided in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- 4) Premium income and percentage of insurance benefits: As of for the year ended December 31, 2023, the premium income of Cathay Lujiazui Life Insurance Co., Ltd. was NT\$26,662,671 thousand accounted for 7.13% of Cathay Life, and the premium income of Cathay Insurance Company Limited (China) was NT\$29,595,823 thousand accounted for 7.92% and 88.3% of Cathay Life and Cathay Century, respectively.
  - 5) Insurance claims and payments and its ratio to the insurance industry: As of December 31, 2023, the insurance claims and payments of Cathay Lujiazui Life Insurance Co., Ltd. were NT\$3,674,692 accounting for 0.86% of Cathay Life, and the insurance claims and payments of Cathay Insurance Company Limited (China) were NT\$20,763,008 accounting for 4.87% and 74.12% of Cathay Life and Cathay Century, respectively.

(Concluded)

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Financial Holdings	Cathay Life	a	Financial assets at fair value through profit or loss	\$ 35,000,000	Not significantly different with that of third parties	0.27
		Cathay Life	a	Payables	18,321,042	Not significantly different with that of third parties	0.14
		Cathay Life	a	Interest income	1,259,821	Not significantly different with that of third parties	0.41
		Cathay United Bank	a	Receivables	4,257,690	Not significantly different with that of third parties	0.03
		Cathay Century	a	Receivables	189,832	Not significantly different with that of third parties	-
		Cathay Securities	a	Receivables	289,636	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	a	Receivables	443,047	Not significantly different with that of third parties	-
		1	Cathay Life	Cathay Financial Holdings	b	Gain on investment property	156,008
Cathay United Bank	c			Guarantee deposits received	196,542	Not significantly different with that of third parties	-
Cathay United Bank	c			Cash and cash equivalents	33,200,245	Not significantly different with that of third parties	0.26
Cathay United Bank	c			Gain on investment property	746,898	Not significantly different with that of third parties	0.25
Cathay United Bank	c			Premium Income	134,354	Not significantly different with that of third parties	0.04
Cathay United Bank	c			Other general and administrative expense	5,983,988	Not significantly different with that of third parties	1.97
Cathay United Bank	c			Payables	249,593	Not significantly different with that of third parties	-
Cathay United Bank	c			Service fee and commission fee expense	958,622	Not significantly different with that of third parties	0.32
Cathay United Bank	c			Net other non-interest gain	199,645	Not significantly different with that of third parties	0.07
Cathay United Bank	c			Loss on financial assets and liabilities at fair value through profit or loss	5,354,349	Not significantly different with that of third parties	1.76
Cathay United Bank	c			Financial liabilities at fair value through profit or loss	1,237,609	Not significantly different with that of third parties	0.01
Cathay United Bank	c			Interest income	380,888	Not significantly different with that of third parties	0.13
Cathay Century	c			Net other non-interest gain	881,722	Not significantly different with that of third parties	0.29
Cathay Century	c			Gain on investment property	135,043	Not significantly different with that of third parties	0.04
Cathay Century	c			Other general and administrative expense	123,193	Not significantly different with that of third parties	0.04
Cathay Futures	c			Guarantee deposits paid	2,307,880	Not significantly different with that of third parties	0.02
Cathay Securities Investment Trust	c			Service fee and commission fee expense	170,105	Not significantly different with that of third parties	0.06
Cathay Walbrook Holding 1 Limited	c			Loans	12,323,409	Not significantly different with that of third parties	0.10
Cathay Walbrook Holding 1 Limited	c			Interest income	925,028	Not significantly different with that of third parties	0.30
Cathay Walbrook Holding 2 Limited	c			Loans	656,230	Not significantly different with that of third parties	0.01
Conning holding limited	c			Payables	289,656	Not significantly different with that of third parties	-
Conning holding limited	c			Service fee and commission fee expense	1,200,812	Not significantly different with that of third parties	0.39

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% of Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
2	Cathay United Bank	Cathay Century	c	Deposits	\$ 2,525,605	Not significantly different with that of third parties	0.02
		Cathay Century	c	Service fee and commission revenue	265,854	Not significantly different with that of third parties	0.09
		Cathay Century	c	Other general and administrative expense	166,936	Not significantly different with that of third parties	0.05
		Cathay Securities	c	Deposits	2,776,622	Not significantly different with that of third parties	0.02
		Cathay Securities	c	Service fee and commission fee revenue	171,693	Not significantly different with that of third parties	0.06
		Cathay Venture	c	Deposits	209,748	Not significantly different with that of third parties	-
		Cathay Securities Investment Trust	c	Deposits	212,960	Not significantly different with that of third parties	-
		Cathay Futures	c	Deposits	965,712	Not significantly different with that of third parties	0.01
		Cathay Futures	c	Guarantee deposits paid	1,179,579	Not significantly different with that of third parties	0.01
		Lin Yuan	c	Deposits	1,929,924	Not significantly different with that of third parties	0.02
		Cathay Industrial R&D Center	c	Deposits	1,507,881	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Interest income on call loans to banks	311,859	Not significantly different with that of third parties	0.10
		CUBC Bank	c	Call loans to banks	5,255,685	Not significantly different with that of third parties	0.04
		CUBC Bank	c	Deposits in interbank	677,090	Not significantly different with that of third parties	0.01
		CUBC Bank	c	Receivables	140,717	Not significantly different with that of third parties	-
		CUBCN Bank	c	Interest income on call loans to banks	126,915	Not significantly different with that of third parties	0.04
		CUBCN Bank	c	Other financial assets	3,031,321	Not significantly different with that of third parties	0.02
CUBCN Bank	c	Receivables	193,915	Not significantly different with that of third parties	-		
3	Indovina Bank	Cathay Insurance (Vietnam)	c	Deposits	272,326	Not significantly different with that of third parties	-
		Cathay Life (Vietnam)	c	Deposits	2,640,200	Not significantly different with that of third parties	0.02
		Cathay Life (Vietnam)	c	Interest expense	212,391	Not significantly different with that of third parties	0.07
		Cathay Life (Vietnam)	c	Interest payable	116,324	Not significantly different with that of third parties	-
4	Cathay Securities	Cathay Futures	c	Financial assets at fair value through profit or loss	487,715	Not significantly different with that of third parties	-
		Cathay Life	c	Other general and administrative expense	250,507	Not significantly different with that of third parties	0.08
5	Cathay Securities Investment Trust	Cathay Life	c	Other general and administrative expense	114,124	Not significantly different with that of third parties	0.04
6	Cathay Power Inc.	SUNRISE PV ONE CO., LTD.	c	Receivables	124,508	Not significantly different with that of third parties	-

Note 1: Parent company is numbered 0, subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationship:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating income and assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets

For income statement accounts: Accumulated transaction amount ÷ Total consolidated profit from operations.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

**TABLE 9****CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Names of Major Shareholders	Shares	
	Number of Shares Held	Shareholding Percentage (%)
Wan Pao Development Co., Ltd.	2,540,990,110	15.68
Lin Yuan Investment Co., Ltd.	2,249,443,425	13.88

Note 1: Information on major shareholders in this table is regarding the shareholders who hold more than 5% of the Company's dematerialized ordinary shares and preference shares (including treasury shares) that have been registered and delivered, as calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The capital recorded in the Company's consolidated financial statements and the actual number of dematerialized shares that have been registered and delivered may differ due to the difference between the basis of preparation and calculation.

Note 2: If a shareholder holds its shares by trust, the information is individually presented in the above disclosures by the trustee who opened the trust account. As for the handling of insider shareholding declaration for shareholders holding more than 10% of the Company's shares in accordance with the Securities and Exchange Act, the number of shares held includes those held by trust in which the shareholder has the power to decide the allocation of trust assets. For more information regarding insider shareholding declaration, please refer to the Market Observation Post System website.