# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES**

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE PURCHASING THE BONDS OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") ("**REGULATION S**").

**IMPORTANT: You must read the following before continuing.** The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS AND THE GUARANTEE OF THE BONDS DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE BONDS AND THE GUARANTEE OF THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your representation**: In order to be eligible to view this Offering Circular or make an investment decision with respect to the Bonds and the Guarantee of the Bonds, investors must be eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. This Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that you and any customers you represent are not, and the electronic mail address that you gave us and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, Citigroup Global Markets Limited, J.P. Morgan Securities Asia Private Limited and Morgan Stanley Asia (Singapore) Pte (together, the "**Managers**", and each, a "**Manager**") or any person who controls any of the Managers, or any director, officer, employee or agent of the Issuer, the Guarantor or any of the Managers, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

國泰人壽
Cathay Life Insurance

# CATHAYLIFE SINGAPORE PTE. LTD.

*(incorporated in Singapore with limited liability)*

## U.S.$600,000,000

## 5.95 per cent. Tier 2 Subordinated Dated Capital Bonds due 2034 irrevocably and unconditionally guaranteed by

# CATHAY LIFE INSURANCE CO., LTD.

*(incorporated in Taiwan, the Republic of China with limited liability)*

## (as Guarantor)

## Issue Price: 99.717 per cent.

U.S.$600,000,000 5.95 per cent. in an initial aggregate principal amount of Tier 2 subordinated dated capital bonds due 2034 (the "**Bonds**") will be issued by CATHAYLIFE SINGAPORE PTE. LTD. (the "**Issuer**") and will be irrevocably and unconditionally guaranteed on a subordinated basis (the "**Guarantee of the Bonds**") by Cathay Life Insurance Co., Ltd. (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Bonds will be constituted by and have the benefit of a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 5 July 2024 (the "**Issue Date**") between the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**").

The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to the insolvency laws of Singapore, in the event of the Winding-Up of the Issuer, the rights and claims of the holders of the Bonds (the "**Bondholders**", or "**Holders**", and each, a "**Bondholder**" or a "**Holder**") in respect of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**")), but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations (as defined in Terms and Conditions of the Bonds) of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares (as defined in Terms and Conditions of the Bonds) and Preferred Shares (as defined in Terms and Conditions of the Bonds) and any other Junior Obligations of the Issuer. See "*Terms and Conditions of the Bonds – Status*".

The Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor. See "*Terms and Conditions of the Bonds – Status*".

The Bonds confer a right to receive interest from the Issue Date at 5.95 per cent. per annum (the "**Rate of Interest**") payable semi-annually in equal instalments in arrear on 5 January and 5 July of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 5 January 2025.

The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on 5 July 2034 (the "**Maturity Date**") in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

Subject to satisfaction of the Redemption Conditions (as defined in the Terms and Conditions of the Bonds), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) (i) upon the occurrence of Tax Event, as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons*", (ii) upon the occurrence of a Tax Deduction Event, as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons*", (iii) if at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled, as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption*" or (iv) upon the occurrence of a Regulatory Event, as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption*".

**Investing in the Bonds involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the merits and risks of investing in the Bonds in the context of their financial condition and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Bonds. Investors should not purchase the Bonds unless they understand and are able to bear risks associated with the Bonds. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

The Bonds will be issued in registered form and in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee of the Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act ("**Regulation S**"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

The Bonds are expected to be rated "BBB+" by Fitch Ratings Ltd. ("**Fitch**") and "BBB+" by S&P Global Ratings, a division of S&P Global Inc. ("**S&P**"). The Guarantor is expected to be rated "A3" by Moody's with a stable outlook, "A-" by Fitch with a stable outlook and "A-" by S&P with a stable outlook. Such ratings do not constitute a recommendation to buy, sell or hold Bonds with a stable outlook and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each such rating should be evaluated independently of any other rating of the Bonds, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Bonds is not to be taken as an indication of the merits of the Issuer, the Guarantor, any of their subsidiaries, their associated companies or the Bonds.

The Bonds will initially be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

***Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

**Citigroup** **J.P. Morgan** **Morgan Stanley**

Offering Circular dated 26 June 2024

## NOTICE TO INVESTORS

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the Issuer and the Guarantor is responsible for the accuracy and completeness of the information in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor confirms, having made all reasonable inquiries, that (i) all information which is (in the context of the issue, offering and sale of the Bonds) material; (ii) such information is true and accurate in all material respects and is not misleading in any material respect; (iii) any opinions, predictions or intentions expressed in the Offering Circular are honestly held or made and are not misleading in any material respect; (iv) the Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Bonds) not misleading in any material respect; and (v) all proper enquiries have been made to ascertain or verify the foregoing; and (vi) the Offering Circular does not contain any untrue statement of a material fact nor does it omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Each of the Issuer and the Guarantor has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, Citigroup Global Markets Limited, J.P. Morgan Securities Asia Private Limited and Morgan Stanley Asia (Singapore) Pte (together, the "**Managers**", and each, a "**Manager**") to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantee of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Issuer, the Guarantor and its subsidiaries taken as a whole, the Bonds or the Guarantee of the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Issuer, the Guarantor and its subsidiaries taken as a whole since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or a solicitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular, each investor is deemed to have agreed to these restrictions.

None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each person receiving this Offering Circular acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor or the Bonds (other than as contained herein and information given by duly authorised officers and employees of the Issuer and the Guarantor in connection with investors' examination of the Issuer and the Guarantor and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Issuer, the Guarantor and its subsidiaries taken as a whole, and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and none of them assumes any responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement made or purported to be made by a Manager, the Trustee or an Agent, or any director, officer, employee, affiliate, representative, agent or adviser of any such person or any person who controls any of them or on its behalf, in connection with the Issuer, the Guarantor, the Issuer, the Guarantor and its subsidiaries taken as a whole, the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Managers, the Trustee, the Agents and each of their respective directors, officers, employees, affiliates, representatives, agents and advisers and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Issuer, the Guarantor and its subsidiaries taken as a whole during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any director, officer, employee, affiliate, representative, agent or adviser of any such person or any person who controls any of them.

**IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER(S)") OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S) MAY, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor and the Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them is making any representations regarding the legality of an investment in the Bonds under any law or regulation.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer and the Guarantor may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer and the Guarantor and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the Republic of China ("**ROC**"), Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

**SINGAPORE SFA PRODUCT CLASSIFICATION** – In connection with Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Unless otherwise stated in this Offering Circular, all translations from New Taiwan dollar into U.S. dollar were made at the rate of NT$30.62 to U.S.$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 31 December 2023. All such translations in this Offering Circular are provided solely for reference and no representation is made that the New Taiwan dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars at any particular rate or at all. See "*Exchange Rates*".

## FORWARD-LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of Our Company" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "aim", "anticipate", "believe", "estimate", "expect", "forecast", "predict", "plan", "schedule", "should", "will", "would", "could" and their negatives or similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding our financial position, business strategy, prospects, capital expenditure and investment plans and the plans and objectives of our management for our future operations (including development plans and objectives relating to our operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in Issuer's, the Guarantor's or their subsidiaries' expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

## PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial information as at and for the financial years ended 31 December 2021, 2022 and 2023 included in this Offering Circular has been extracted from our audited consolidated financial statements for the financial years ended 31 December 2021 and 2022 and our audited consolidated financial statements for the financial years ended 31 December 2022 and 2023, including the notes thereto, included elsewhere in this Offering Circular. Our consolidated financial statements as at and for the financial years ended 31 December 2021 and 2022 and as at and for the financial years ended 31 December 2022 and 2023 have been audited by Deloitte & Touche, our independent auditor, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

Our condensed consolidated financial information as at and for the three months ended 31 March 2023 and 2024 are extracted from our unaudited but reviewed consolidated financial statements as at and for the three months ended 31 March 2023 and 2024. Our unaudited consolidated financial statements as at and for the three months ended 31 March 2023 and 2024 have been reviewed by Deloitte & Touche, our independent auditor, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting".

## PRESENTATION OF OPERATIONAL DATA

As a licensed insurance company in the ROC, our business is primarily carried out through the Guarantor on a standalone basis. Accordingly, unless otherwise specified or the context otherwise requires, operational data (including but not limited to total premium, key performance indicators, investment portfolio and performance, size and retention rate of our tied agency force) included in this Offering Circular has been prepared and presented on a standalone basis using the operational data of the Guarantor only (without taking into account the Guarantor's subsidiaries). The operational data included in this Offering Circular is consistent with the operational data of the Guarantor as disclosed in our other existing publicly available disclosures. The presentation of our operational data does not affect the presentation of the consolidated financial information of the Guarantor and its subsidiaries taken as a whole as extracted from our consolidated financial statements as at and for the financial years ended 31 December 2021 and 2022 and as at and for the financial years ended 31 December 2022 and 2023 and our condensed consolidated financial information as at and for the three months ended 31 March 2023 and 2024.

Each person receiving this Offering Circular acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor or the Bonds (other than as contained herein and information given by duly authorised officers and employees of the Issuer and the Guarantor in connection with investors' examination of the Issuer and the Guarantor and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents.

## CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The glossary below contains explanations of certain terms and definitions used in the Offering Circular in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms. Unless the context otherwise requires, the following terms shall have the meanings set out below.

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| **13-months persistency ratio/25-months persistency ratio** . . . . . | the annualised premium of policies (including main or supplementary policies) that have completed their 13/25th (as the case may be) monthly premium payment and are in force at the end of the 15/27th (as the case may be) month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period. |
| **APE** . . . . . . . . . . . . . . . | annual premium equivalent, a measure used for comparison of life insurance revenue by normalising policy premiums into the equivalent of regular annual payments. Please refer to "*Summary Financial Information – Key Performance Indicators*" for details. |
| **AUD** or **Australian dollars** . . . . . . . . . . . . | the lawful currency of the Commonwealth of Australia. |
| **bancassurance** . . . . . . . . | the distribution of insurance products through bank branches and/or joint ventures with banks. |
| **Board** . . . . . . . . . . . . . . | The board of directors of the Guarantor. |
| **CAGR**. . . . . . . . . . . . . . | compound annual growth rate, which measures an investment's annual growth rate over a period of time. |
| **Cathay FHC Group** . . . . | Cathay Financial Holding Co., Ltd. |
| **Cathay Life (Vietnam)** . . | Cathay Life Insurance (Vietnam) Co., Ltd. |
| **Cathay Lujiazui**. . . . . . . | Cathay Lujiazui Life Insurance Company Limited. |
| **Cathay United Bank** or **CUB** . . . . . . . . . . . . . | Cathay United Bank Company Limited. |
| **claim**. . . . . . . . . . . . . . . | a demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which may come within the cover provided on the sum insured by the policy. |
| **commission** . . . . . . . . . . | a payment to an agent or broker by an insurance company for service in respect of a sale or maintenance of an insurance product. |
| **CSM** . . . . . . . . . . . . . . . | contractual service margin, the unearned profit in a group of insurance contracts, forming part of the liability for remaining coverage, which is initially measured as the amount that results in no gain being recognised on initial recognition of a group of insurance contracts. |

**ESG** . . . . . . . . . . . . . . . Environmental, social or governance.

**EUR** or **Euro** . . . . . . . . . the lawful currency of the European Union.

**EUWA** . . . . . . . . . . . . . European Union (Withdrawal) Act 2018 of the United Kingdom.

**EV** . . . . . . . . . . . . . . . . embedded value, an actuarially determined value of the life insurance business of an insurance company based on a particular set of assumptions about future experience, excluding the value of future new business. Please refer to "*Summary Financial Information – Key Performance Indicators*" for details.

**Executive Yuan** . . . . . . . the executive branch of the ROC Government.

**Fitch** . . . . . . . . . . . . . . . Fitch Ratings Ltd.

**FSC** . . . . . . . . . . . . . . . The Financial Supervisory Commission of the ROC.

**FSMA** . . . . . . . . . . . . . . Financial Services and Markets Act 2023 of the United Kingdom.

**FYP** . . . . . . . . . . . . . . . first year premium, premiums received in the first year of a policy. Please refer to "*Summary Financial Information – Key Performance Indicators*" for details.

**GBP** . . . . . . . . . . . . . . . the lawful currency of the United Kingdom.

**GDP** . . . . . . . . . . . . . . . gross domestic product.

**Guarantor** or **Company** . Cathay Life Insurance Co., Ltd., on a standalone basis.

**Hong Kong** . . . . . . . . . . the Hong Kong Special Administrative Region of the PRC.

**ICS** . . . . . . . . . . . . . . . . Insurance Capital Standard, a consolidated group-wide capital standard for International Association of Insurance Supervisors.

**in-force** . . . . . . . . . . . . . a policy that is shown on records to be in-force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated.

**International Association of Insurance Supervisors** . . . . . . . . the global standard-setting body responsible for developing and assisting in the implementation of principles, standards and guidance as well as supporting material for the supervision of the insurance sector.

**Issuer** . . . . . . . . . . . . . . CATHAYLIFE SINGAPORE PTE. LTD.

**loss** . . . . . . . . . . . . . . . . an occurrence that is the basis for submission and/or payment of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy.

**Macau**. . . . . . . . . . . . . . the Macao Special Administrative Region of the PRC.

**Mainland China or the PRC**. . . . . . . . . . . . . . the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong.

**mortality** . . . . . . . . . . . . rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits.

**Moody's** . . . . . . . . . . . . Moody's Investors Service, Inc.

**NAP** . . . . . . . . . . . . . . . Our new business platform that integrates all the tools used by the agents when providing services.

**net promoter score** . . . . . the market research metric based on a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague.

**New Taiwan dollar, NTD** or **NT$** . . . . . . . . . . . . the lawful currency of the ROC.

**OECD** . . . . . . . . . . . . . . Organisation for Economic Co-operation and Development.

**OFAC** . . . . . . . . . . . . . . The U.S. Department of the Treasury's Office of Foreign Assets Control.

**RBC** . . . . . . . . . . . . . . . The risk-based capital system imposes a requirement of statutory minimum level of capital that is based on four factors: 1) C-1 asset risk, 2) C-2 insurance risk, 3) C-3 interest rate risk; and 4) C-4 operational risk.

**reinsurance** . . . . . . . . . . the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premiums paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued.

**reserve for foreign exchange valuation** . . . the reserve set aside to smooth the foreign exchange fluctuation impact on the earnings of insurers.

**RAROC** . . . . . . . . . . . . risk-adjusted return on capital, which is calculated as the present value of profit over ICS risk capital.

**RMB, Renminbi, CNH** or **CNY** . . . . . . . . . . . . . the lawful currency of Mainland China.

**ROC** . . . . . . . . . . . . . . . The Republic of China.

**S$, SGD** or **Singapore dollars** . . . . . . . . . . . . the lawful currency of the Republic of Singapore.

**Singapore** . . . . . . . . . . . the Republic of Singapore.

**spillover-effect insurance products** . . . . . . . . . . . insurance products with spillover effects, which, in addition to having insurance functions, also include features that raise awareness of independent health management and improve the wellness of people.

**Standard & Poor's** or **S&P** . . . . . . . . . . . . . . S&P Global Ratings, a division of S&P Global Inc.

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| **surrender** . . . . . . . . . . . | the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract. |
| **Taiwan** or the **ROC** . . . . | Taiwan, the Republic of China. |
| **tied agents**. . . . . . . . . . . | sales agents who are engaged by us to exclusively sell our insurance products. |
| **total premium** . . . . . . . . | the amount charged on insurance policies issued or renewed by an insurer for a given period, including premium from separate accounts, recorded by the Guarantor on a standalone basis. |
| **TW-ICS** . . . . . . . . . . . . | the new solvency regime to be adopted by the Insurance Bureau of the FSC by 2026. |
| **underwriting** . . . . . . . . . | the process of examining and classifying insurance risks, in order to decide whether to accept such risks and the conditions on which the risks should be accepted. |
| **United Kingdom** and **UK** | the United Kingdom of Great Britain and Northern Ireland. |
| **United States, US** or **U.S.** | the United States of America. |
| **U.S.$, USD** or **U.S. dollars** | the lawful currency of the United States of America. |
| **VaR** . . . . . . . . . . . . . . . | Value at risk, a statistic that quantifies the extent of possible financial losses within a firm, portfolio, or position over a specific time frame. |
| **VNB** . . . . . . . . . . . . . . . | value of new business. Please refer to "*Summary Financial Information – Key Performance Indicators*" for details. |
| **VND** or **Vietnamese dong** | the lawful currency of the Socialist Republic of Vietnam. |
| **we, us, our, ourselves, or our company** . . . . . . . | Issuer, the Guarantor and their subsidiaries taken as a whole, unless otherwise specified or the context otherwise requires. |
| **Written premium** . . . . . . | the amount charged on insurance policies issued or renewed by an insurer for a given period. |

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# SUMMARY

## OVERVIEW

The Guarantor was founded in October 1962 and has been the largest Taiwanese life insurer in terms of total premium income consistently for over 60 years. The Guarantor became a subsidiary of the Cathay FHC Group on 31 December 2001 when Cathay Financial Holding Co., Ltd. was set up through a share swap. The stock of the Guarantor was converted into stock of Cathay FHC Group listed on the Taiwan Stock Exchange with the stock code 2882. Cathay FHC Group is currently the largest financial holding company in Taiwan in terms of total assets.

We provide a full range of life insurance products and related services, including interest sensitive life insurance, traditional life protection insurance, health and accident insurance, investment-linked insurance, and others. We seek to optimise our product offering mix by focusing on protection-type life insurance products, USD-denominated interest sensitive life insurance products and investment-linked insurance products. Our full range of products and services also allows us to provide to cater to different customers' needs. Meanwhile, we manage the income from our insurance policies by investing in securities, real estate and loans, all in accordance with our investment policies and regulatory requirements. We have also actively expanded into overseas markets, being the first Taiwanese company to establish an insurance company in Mainland China in January 2005 and the first Taiwanese company to establish an insurance company in Vietnam in November 2007.

Despite the challenging global economic environment, we have achieved a stable and strong financial performance in 2023, demonstrating the success of our diversified business structure and effective risk management. In 2023, we expanded our customer base to serve over eight million customers and have over 20 million in-force policies. We also received NTD 465.6 billion in total premium and generated total operating revenue of NTD 733 billion and net profit of NTD 17 billion. As of 31 December 2021, 2022, and 2023, our total assets were NTD 8,073 billion, NTD 8,172 billion and NTD 8,536 billion respectively, and our total liabilities were NTD 7,331 billion, NTD 7,707 billion and NTD 7,908 billion respectively. In addition, as of 31 December 2023, the Guarantor maintained an RBC ratio of 323 per cent., well above the industry average and the minimum regulatory requirement of 200 per cent.

One of our core competitive strengths lies in our well-established and effective distribution channels, which are demonstrated by the largest tied agency force and the most balanced geographical reach among all life insurers in Taiwan. We also have a strong partnership with one of Taiwan's leading privately-owned banks, Cathay United Bank, which is also a subsidiary of Cathay FHC Group. We are committed to empowering our tied agents and bancassurance partner to provide premium customer services through, for example, including the adoption of digital technology throughout the sales process. We pursue a comprehensive distribution and marketing strategy to utilise our different distribution channels to target new and existing customers. Our distribution and marketing strategy between specific demographic characteristics for certain products, such as gender, age and income, and enhances up-selling of other age-appropriate products to our existing customers as they grow older. As of 31 December 2023, we had around 25,000 full-time tied agents in Taiwan.

In addition to our main insurance business, we are also an industry leader of sustainable insurance, being the first life insurance company in Asia to voluntarily comply with the United Nations' Principles for Sustainable Insurance (PSI). We uphold the core competence principle of being people-oriented and the sustainability principle of reciprocity ("*benefiting oneself by benefiting others*"). We not only incorporate ESG issues into our daily operations, but also integrates them into our core competencies businesses to effectively implement corporate sustainability and continue to bring stability to society. For example, we have adopted the new Elder Friendly, Protection First and Sustainability strategy to strengthen our core competency in insurance, develop the different aspects of "new products * new services * new family members".

## COMPETITIVE STRENGTHS

Since our establishment in 1962, we have been the leading life insurer in Taiwan. Our principal strengths include:

- leading market position as the largest Taiwanese life insurer;
- well established distribution channel with premier agency force and unparalleled cross-selling capabilities;
- ongoing reinforcement of value-driven product strategy;
- solid balance sheet and sufficient capital position;
- high quality investment portfolio with steady growth; and
- visionary and experienced management team.

## STRATEGIES

Our vision is to enable our customers to enjoy a healthy living and a prosperous retirement life, while also achieving our CSM targets and balancing ICS risk capital needs. Our main strategies are set out below:

- continuing to improve our product offering and provide better protection for our customers;
- improving customer experience through digital innovation and personalisation;
- further deepening our distribution channels and strengthening our client engagement; and
- promoting our sustainability value through our ESG strategies.

## RECENT DEVELOPMENTS

### Publication of quarterly results as of and for the three months ended 31 March 2024

On 15 May 2024, the Guarantor published the Chinese version of our unaudited but reviewed results as of and for the three months ended 31 March 2023 and 2024. Our independent auditor, Deloitte & Touche, has given an unmodified conclusion in its independent auditors' review report, concluding that nothing has come to auditors' attention that caused auditors to believe that the consolidated financial statements do not present fairly, in all material respects, our consolidated financial position, our consolidated financial performance and our consolidated cash flows for the said period.

For the first quarter of 2024, we continued to implement our value-oriented strategy in the sales of our insurance products and has maintained strong financial performance, which was shown by our growth in total operating revenue and net profit. For the three months ended 31 March 2024, we generated total operating revenue of NTD 219 billion, representing an increase of 27.6 per cent. from the total operating revenue of the same period last year. We also achieved a net profit of NTD 25 billion. In addition, our investment portfolio continued to grow at a steady pace, generating stable investment returns. In terms of our capital, the Guarantor's RBC was maintained at a level above 300 per cent. and our net worth ratio was close to eight per cent., both of which are well above the minimum regulatory requirements, demonstrating our strong capital adequacy and solvency position.

Please refer to "*Summary Financial Information – Condensed Quarterly Financial Information as of and for the Three Months ended 31 March 2024*" for the condensed quarterly financial information as of and for the three months ended 31 March 2023 and 2024.

**Disposal of Conning Holdings Limited ("CHL")**

The Guarantor previously held 100 per cent. equity interest in CHL and its subsidiaries, a leading U.S. asset management company. In order to further expand Cathay FHC Group's global reach of its asset management business and deepen its partnership with the Generali Group, on 6 July 2023, the Guarantor agreed to sell, and Generali Investment Holding S.P.A ("**GIH**") agreed to buy, 100 per cent. equity interest of CHL and its subsidiaries. GIH is the asset management company within the Generali Group, a global insurance and asset management provider. The transaction was structured as an exchange of shares without a cash consideration. As a result of the transaction, the Guarantor became a minority shareholder of GIH, holding approximately 16.75 per cent. equity interest in GIH. The transaction has obtained all the necessary approvals and was completed on 3 April 2024. This transaction was part of the long-term partnership between the Cathay FHC Group and GIH and will not affect the previous relationship between CHL and us. As of the date of this Offering Circular, CHL and its subsidiaries are no longer our consolidated subsidiaries.

## THE OFFERING

*The following is a brief summary of the terms of the offering of the Bonds. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular. Capitalised terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".*

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| **Issuer** . . . . . . . . . . . . . . | CATHAYLIFE SINGAPORE PTE. LTD. |
| **Guarantor** . . . . . . . . . . . | Cathay Life Insurance Co., Ltd. |
| **The Bonds** . . . . . . . . . . . | U.S.$600,000,000 5.95 per cent. Tier 2 subordinated dated capital bonds due 2034. |
| **Guarantee of the Bonds** . | The Guarantor has unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. The obligations of the Guarantor under the guarantee (the "**Guarantee of the Bonds**") are contained in the Trust Deed. |
| **Status and Ranking of the Bonds** . . . . . . . . . . | The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to the insolvency laws of Singapore, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer.<br><br>"**Applicable Supervisory Rules**" means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time.<br><br>"**Junior Obligations**" means:<br><br>(i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Issuer and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds; and |

(ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract.

"**Ordinary Shares**" means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be.

"**Parity Obligations**" means any instruments or securities issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes or qualifies as Tier 2 Capital Instruments (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments) or any other obligations of the Issuer or the Guarantor, as the case may be, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds (in the case of the Issuer) or the Guarantee of the Bonds (in the case of the Guarantor) by operation of law or contract.

"**Preferred Shares**" means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be.

"**Senior Creditors**" means all policyholders (including all obligations to such policyholders under policies and contracts of insurance), other unsubordinated creditors of the Issuer or the Guarantor, as the case may be.

"**Tier 1 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 Unlimited capital (第一類非限制性資本) or Tier 1 Limited capital (第一類限制性資本) of the Issuer or the Guarantor, as the case may be, in each case pursuant to the Applicable Supervisory Rules;

"**Tier 2 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Issuer or the Guarantor, as the case may be, in each case pursuant to the Applicable Supervisory Rules.

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| **Status and Ranking of the Guarantee of the Bonds** | The obligations of the Guarantor under the Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor.<br><br>*The status and ranking of the Bonds and the Guarantee will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.* |
| **Issue Price**. . . . . . . . . . . | 99.717 per cent. of the principal amount of the Bonds. |
| **Form, Denomination and Title**. . . . . . . . . . . . . . | The Bonds will be registered and issued in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. |
| **Issue Date** . . . . . . . . . . . | 5 July 2024. |
| **Maturity Date** . . . . . . . . | 5 July 2034. |
| **Set-off** . . . . . . . . . . . . . . | Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place. |
| **Interest** . . . . . . . . . . . . . | The Bonds confer a right to receive interest from the Issue Date at 5.95 per cent. per annum (the "**Rate of Interest**") payable semi-annually in equal instalments in arrear on 5 January and 5 July of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 5 January 2025. |

Unless otherwise provided for in the Terms and Conditions of the Bonds, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused.

In such latter event, interest will continue to accrue at the Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of:

(i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder; and

(ii) the day which is seven days after the Agent (as defined in the Terms and Conditions of the Bonds) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under the Terms and Conditions of the Bonds).

*The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.*

**Redemption of Bonds at Maturity** . . . . . . . . . . The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on the Maturity Date in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

**Redemption for Taxation Reasons** . . . . . . . . . . . Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if:

(a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a "**Tax Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons*".

**Redemption for Tax Deduction Reasons** . . . Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if:

(a) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or (as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a "**Tax Deduction Event**")

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons*".

**Minimal Outstanding Amount Redemption** . . Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled.

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption*".

**Regulatory Event Redemption** . . . . . . . . Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a "**Regulatory Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption*".

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| **Redemption Conditions** . | Notwithstanding anything to the contrary set out in the Terms and Conditions of the Bonds, any redemption or purchase of the Bonds pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) shall be subject to the following conditions under Condition 5(f) of the Terms and Conditions of the Bonds (the "**Redemption Conditions**") to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:<br><br>(A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and<br><br>(B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.<br><br>See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption Conditions*".<br><br>"**Capital Requirements**" means any minimum prescribed solvency capital ratios to which the Guarantor or the Issuer is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio（資本適足率）as calculated according to the Applicable Supervisory Rules.<br><br>*The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor or the Issuer may change from time to time. See "Risk Factors – Risks Relating to the Insurance Industry – We are required to comply with minimum solvency requirements and we may be required to raise additional capital or change business strategy if the Guarantor's risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future" in this Offering Circular for further details.*<br><br>"**Relevant Regulator**" means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the Financial Supervisory Commission, ROC.<br><br>"**Relevant Regulatory Approval**" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12 of the Terms and Conditions of the Bonds), as the case may be, of such Bonds. |

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| **Limited right to institute proceedings** . . . . . . . . | The right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due and is unpaid. |
| **Proceedings for Winding-Up** . . . . . . . . | Upon:<br><br>(i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be; or<br><br>(ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.<br><br>*The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.* |
| **Substitution or Variation** | If a Special Event has occurred and is continuing, then the Issuer may, (without any requirement for the consent or approval of the Bondholders) subject to its having satisfied the requirements set out under the definition of "Qualifying Bonds" immediately prior to the giving of any notice referred to herein that the provisions of Condition 12 of the Terms and Conditions of the Bonds have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 14 of the Terms and Conditions of the Bonds, the Bondholders (which notice shall be irrevocable), at any time either:<br><br>(i) substitute all, but not some only, of the Bonds for; or<br><br>(ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds,<br><br>provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules. |

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with Condition 12 of the Terms and Conditions of the Bonds.

In connection with any substitution or variation in accordance with Condition 12 of the Terms and Conditions of the Bonds, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

"**Special Event**" means a Tax Event, Tax Deduction Event or Regulatory Event or any combination of the foregoing.

"**Qualifying Bonds**" means bonds that:

(a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of one authorised signatory of the Issuer or the Guarantor shall have been delivered to the Trustee and the Bondholders prior to the substitution or variation of the Bonds), provided that:

    (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor; and

    (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;

(b) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the Rating Agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and

(c) are listed on the SGX-ST or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

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| **Further Issues** . . . . . . . . | The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in the Terms and Conditions of the Bonds to "**Issue Date**" shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such Bonds, and references in the Terms and Conditions of the Bonds to "**Bonds**" and "**Bondholders**" shall be construed accordingly. |
| **Governing Law** . . . . . . . | The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in (i) Conditions 3(a) and (b) of the Terms and Conditions of the Bonds and (ii) the Trust Deed are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively. |
| **Trustee** . . . . . . . . . . . . . | Citicorp International Limited. |
| **Registrar** . . . . . . . . . . . . | Citicorp International Limited. |
| **Principal Paying Agent, Transfer Agent and Calculation Agent** . . . . | Citibank, N.A., London Branch. |
| **Clearing System** . . . . . . . | Upon issue, the Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream. The Terms and Conditions of the Bonds are modified by certain provisions contained in the Global Certificate. See "*The Global Certificate*". |
| **Clearance and Settlement** | The Bonds have been accepted for clearance through Euroclear and Clearstream under the following codes:<br><br>ISIN: XS2852920342<br><br>Common Code: 285292034 |
| **Listing** . . . . . . . . . . . . . | Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum trading board lot size of S$200,000 or its equivalent in foreign currencies, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. |
| **Ratings** . . . . . . . . . . . . . | The Bonds are expected to be rated "BBB+" by Fitch and "BBB+" by S&P. A rating is not a recommendation to buy, sell or hold any Bonds and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. |

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| **Notices** . . . . . . . . . . . . . | Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.<br><br>*So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.* |
| **Use of Proceeds** . . . . . . . | See "*Use of Proceeds*" |

## SELECTED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as at and for the periods indicated. The summary consolidated historical financial information as at and for the years ended 31 December 2021, 2022 and 2023 are extracted from our audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 and as at and for the years ended 31 December 2022 and 2023 including the notes thereto respectively.

Our consolidated financial statements as at and for the years ended 31 December 2021 and 2022 and as at and for the years ended 31 December 2022 and 2023 have been audited by Deloitte & Touche, our independent auditor, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

Our historical financial information should not be taken as an indication of our future financial performance.

### CONSOLIDATED BALANCE SHEETS

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(audited)* | *(audited)* | *(audited)* |
| | | *(NT$ thousands)* | |
| **ASSETS** | | | |
| Cash and cash equivalents | 465,755,469 | 329,638,342 | 251,247,088 |
| Receivables | 73,894,118 | 92,183,754 | 112,253,915 |
| Current tax assets | 56,763 | 15,472 | 41,681 |
| Investments | | | |
| Financial assets at fair value through profit or loss | 1,621,839,940 | 1,426,004,992 | 1,666,488,243 |
| Financial assets at fair value through other comprehensive income | 1,308,707,464 | 442,472,396 | 568,986,970 |
| Financial assets measured at amortized cost | 2,689,002,505 | 3,986,581,050 | 4,043,811,869 |
| Financial assets for hedging | 500,642 | 29,891 | 1,109 |
| Investments accounted for using the equity method | 29,084,146 | 29,483,762 | 30,874,304 |
| Investment property | 514,013,289 | 528,142,438 | 541,805,594 |
| Loans | 479,852,327 | 450,296,409 | 403,826,256 |
| Total investments | 6,643,000,313 | 6,863,010,938 | 7,255,794,345 |
| Reinsurance assets | 2,378,996 | 2,309,447 | 2,299,660 |
| Property and equipment | 29,928,347 | 40,809,699 | 41,530,355 |
| Right-of-use assets | 1,740,046 | 2,268,417 | 2,177,022 |
| Intangible assets | 41,492,461 | 41,380,113 | 39,522,555 |
| Deferred tax assets | 58,628,168 | 80,501,622 | 63,612,183 |
| Other assets | 32,075,904 | 64,885,181 | 39,857,216 |
| Separate account insurance product assets | 724,210,234 | 655,426,996 | 727,665,599 |
| **Total assets** | **8,073,160,819** | **8,172,429,981** | **8,536,001,619** |
| **LIABILITIES AND EQUITY** | | | |
| Payables | 22,835,359 | 22,338,461 | 22,916,475 |
| Current tax liabilities | 371,581 | 176,349 | 191,723 |
| Financial liabilities at fair value through profit or loss | 3,050,197 | 63,669,162 | 24,070,611 |
| Financial liabilities for hedging | 20,956 | 3,716,091 | 2,038,001 |
| Bonds payable | 80,000,000 | 80,000,000 | 114,841,430 |
| Other financial liabilities | – | 7,030,535 | 7,675,139 |
| Insurance liabilities | | | |
| Unearned premium reserve | 19,496,231 | 20,547,570 | 21,710,834 |
| Loss reserve | 11,763,381 | 12,760,061 | 13,310,838 |
| Policy reserve | 6,334,959,547 | 6,672,193,784 | 6,820,368,378 |
| Special reserve | 11,085,059 | 11,085,733 | 11,090,539 |
| Premium deficiency reserve | 9,808,215 | 8,130,466 | 6,770,608 |
| Other reserves | 1,865,925 | 1,845,253 | 1,834,253 |
| Total insurance liabilities | 6,388,978,358 | 6,726,562,867 | 6,875,085,450 |

| | As at 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *(audited)* | *(audited)* | *(audited)* |
| | | *(NT$ thousands)* | |
| Reserve for insurance contracts with the nature of financial products | 15,188,788 | 18,495,469 | 23,524,199 |
| Reserve for foreign exchange valuation | 9,053,726 | 49,503,457 | 20,773,326 |
| Provisions | 56,245 | 56,245 | 56,245 |
| Lease liabilities | 12,081,162 | 16,645,248 | 16,604,525 |
| Deferred tax liabilities | 54,318,203 | 52,624,428 | 52,033,960 |
| Other liabilities | 20,863,199 | 10,395,966 | 20,649,931 |
| Separate account insurance product liabilities | 724,210,234 | 655,426,996 | 727,665,599 |
| **Total liabilities** | **7,331,028,008** | **7,706,641,274** | **7,908,126,614** |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | |
| Share capital | | | |
| Ordinary shares | 58,515,274 | 63,515,274 | 63,515,274 |
| Capital surplus | 60,594,868 | 90,924,478 | 91,588,303 |
| Retained earnings | | | |
| Legal reserve | 27,491,929 | 50,217,005 | 55,071,783 |
| Special reserve | 390,287,210 | 458,553,415 | 478,075,900 |
| Unappropriated earnings | 111,938,770 | 22,775,644 | 14,928,256 |
| Total retained earnings | 529,717,909 | 531,546,064 | 548,075,939 |
| Other equity | 85,614,861 | (229,169,011) | (84,760,761) |
| Total equity attributable to owners of the Company | 734,442,912 | 456,816,805 | 618,418,755 |
| Non-controlling interests | 7,689,899 | 8,971,902 | 9,456,250 |
| **Total equity** | **742,132,811** | **465,788,707** | **627,875,005** |
| **Total liabilities and equity** | **8,073,160,819** | **8,172,429,981** | **8,536,001,619** |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(audited)* | *(audited)* | *(audited)* |
| | | *(NT$ thousands)* | |
| **OPERATING REVENUE** | | | |
| **Retained earned premium** | | | |
| Written premium | 501,639,497 | 412,890,812 | 404,104,777 |
| Reinsurance premium | 102,567 | 127,412 | 121,264 |
| Premium income | 501,742,064 | 413,018,224 | 404,226,041 |
| Less: Reinsurance expense | (2,639,962) | (2,832,249) | (2,996,677) |
| Net changes in unearned premium reserve | (704,307) | (990,281) | (1,111,785) |
| Total retained earned premium | 498,397,795 | 409,195,694 | 400,117,579 |
| Reinsurance commission income | 387,942 | 526,992 | 423,762 |
| Fee income | 10,714,732 | 10,803,743 | 11,728,148 |
| **Net investment incomes (losses)** | | | |
| Interest income | 157,777,570 | 179,315,471 | 196,876,566 |
| Gain (loss) on financial assets and liabilities at fair value through profit or loss | 136,924,517 | (448,906,906) | 121,873,352 |
| Gain on derecognition of financial assets measured at amortized cost | 38,060,685 | 10,493,286 | 3,094,909 |
| Realized gain on financial assets at fair value through other comprehensive income | 29,456,079 | 3,175,819 | 5,464,665 |
| Share of profit of associates accounted for using the equity method | 1,712,701 | 2,180,141 | 2,092,756 |
| Foreign exchange (loss) gain | (75,870,444) | 298,139,826 | 2,123,875 |
| Net changes in reserve for foreign exchange valuation | 5,767,139 | (40,449,731) | 28,730,131 |
| Gain on investment property | 12,738,120 | 14,513,530 | 12,846,320 |
| Reversal of expected credit loss (expected credit loss) on investments | 1,627,302 | (3,931,883) | (926,121) |
| Other net investment income (loss) | 950,962 | 3,948,408 | (240,105) |
| Gain (loss) on reclassification using overlay approach | 39,802,554 | 252,818,402 | (118,647,734) |
| Other operating revenue | 8,754,025 | 8,726,100 | 10,536,667 |
| Separate account insurance product income (loss) | 77,919,494 | (933,202) | 56,586,267 |
| Total operating revenue | 945,121,173 | 699,615,690 | 732,681,037 |
| **OPERATING COSTS** | | | |
| **Retained claims payments** | | | |
| Insurance claims payments | 289,792,257 | 400,212,621 | 431,190,640 |
| Less: Claims and payments recovered from reinsurers | (1,942,014) | (1,702,029) | (2,033,560) |
| Total retained claims payments | 287,850,243 | 398,510,592 | 429,157,080 |
| **Net change in other insurance liability** | | | |
| Net change in claim reserve | (363,700) | 873,985 | 561,183 |
| Net change in liability reserve | 379,955,900 | 188,414,362 | 147,151,444 |
| Net change in special claim reserve | 283 | 674 | 4,806 |
| Net change in premium deficiency reserve | (3,863,053) | (1,925,635) | (1,369,807) |
| Net change in other reverses | (11,000) | (20,672) | (11,000) |
| Total net change in other insurance liability | 375,718,430 | 187,342,714 | 146,336,626 |
| Net change in reserve for insurance with nature of financial instrument | 1,052,640 | 1,046,127 | 1,657,847 |
| Underwriting expense | 16,441,121 | 15,076,322 | 14,987,647 |
| Commission expense | 18,003,700 | 15,901,138 | 18,712,495 |
| Finance costs | 3,113,652 | 3,817,461 | 4,828,236 |
| Other operating costs | 8,055,769 | 6,729,312 | 7,812,575 |
| Separate account insurance product expenses | 77,919,494 | (933,202) | 56,586,267 |
| Total operating costs | 788,155,049 | 627,490,464 | 680,078,773 |
| **Operating expenses** | | | |
| General expenses | 12,434,984 | 11,997,784 | 13,091,719 |
| Administrative expenses | 19,934,385 | 20,219,681 | 23,308,935 |
| Staff training expenses | 53,731 | 56,913 | 75,855 |
| Expected credit loss (Reversal of expected credit loss) on non-investments | 24,773 | 27,032 | (12,003) |
| Total operating expenses | 32,447,873 | 32,301,410 | 36,464,506 |
| Net operating income | 124,518,251 | 39,823,816 | 16,137,758 |
| **Non-operating income and expenses** | | | |
| Total non-operating income and expenses | 1,563,137 | 1,858,515 | 2,753,295 |
| Profit from continuing operations before tax | 126,081,388 | 41,682,331 | 18,891,053 |
| **Tax expense** | | | |
| Tax expense, net | (12,915,530) | (7,513,152) | (2,124,645) |
| Profit | 113,165,858 | 34,169,179 | 16,766,408 |

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *(audited)* | *(audited)* | *(audited)* |
| | | *(NT$ thousands)* | |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Remeasurement of defined benefit plans | 1,345,381 | 59,596 | 437,004 |
| Property revaluation surplus | 286,073 | – | – |
| Gain (loss) on equity instruments at fair value through other comprehensive income | 7,307,076 | (24,351,290) | 23,421,093 |
| Share of other comprehensive loss of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss | (55,895) | (804,397) | (620,009) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 105,120 | 366,827 | 24,485 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of the financial statements of foreign operations | (1,801,645) | 3,441,271 | 97,255 |
| (Loss) gain on hedging instruments | (13,681) | 762,058 | (550,032) |
| (Loss) gain on debt instruments at fair value through other comprehensive income | (73,570,902) | (85,336,187) | 14,093,761 |
| Share of other comprehensive income (loss) of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss | (930,948) | 811,600 | 171,649 |
| Other comprehensive (loss) income reclassified using overlay approach | (39,802,554) | (252,818,402) | 118,647,734 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | 15,537,788 | 33,620,687 | (10,876,955) |
| Total other comprehensive (loss) income for the period, net of income tax | (91,594,187) | (324,248,237) | 144,845,985 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | 21,571,671 | (290,079,058) | 161,612,393 |
| **NET PROFIT ATTRIBUTABLE TO:** | | | |
| Owners of the Company | 112,230,795 | 33,667,168 | 16,343,087 |
| Non-controlling interests | 935,063 | 502,011 | 423,321 |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Owners of the Company | 20,590,789 | (290,617,468) | 160,916,050 |
| Non-controlling interests | 980,882 | 538,410 | 696,343 |
| **EARNINGS PER SHARE** | | | |
| Basic earnings per share | 19.18 | 5.75 | 2.57 |

## CONDENSED QUARTERLY FINANCIAL INFORMATION AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2024

On 15 May 2024, the Guarantor published the Chinese version of our unaudited but reviewed consolidated financial statements as of and for the three months ended 31 March 2023 and 2024. Our independent auditor, Deloitte & Touche, has given an unmodified conclusion in its independent auditors' review report, concluding that nothing has come to auditors' attention that caused auditors to believe that the consolidated financial statements do not present fairly, in all material respects, our consolidated financial position, our consolidated financial performance and our consolidated cash flows for the said period.

We set out below our consolidated balance sheet as at 31 December 2023 and 31 March 2024 and our consolidated statements of comprehensive income for the three months ended 31 March 2023 and 2024, which are extracted from our reviewed consolidated financial statements as at and for the three months ended 31 March 2023 and 2024.

Our unaudited consolidated financial statements as at and for the three months ended 31 March 2023 and 2024 have been reviewed by Deloitte & Touche, our independent auditor, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting".

### Consolidated Balance Sheet

| | As at 31 December | As at 31 March |
|---|---|---|
| | 2023 | 2024 |
| | *(audited)* *(NT$ thousands)* | *(reviewed)* *(NT$ thousands)* |
| **ASSETS** | | |
| Cash and cash equivalents | 251,247,088 | 266,930,328 |
| Receivables | 112,253,915 | 145,223,803 |
| Current tax assets | 41,681 | 8,564 |
| Assets classified as held for sale | – | 26,055,849 |
| Investments | | |
| Financial assets at fair value through profit or loss | 1,666,488,243 | 1,634,712,849 |
| Financial assets at fair value through other comprehensive income | 568,986,970 | 601,468,822 |
| Financial assets measured at amortized cost | 4,043,811,869 | 4,191,915,640 |
| Financial assets for hedging | 1,109 | 70,944 |
| Investments accounted for using the equity method | 30,874,304 | 31,598,017 |
| Investment property | 541,805,594 | 548,837,176 |
| Loans | 403,826,256 | 397,602,313 |
| Total investments | 7,255,794,345 | 7,406,205,761 |
| Reinsurance assets | 2,299,660 | 2,244,061 |
| Property and equipment | 41,530,355 | 40,597,721 |
| Right-of-use assets | 2,177,022 | 1,523,973 |
| Intangible assets | 39,522,555 | 24,117,984 |
| Deferred tax assets | 63,612,183 | 76,721,854 |
| Other assets | 39,857,216 | 52,091,799 |
| Separate account insurance product assets | 727,665,599 | 776,585,198 |
| **Total assets** | **8,536,001,619** | **8,818,306,895** |
| **LIABILITIES AND EQUITY** | | |
| Payables | 22,916,475 | 24,105,749 |
| Current tax liabilities | 191,723 | 381,031 |
| Liabilities related to assets classified as held for sale | – | 7,615,778 |
| Financial liabilities at fair value through profit or loss | 24,070,611 | 64,626,753 |
| Financial liabilities for hedging | 2,038,001 | 1,498,788 |
| Bonds payable | 114,841,430 | 115,014,620 |
| Other financial liabilities | 7,675,139 | 7,790,916 |
| Insurance liabilities | | |
| Unearned premium reserve | 21,710,834 | 21,200,269 |
| Loss reserve | 13,310,838 | 13,675,109 |
| Policy reserve | 6,820,368,378 | 6,928,358,840 |
| Special reserve | 11,090,539 | 11,096,688 |

| | As at 31 December 2023 | As at 31 March 2024 |
|---|---|---|
| | *(audited)* *(NT$ thousands)* | *(reviewed)* *(NT$ thousands)* |
| Premium deficiency reserve | 6,770,608 | 6,656,045 |
| Other reserves | 1,834,253 | 1,834,253 |
| Total insurance liabilities | 6,875,085,450 | 6,982,821,204 |
| Reserve for insurance contracts with the nature of financial products | 23,524,199 | 25,425,648 |
| Reserve for foreign exchange valuation | 20,773,326 | 32,562,052 |
| Provisions | 56,245 | 56,245 |
| Lease liabilities | 16,604,525 | 15,772,913 |
| Deferred tax liabilities | 52,033,960 | 68,484,893 |
| Other liabilities | 20,649,931 | 8,311,220 |
| Separate account insurance product liabilities | 727,665,599 | 776,585,198 |
| **Total liabilities** | **7,908,126,614** | **8,131,053,008** |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | |
| Share capital | | |
| Ordinary shares | 63,515,274 | 63,515,274 |
| Capital surplus | 91,588,303 | 91,629,937 |
| Retained earnings | | |
| Legal reserve | 55,071,783 | 55,071,783 |
| Special reserve | 478,075,900 | 478,075,900 |
| Unappropriated earnings | 14,928,256 | 40,519,072 |
| Total retained earnings | 548,075,939 | 573,666,755 |
| Other equity | (84,760,761) | (51,452,710) |
| Total equity attributable to owners of the Company | 618,418,755 | 677,359,256 |
| Non-controlling interests | 9,456,250 | 9,894,631 |
| **Total equity** | **627,875,005** | **687,253,887** |
| **Total liabilities and equity** | **8,536,001,619** | **8,818,306,895** |

## Consolidated Statements of Comprehensive Income

| | Three months ended 31 March | |
|---|---|---|
| | 2023 | 2024 |
| | *(reviewed)* | *(reviewed)* |
| | *(NT$ thousands)* | |
| **OPERATING REVENUE** | | |
| **Retained earned premium** | | |
| Written premium | 101,151,222 | 103,005,386 |
| Reinsurance premium | 29,329 | 28,197 |
| Premium income | 101,180,551 | 103,033,583 |
| Less: Reinsurance expense | (602,851) | (646,417) |
| Net changes in unearned premium reserve | 561,605 | 370,631 |
| Total retained earned premium | 101,139,305 | 102,757,797 |
| Reinsurance commission income | 5,901 | 5,688 |
| Fee income | 2,625,932 | 3,100,791 |
| **Net investment incomes (losses)** | | |
| Interest income | 47,346,302 | 49,700,329 |
| Gain (loss) on financial assets and liabilities at fair | 75,106,866 | (59,137,108) |
| **Value through profit or loss** | | |
| Gain on derecognition of financial assets measured at amortized cost | 2,026,804 | 156,227 |
| Realized gain on financial assets at fair value through other comprehensive income | 280,654 | 1,079,149 |
| Share of profit of associates accounted for using the equity method | 734,209 | 673,170 |
| Foreign exchange (loss) gain | (24,578,662) | 129,964,922 |
| Net changes in reserve for foreign exchange valuation | 7,336,536 | (11,788,726) |
| Gain on investment property | 3,362,693 | 3,415,927 |
| Reversal of expected credit loss (expected credit loss) on investments | 150,811 | (292,343) |
| Other net investment income | 177,295 | 55,299 |
| Loss on reclassification using overlay approach | (60,171,438) | (27,318,630) |
| Other operating revenue | 302,732 | 350,177 |
| Separate account insurance product income | 16,117,603 | 26,630,334 |
| Total operating revenue | 171,963,543 | 219,353,003 |
| **OPERATING COSTS** | | |
| **Retained claims payments** | | |
| Insurance claims payments | 97,192,717 | 98,762,024 |
| Less: Claims and payments recovered from reinsurers | (465,763) | (540,187) |
| Total retained claims payments | 96,726,954 | 98,221,837 |
| **Net change in other insurance liability** | | |
| Net change in claim reserve | (183,462) | 373,630 |
| Net change in liability reserve | 46,612,006 | 45,177,189 |
| Net change in special claim reserve | 157 | 6,149 |
| Net change in premium deficiency reserve | (396,427) | (164,631) |
| Net change in other reverses | (3,000) | – |
| Total net change in other insurance liability | 46,029,274 | 45,392,337 |
| Net change in reserve for insurance with nature of financial instrument | 328,445 | 530,926 |
| Underwriting expense | 3,832,065 | 4,623,075 |
| Commission expense | 3,836,142 | 6,175,107 |
| Finance costs | 1,085,728 | 1,337,911 |
| Other operating costs | 1,535,077 | 1,801,962 |
| Separate account insurance product expenses | 16,117,603 | 26,630,334 |
| Total operating costs | 169,491,288 | 184,713,489 |
| **Operating expenses** | | |
| General expenses | 3,254,125 | 3,834,225 |
| Administrative expenses | 3,364,707 | 3,563,585 |
| Staff training expenses | 6,903 | 7,996 |
| (Reversal of expected credit losses) expected credit losses on non-investments | (1,475) | 24,488 |
| Total operating expenses | 6,624,260 | 7,430,294 |
| Net operating (loss) income | (4,152,005) | 27,209,220 |
| **Non-operating income and expenses** | | |
| Total non-operating income and expenses | 493,438 | 548,472 |
| (Loss) profit from continuing operations before tax | (3,658,567) | 27,757,692 |
| **Tax income (expense)** | | |
| Tax income (expense), net | 1,811,399 | (2,427,480) |
| (Loss) profit from continuing operations | (1,847,168) | 25,330,212 |
| Loss from discontinued operations, net | (200,105) | (210,355) |
| (Loss) profit | (2,047,273) | 25,119,857 |

| | Three months ended 31 March | |
|---|---|---|
| | 2023 | 2024 |
| | *(reviewed)* | *(reviewed)* |
| | *(NT$ thousands)* | |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Gain on equity instruments at fair value through other comprehensive income | 8,665,475 | 13,896,738 |
| Share of other comprehensive loss of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss | (478,755) | (72,061) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 9,317 | 3,911 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of the financial statements of foreign operations | 226,975 | 2,354,605 |
| Gain (loss) on hedging instruments | 128,015 | (372,051) |
| Gain (loss) on debt instruments at fair value through other comprehensive income | 10,526,729 | (9,607,436) |
| Share of other comprehensive income (loss) of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss | 5,277 | 225,619 |
| Other comprehensive income reclassified using overlay approach | 60,171,438 | 27,318,630 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (6,823,445) | 892,646 |
| Total other comprehensive income for the period, net of income tax | 72,431,026 | 34,640,601 |
| TOTAL COMPREHENSIVE INCOME | 70,383,753 | 59,760,458 |
| **NET (LOSS) PROFIT ATTRIBUTABLE TO:** | | |
| Owners of the Company | (2,155,525) | 25,735,465 |
| Non-controlling interests | 108,252 | (615,608) |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | |
| Owners of the Company | 69,942,730 | 59,043,516 |
| Non-controlling interests | 441,023 | 716,942 |
| **(LOSS) EARNINGS PER SHARE** | | |
| Basic (loss) earnings per share from continuing operations | (0.30) | 4.09 |
| Basic loss per share from discontinued operations | (0.04) | (0.04) |
| Basic (loss) earnings per share | (0.34) | 4.05 |

## KEY PERFORMANCE INDICATORS

We use key performance indicators adopted by the Guarantor, including VNB, EV, APE, FYP and Persistency Ratio to measure the scale and profitability of our business. For a discussion of these metrics and their potential risks, see "*Description of Our Company – Overview*" and "*Risk Factors – A number of our key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.*".

| | As at and for the Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(in NTD Billions, except ratios)* | | |
| VNB[1] | 28.8 | 26.3 | 26.8 |
| EV[2] | 1,199 | 988 | 1,140 |
| APE[3] | 51.0 | 42.4 | 47.4 |
| FYP[4] | 202.4 | 129.3 | 132.9 |
| 13-months Persistency Ratio[5] | 98.4% | 97.7% | 97.3% |
| 25-months Persistency Ratio[6] | 96.3% | 96.6% | 95.4% |
| VNB Margin[7] | 56% | 62% | 56% |

Notes:

1. VNB equals to the present value of future net after-tax profits of new business sold in the year minus the cost of capital that shareholders are required to hold to ensure compliance with the laws and regulations.

2. EV equals to adjusted net worth plus value of in-forced business after cost of capital. The adjusted net worth is the sum of shareholder's equity, special reserve for revaluation increments of property, reserve for foreign exchange valuation, unrealised gains/losses on owner-occupied property and impact of the administrative measures in relation to the acquisitions of Global and Singfor Life Insurance minus the goodwill.

3. APE is calculated by multiplying FYP with the payment period coefficient. The payment period coefficient for payment periods of six years or longer (inclusive) is calculated at 100 per cent. For payment periods shorter than six years, 50 per cent. discount is applied for a five-year payment, with a 10 per cent. discount for each payment period that is shorter by one year.

4. FYP is the premium paid by the policyholder in the first year of purchasing the policies. The data source is the monthly premium income details settled by our accounting department.

5. 13-months persistency ratio is the annualised premium of policies (including main or supplementary policies) that have completed their 13th monthly premium payment and are in force at the end of the 15th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.

6. 25-months Persistency Ratio is the annualised premium of policies (including main or supplementary policies) that have completed their 25th monthly premium payment and are in force at the end of the 27th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.

7. VNB Margin is the VNB to APE ratio.

# RISK FACTORS

*Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer, the Guarantor and their subsidiaries and the industry in which we operate together with all other information contained in this Offering Circular, including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Bonds" in this Offering Circular have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer, the Guarantor or their subsidiaries that are not currently known to the Issuer, the Guarantor or their subsidiaries or that the Issuer, the Guarantor or their subsidiaries currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Guarantor or their subsidiaries and, if any such risk should occur, the price of the Bonds may decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.*

## RISK FACTORS RELATING TO OUR BUSINESS

### Our business is inherently subject to market fluctuations, general economic conditions and geopolitical events globally and in the geographical markets in which we operate.

Our business is inherently subject to global capital market fluctuations, general economic conditions and geopolitical events globally and in the geographical markets in which we operate. Global market factors, including without limitation inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, government actions taken in response, and regional and geopolitical instability and conflicts, the application of protectionist or restrictive economic and trade policies with specific markets, regulations and executive powers which increase trade barriers with specific markets or restrict trade, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals, all affect the business and economic environment and, ultimately, the amount and profitability of our business. The global economy has experienced, and continues to experience, uncertainty brought on by geopolitical events such as the trade negotiations between the PRC and the United States, political instability in the Middle East, Europe and various parts of the Asia-Pacific region, and the ongoing conflict in Ukraine and the conflict in Gaza and the Middle East. For example, the conflict between Russia and Ukraine has resulted in the imposition by the United States and other nations of sanctions and other restrictive actions against certain banks companies and individuals in Russia. These events have affected the monetary and fiscal policies of governments globally, and may result in substantial volatility of equity and debt markets, fluctuations in interest rates, commodities prices, currency exchange rates, capital flows and credit spreads, and higher inflation, as well as reducing market liquidity and global economic activity. While our diversified business mix partially mitigates these risks, correlation across regions, countries and global markets may reduce the benefits of diversification.

Due to inflationary pressures, interest rates are expected to remain at elevated levels for the foreseeable future. The United States Federal Reserve's interest rate has a significant influence on central banks globally, including central banks in jurisdictions in which we operate. If interest rates increase, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows and may require us to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Furthermore, any material fluctuations in interest rates may also increase our interest burden on our future indebtedness and could have an adverse impact on our ability to service our debt obligations. The interest rate environment and bank reserve ratio requirements in particular are likely to have an impact on the level of premiums written through the bancassurance channel. Bank customers may be less inclined to purchase insurance products if a high interest rate environment results in competing investment products offering higher yields. Tighter liquidity conditions and high bank reserve requirements may also lead to a poorer climate for bank distribution sales of insurance products.

In addition, upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behaviour. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, lower business investment, increased corporate defaults, increased foreclosure on real estate companies, and lower consumer spending, the demand for our financial and insurance products could be materially and adversely affected. Demand for our insurance products, in particular, would be adversely affected by lower levels of disposable income. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Our overseas business could also be materially and adversely affected by unfavourable global economic conditions.

**Volatility in interest rates, and the current interest rates in certain markets, could have an adverse effect on our business, financial condition, liquidity and results of operations.**

The profitability of some of our products and our investment returns are highly sensitive to interest rate levels and fluctuations, and changes in interest rates could adversely affect our investment returns and results of operations. In periods of rising interest rates, increased investment yields will increase the returns on newly added assets in our investment portfolios, but surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income. In addition, the demand for our life insurance products, in particular the long-term savings type policies, may decrease as investors seek more profitable alternatives. Moreover, a rise in interest rates would adversely affect our shareholders' equity in the immediate fiscal year due to a decrease in the fair value of our fixed income investments. Such adverse effects would directly and adversely impact the regulatory solvency margin ratios of our insurance operations both in and outside Taiwan.

Conversely, as interest rates decrease or remain at low levels, we may be forced to divest the newly added assets in our investment portfolio and reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing our investment margin and adversely affecting our profitability. Moreover, borrowers may prepay or redeem fixed income securities or other loans in our investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates our risk exposure. In addition, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in-force from year to year, during a period when our new investments carry lower returns. In addition, we previously offered saving insurance policies, fixed annuities and other insurance products with higher guaranteed rate of return, primarily as a result of the then-prevailing high market interest rates. As a result of the subsequent decrease in market interest rates, the actual rates of return on our life insurance operations' general account investments intended to support our obligations with respect to such products declined below the assumed rates of return used in pricing such insurance products. The difference between the guaranteed return rates on such products and market interest rates resulted in a negative spread on such products, which has adversely affected our overall profitability. Accordingly, low or declining interest rates may materially affect our financial position, results of operations and cash flows and significantly reduce our profitability.

We also seek to manage interest rate risk by matching, to the extent possible, the duration of our interest-bearing liabilities, such as our life insurance policy liabilities, and our interest-earning assets supporting such liabilities, such as our general account investment assets. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of such changes on our interest-earning assets and interest-bearing liabilities will be offset against each other to a certain degree. Historically, the availability of long-term fixed income securities in Taiwan's financial markets has been limited, which has generally resulted in the average duration of interest-earning assets being shorter than that of interest-bearing liabilities of Taiwan's life insurance companies, including but not limited to us. Although such securities are becoming more accessible in Taiwan's financial markets, our ability to match the duration of its interest-earning assets and interest-bearing liabilities remains limited. In addition, while investing in interest-earning assets outside of Taiwan may enhance our ability to match the duration of our assets to their related liabilities, the resulting mismatch in currencies may increase our exposure to changes in exchange rates and interest rates of different regions.

**We may need additional capital in the future, and there is no assurance that we would be able to obtain such capital in time or on acceptable terms.**

In order for us to grow, remain competitive, enter new businesses, expand our scale of operations or meet regulatory capital adequacy or solvency margin ratio requirements, we may need new capital in the future. As the key insurance arm of Cathay FHC Group, we have received full support from our holding company. Since 2008, we have received capital injections from Cathay FHC Group amounting to approximately NTD 152 billion. However, there is no assurance that Cathay FHC Group will continue to provide such support to us. If the Cathay FHC Group no longer provides its support to us, it may materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to obtain additional capital in the future is subject to a variety of uncertainties, including without limitation:

- our financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- general market conditions for capital raising activities; and
- economic, political and other conditions in Taiwan, Mainland China, Vietnam, Singapore and elsewhere.

We may need to raise additional funds through financings or curtail our growth and reduce our assets. Any equity or debt financing, if available at all, may only be on terms that are not favourable to us. Disruption to the financial markets may limit our ability to access capital required to operate our business, and we may be forced to delay raising capital or bear a higher cost of capital, which could decrease our profitability and significantly reduce our financial flexibility. In addition, if we experience a credit rating downgrade, withdrawal or negative watch/outlook in the future, we could incur higher borrowing costs and may have more limited access to raising capital. Any difficulties in raising additional capital could materially and adversely affect our business, financial condition and results of operations.

**Changes in accounting standards may adversely affect our financial condition.**

Our consolidated financial statements are prepared in accordance with all applicable Taiwan-IFRS Accounting Standards. Taiwan-IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC in a timely manner. From time to time, we are also required to adopt new or revised accounting standards as accounting standard setters issue new guidance intended to interpret or revise accounting pronouncements and expand or amend disclosure requirements.

In particular, the adoption of IFRS 9, Financial Instruments became compulsory in Taiwan in 2018 and IFRS 17, Insurance Contracts standard is scheduled for adoption in 2026. On 23 November 2023, the FSC announced that a 50bp illiquidity premium would be given to liability discount rates on legacy insurance policies with guarantee rates above 6 per cent. to reflect the illiquidity characteristics of these policies. In addition, insurers in Taiwan are expected to carry out a parallel run of IFRS 17 in 2025 and review all related process to implement the new regime for comparative purpose.

IFRS 17 includes fundamental changes to current accounting in both insurance contract measurement and profit recognition. The revised model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. In addition, IFRS 17 requires extensive disclosures including certain more granular information and a new presentation format for the statement of comprehensive income.

IFRS 9 addresses several aspects of accounting for financial instruments, including the classification, recognition and measurement of financial assets and financial liabilities.

In order to adopt IFRS 17 and 9, we have implemented a multi-year Group-wide project across our businesses, which includes significant enhancements to technology, actuarial and finance systems and processes across the Guarantor and its subsidiaries. Due to the complexity of the implementation, post-implementation issues could be identified in the future.

IFRS 17 and IFRS 9 are complex accounting standards that require considerable judgement, complex modelling, assumptions and interpretation in their implementation. As such, the required quantitative disclosures are subject to significant estimation uncertainty and the associated inherent risk is therefore considered significant. See notes 3, 4, 8, 9, 10 and 13 to our audited consolidated financial statements for the year ended 31 December 2023 included elsewhere in this Offering Circular for further information.

Finally, it is possible that accounting standards could change further in future, which could have a material adverse effect on our financial condition and/or impact the reporting of our results of operations.

**Our business and performance are dependent on the effectiveness of our distribution and marketing channels.**

We have historically relied on our tied agents as the primary channel for the distribution and marketing of our insurance products. In addition, we have strengthened our efforts to maintain sales of life insurance products through our exclusive bancassurance partnership with Cathay United Bank. We cannot assure investors that the efforts of our tied agency force, or of our bancassurance or other intermediated channels, will be successful.

As both we and Cathay United Bank belong to the Cathay FHC Group, we have maintained a stable exclusive bancassurance partnership with Cathay United Bank. However, while we have provided thorough training and on-site assistance, as we have little control over the operation of Cathay United Bank, there is no assurance that the sales team at Cathay United Bank will be adopting the same distribution strategies or providing the same services as we do. Furthermore, with our expansion of overseas business, we may also enter into bancassurance relationship with other commercial banks outside of Taiwan, and we may not always enter into successful partnership with such distribution partners. Any dispute with the bancassurance partners, or any disruption or other adverse change to our bancassurance relationship may have a material adverse effect on our business, financial condition and results of operation.

In addition, we face competition to attract and retain agency leaders and individual agents. We compete with other companies for the services of tied agents on the basis of our reputation, product range, compensation and retirement benefits, training, support services and financial position. Access to alternative distribution channels is subject to similar competition. Any adverse movement in any of these factors could inhibit our ability to attract and retain adequate numbers of qualified agents and adversely impact our ability to maintain and develop relationships with alternative distribution partners.

To the extent we are not able to maintain our existing distribution relationships or secure new distribution relationships, we may not be able to maintain or grow our VNB or premiums, which may materially and adversely affect our business, financial condition and results of operations.

**Concentration of the Guarantor's investment portfolio in any particular asset class, market or segment of the economy may increase our risk of suffering investment losses.**

The Guarantor's investment portfolio is comprised primarily of debt securities, and it holds significant amounts of government and governmental agency bonds, financial institution bonds and corporate bonds. As of 31 December 2021, 2022 and 2023, the debt securities held by the Guarantor comprise 65.6 per cent., 69.0 per cent. and 69.9 per cent. respectively of its total investment. As a result, we have significant credit exposure to banking and other financial institutions and corporate issuers. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on the Guarantor's investment portfolio to the extent that its portfolio is overly concentrated in the particularly affected industry or industries, asset class or geographic region. With the world's economies and financial markets increasingly interconnected and interdependent, crises in one geography or one area could now easily negatively impact other geographies or areas, in which we may have investment exposure. Any adverse impact may increase the risk of negative mark to market movements of our investments held for sale. These types of concentrations in the Guarantor's investment portfolio increase the risk that, in the event we experience a significant loss in any of these investments, our financial condition and results of operations would be materially and adversely affected.

Our investment counterparties, including issuers of the securities the Guarantor holds, commercial banks where we have placed deposits, debtors and investees of private equity funds, as well as our customers and sales partners, may be unable to perform their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. We are also exposed to the risk that we may not be able to enforce our rights against our counterparties in all circumstances. We may not have adequate risk control capabilities to effectively identify and control potential credit risks. This could lead to a decrease in the fair value of our debt securities, thereby resulting in impairment losses. Although we attempt to minimise these risks by diversifying our investments, improving our credit analysis skills and staying informed on the changes of interest rates, we may not be able to identify and mitigate credit risks successfully and the potential fair value losses or realised losses on our investment and any significant downgrading of the securities we hold could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, there may not be a liquid trading market for certain of our investments, which is in turn affected by numerous factors, including without limitation the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. If we were required to dispose of these or other potentially illiquid assets on short notice, we could be forced to sell such assets at prices significantly lower than the prices we have recorded in our consolidated financial information.

**Investing and trading in overseas securities expose us to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates.**

The Guarantor's holdings of overseas bonds represented 57.7 per cent., 61.9 per cent. and 61.8 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively. In addition, the Guarantor's holdings of overseas equities represented 6.4 per cent., 5.6 per cent. and 5.6 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively. Although our investment team in Taiwan have experience and strong performance in our investment in securities, investing and trading in overseas securities require more specialised investment and risk management expertise as it exposes us to certain level of overseas investment risks. Furthermore, the market value of the overseas securities in which we decide to invest could decrease significantly due to various factors, such as declines in foreign stock markets, increases in global interest rates, a lack of liquidity, a deterioration in the operating performance or financial condition of particular issuers or of the overseas local or global economy in general. Accordingly, our investments in overseas securities may lead to trading and valuation losses, which could adversely affect our results of operations and financial condition.

Furthermore, we may incur foreign exchange losses on our investments denominated in foreign currencies. Appreciation of the NTD reduces the NTD value of our overseas securities and other general account investment assets denominated in foreign currencies. Although we generally seek to hedge the exchange rate risk arising from our general account investments in overseas securities through derivative financial instruments including currency swaps and forwards, our hedging activities relating to our investments denominated in foreign currencies may not be fully effective, and our investment results may be subject to exchange rate risk, as well as other risks and volatility affecting overseas capital markets. Future movements in the exchange rate of the NTD against the U.S. dollar and other foreign currencies may result in foreign exchange losses or losses on our foreign currency forward or swap contracts entered into for hedging purposes, which may adversely affect our results of operations and financial condition.

**We are subject to exchange rate fluctuations owing to the geographical concentration of our business.**

Our operations are heavily weighted towards Taiwan. Due to legacy reasons, our NTD-denominated policies remain the largest portion of our policies, but in recent years, we have shifted focus and have mainly written policies denominated in USD. In respect of the portion of our life insurance business which is in Mainland China and Vietnam, premiums are generally received in RMB or VND. Although this practice limits the effect of exchange rate fluctuations on our local operating results, it can lead to fluctuations in our consolidated financial statements because we publish our financial statements in New Taiwan dollars. While we have recorded foreign exchange gain in 2022 and 2023, there is no guarantee that this trend will continue in the future. Exchange rate fluctuations may also affect the value (denominated in New Taiwan dollars) of our investments in non-New Taiwan dollar denominated investments.

**Derivative transactions may expose us to unexpected risk and potential losses.**

We engage in derivative transactions for the purpose of hedging our exposures as part of our risk management activities, as well as our proprietary trading and investment activities in our securities business. Derivative contracts create exposure to the instruments or measures underlying such contracts and may lead to unexpected losses. Accordingly, in the event that market measures such as interest rates, exchange rates or securities prices move in directions that we do not anticipate, we may experience losses on such contracts.

We are also party to derivative transactions that require us to deliver to the counterparty the underlying security or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security or other obligation and may have difficulty obtaining, or be unable to obtain, the underlying security or other obligation through the physical settlement of other transactions.

As a result, we are subject to the risk that we may not be able to obtain the security or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us.

Derivative transactions also expose us to the credit risk of transaction counterparties. Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

**We expect competition in the insurance industries in Taiwan, the Mainland China and Vietnam to increase, which may materially and adversely affect the growth of our business.**

The insurance business is highly competitive, both inside and outside Taiwan, which may drive our pricing lower and profit margins lower. Competition with respect to the types of insurance in which we are engaged is based on many factors, such as underwriting expertise, reputation, market knowledge and experience in the lines written, the jurisdictions in which the insurer is licensed or otherwise authorised to do business, premiums charged, as well as other terms and conditions of the insurer or reinsurance offered, services offered and speed of claims payment and perceived overall financial strength of the insurer or reinsurer. For the year ended 31 December 2023, we had the largest market share in Taiwan in terms of total premium. In Taiwan, we compete with a number of major players which may have greater financial resources than us.

In Mainland China, we compete with a number of major players which have larger market share than the Group. In addition, many Chinese banks have set up, acquired or expanded their own insurance operations in the country. In addition, the insurance market in Vietnam has grown significantly in the past years. With the increasing demand for insurance in Vietnam, more foreign insurers have expanded their insurance business into this market. As a result, we face more competition from affiliates of international insurance groups, which may have access to greater financial resources and enjoy higher credit ratings than us. With increased competition, even if premium levels of our businesses are not adversely affected, the underlying profit margins of the business sold may still be materially and adversely impacted, which may in turn materially affect our business, financial condition and results of operations.

**Differences between actual claims experience and the assumptions used in pricing and setting reserves for our insurance and pension products may materially and adversely affect our financial condition and results of operations.**

Our earnings depend significantly on the extent to which our actual benefits, claims results and pension liabilities are consistent with the assumptions and estimates we use, such as expected investment return, loss ratio, expense ratio, mortality, morbidity and lapse and surrender rates, among other assumptions, in setting the prices of and establishing the reserves for our products. If our actual experience differs unfavourably from the estimates and assumptions used in our pricing and reserving, the profitability of our insurance products may be materially and adversely affected.

We price our products based on a number of assumptions and estimates that we derive from our historical experience data, industry data, past and then current market conditions and relevant regulations, among others. If the actual market conditions following the launch of our products are significantly less favourable than our assumptions and estimates used in pricing, the distribution and the profitability of our products may be materially and adversely affected, which may, in turn, materially and adversely affect our financial condition and results of operations.

We establish reserves for our products based on relevant regulatory requirements and experience data of the insurance industry and ourselves. However, estimation of reserves is a complex process, involving many variables and subjective judgments, due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of liabilities for unpaid policy benefits and claims. The estimated amounts may deviate significantly from the actual amounts. If the reserves originally established prove to be inadequate, we must incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or we may be required to increase our reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which may have a material adverse effect on our financial condition and results of operations.

**Reinsurance may not be available, affordable or adequate to protect us against losses.**

As part of our overall risk management strategy, we purchase reinsurance for certain risks underwritten by our businesses. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business and may affect our business. In certain circumstances, the price of reinsurance for business already reinsured may also fluctuate. Any decrease in the cost of reinsurance due to, for example, a decrease in the coverage of reinsurance, may increase our risk of loss and any increase in the cost of reinsurance will reduce our earnings. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in the assumption of more risk with respect to those policies we issue. In addition, although we endeavour to choose reinsurers with good credit ratings, there is no guarantee that such reinsurers will not suffer significant losses or other events rendering them unable to fully meet their obligations to us. Reinsurance may not protect us completely against losses due to credit default risks with reinsurance companies. Although a reinsurer is liable to us to the extent of the risks reinsured, we remain liable for those transferred risks if the reinsurer is unable to perform its contractual obligations. Our reinsurers may default on their obligations to us due to various reasons such as bankruptcy, lack of liquidity, downturns in the economy, operational failure, or fraud. We are also subject to the risk that our rights against the reinsurers may not be enforceable in all circumstances. As a result, although we seek reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer who assumes significant underwriting risks from us could expose us to significant losses and could therefore materially and adversely affect our business, financial condition and results of operations.

**Our risk management and internal control systems may be inadequate or ineffective in identifying or mitigating risks that we are exposed to.**

The Guarantor has established comprehensive risk management and internal control systems consisting of organisational framework. Among them, the risk management committee provides support for the establishment of risk management framework and policies by the Board and management and monitors their implementation, the management level manages and reviews the risk management practices, the risk management department takes the lead and organises each work and every business unit performs its own duties with all employees participating together. The Guarantor has also adopted policies, procedures and risk management methods, which are believed to be appropriate for our business operations, and we further seek to continue to improve these systems. In addition, the Guarantor's subsidiaries have adopted appropriate risk management and internal control systems in accordance with their respective local laws and regulations. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including identification and evaluation of risks, internal control variables and the communication of information, there is no assurance that such systems will be able to identify, mitigate and manage our exposures to risks. In addition, as some of our risk management and internal control policies and procedures are relatively new, and given the state of constant, rapid change in the economy, insurance industry and financial markets in Taiwan, which is where the majority of our business originates, and the rapid change and growth in our operations, assets and investment portfolio both in and outside Taiwan, we require more time to fully evaluate and assess their adequacy and effectiveness. As a result, we may need to establish and implement additional risk management and internal control policies and procedures to further improve our systems from time to time.

We implement our risk management and internal controls by using a series of risk management methods. These methods suffer from inherent limitations as they are generally based on statistical analysis of historical data as well as the assumption that future risks will share similar characteristics with past risks. There is no assurance that such assumption is accurate. Our information technology system may not be adequate in collecting, analysing and processing data, and it may not have enough capacity to handle the rapid growth of our businesses. In addition, our historical data and risk management experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, our risk management methods and techniques may not be effective in directing us to take timely and appropriate measures in risk management and internal controls.

Our risk management and internal controls also depend on the effective implementation by our employees. Due to the scale of our operations, our large number of agents, professional personnel and the number of our branch entities in different locations, there is no assurance that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations.

As the regulatory framework of Taiwan's insurance industry and Taiwan's insurance market continue to develop, we are likely to offer a broader and more diverse range of insurance products and invest in a significantly broader range of asset classes. Our efforts in promoting new insurance products and investing in other asset classes that may not necessarily be successful and may result in us being adversely affected by inadequate returns on new products or suboptimal investment strategies and decisions. Meanwhile, the diversification of our insurance product offerings and investments will require us to continue to enhance our risk management capabilities. If we fail to implement timely adaptations to our risk management policies and procedures to our changing business and investment initiatives, our business, financial condition and results of operations could be materially and adversely affected.

**We may not be able to detect or prevent fraud or other misconduct by our directors, senior management, officers, employees, agents, customers or other third parties in a timely manner, or at all.**

We may be subject to fraud and other misconduct committed by our employees, agents, customers or other third parties. While we have implemented, and continue to implement measures aimed at detecting and preventing employees' and outside parties' fraud and other misconduct, we may not be able to detect or prevent such fraud or misconduct in a timely fashion or in all of our subsidiaries and branch entities, which may harm our reputation and adversely affect our business, results of operations and financial condition. Moreover, given the size of our operations and the number of agents and employees, our existing measures and systems may not be able to adequately detect and monitor such potential fraud and misconduct. Any fraud or other misconduct committed by or relevant investigations of former directors, senior management, officers, agents or employees previously associated with us, may also adversely affect our reputation, business, results of operations and financial condition, even if the actions are unrelated to us or the investigation is unfounded.

**Agents' misconducts are difficult to deter and could harm our business and performance.**

The misconduct by our tied agents could result in violations of law by us, regulatory sanctions or legal claims against us and reputational or financial harm to us. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling life insurance or investment products to customers;

- defective sales of life insurance or investment products due to failure to adequately explain product information and related risks to customers, including without limitation omission of information deemed material to making a purchasing decision;

- encouraging or advising customers to omit or misrepresent material information or developments, which could undermine our insurance underwriting procedures and practices;

- hiding unauthorised activities, resulting in unknown and unmanaged risks or losses; or

- otherwise not complying with applicable laws, regulatory guidance or policies, or our internal policies or procedures.

We have the largest tied agency force and the most balanced geographical reach among all life insurers in Taiwan. As of 31 December 2023, we had around 25,000 full-time seasoned agents in Taiwan, spreading all around Taiwan, including the islands. While we closely monitor our tied agents' activities to detect any such unauthorised activities, with the large amount of agents and the wide spread locations, we cannot always manage their behaviours or deter their misconducts, and the precautions we take to prevent and detect these activities may not be effective in all cases. We have experienced agent misconduct that has resulted in internal disciplinary action against, or termination of, agents in question. We cannot assure investors that agent misconduct or our failure to detect and address such misconduct will not harm our reputation or lead to a material adverse effect on our business, results of operations and financial condition.

**The growth of electronic transactions and the introduction of new technologies may result in increased competition and adversely affect our business.**

The growth of electronic commerce and the introduction of new technologies are changing the industry and presenting us with new competitive challenges. For example, an increasing number of life insurance policies are being sold directly online by small- and mid-sized insurance companies without the use of more traditional distribution channels such as financial planners or general agencies and at a lower cost to customers.

We expect that the trend toward growth of electronic transactions will continue, and have invested significant resources into the development of online and mobile business platforms in recent years. For example, we have tried to develop our digital capabilities across the entire agency value chain by using interactive marketing tools to analyse client demand and promote remote underwriting process and remote customer services. We continuously seek to expand and upgrade our mobile insurance and websites, however, there is no assurance that our online and mobile business platforms will remain competitive or that they will yield an adequate return on our investments.

**Our expansion into new areas of business and new distribution channels may subject us to additional risks and uncertainties.**

From time to time, we may enter into new areas of business or explore new distribution channels. We may invest significant capital, time and resources in such efforts. The introduction and development of new areas of business and/or new products or services may not be completed in accordance with the expected timetables, and the pricing and profitability targets may not prove accurate and feasible. We may incur operating losses in these new areas which may materially and adversely affect our business, financial condition and results of operations. Furthermore, expansion into any new areas of business and/or any new distribution channel could have a material adverse effect on the effectiveness of our internal control system to the extent we fail to effectively adapt our internal controls to such new businesses or distribution channels.

In addition, to be more competitive in Taiwan's insurance market, we intend to promote cross-selling opportunities among our different business lines by leveraging our diverse product offerings and our distribution channels. However, there is no assurance that cross-selling will attract more customer demand, and the failure to attract more customer demand may have a material adverse effect on our business, financial condition and results of operations.

**Our business generates and processes a large amount of data, and any improper use or disclosure of such data could subject us to significant reputational, financial, legal, and operational consequences.**

Our business generates and processes a large quantity of transaction data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behaviour by our employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and
- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. Any failure, or perceived failure, by us to comply with our privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs, and severely disrupt our business.

We are subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to our customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among the Guarantor and its subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices, and failure to comply with any data protection laws could subject us to significant penalties and negative publicity and severely disrupt our operations.

**We may be subject to OFAC or other penalties if we are determined to have violated any OFAC regulations or similar sanctions.**

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. OFAC is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, we may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, we may face secondary sanctions if it is determined that we have provided material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If we engage in any prohibited transactions by any means, or if it is otherwise determined that any of our transactions violated OFAC-administered or other sanctions regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect our business, financial condition and results of operations.

**Current or future litigation and regulatory procedures could result in reputational harm, financial losses or harm our businesses.**

We are involved in litigation or administrative proceedings involving our insurance operations or investment portfolio on an on-going basis. In addition, the ROC, the PRC or Vietnamese governmental agencies, including the tax, commerce and industrial administration and audit bureaus, from time to time make inquiries and conduct examinations or investigations concerning our compliance with relevant local laws and regulations.

For example, to achieve our investment objective, between 2003 and 2007, we subscribed to shares of Fairfield Sentry Limited, and subsequently received USD24,496,798.58 from the redemption of such shares as agreed between the parties. However, as a result of its investee, Bernard L. Madoff Investment Securities LLC, being allegedly involved in the Ponzi Scheme, Fairfield Sentry Limited entered into liquidation procedures before the BVI courts. Around the same time, Bernard L. Madoff Investment Securities LLC also entered into liquidation procedures. The liquidator of Fairfield Sentry Limited and the official receiver of Bernard L. Madoff Investment Securities LLC filed a lawsuit against the Guarantor at the United States Bankruptcy Court of New York State (the "**Bankruptcy Court**") in March 2011 and December 2011, respectively. They claimed that we must return the proceeds from the redemption of shares. Regarding the lawsuit between us and Fairfield Sentry Limited, the United States Bankruptcy Court has rejected the claims by Fairfield Sentry Limited. After the United States Bankruptcy Court rejected the claims by Fairfield Sentry Limited and the Federal Court held that the original judgment rendered by the Bankruptcy Court should sustain, the liquidator of Fairfield Sentry Limited has filed an appeal with the United States Court of Appeals for the Second Circuit and we are waiting for the court's judgment. Further, regarding our claim against Bernard L. Madoff Investment Securities LLC, after the United States Bankruptcy Court rejected the claims by the official receiver of Bernard L. Madoff Investment Securities LLC and the United States Court of Appeals for the Second Circuit vacated the original judgment rendered by the Bankruptcy Court and remanded the case back to the Bankruptcy Court for further proceedings. The case is now in the discovery phase. We believe that the case is not likely to have a material adverse effect of our business, financial condition or results of operations. Please also refer to "*Description of Our Company – Legal and Regulatory*" for details.

In addition, on 16 November 2023, the National Financial Supervision and Administration Bureau of the PRC（國家金融監督管理總局）announced penalties on Cathay Lujiazui, its Beijing branch and certain officers ("**Penalised Parties**"). The Penalised Parties were accused of fictitious statement of meeting expenses for funds withdrawal, provision of false insurance intermediaries' business reports, financial statements, documents and information, engagement of unqualified individuals and institutions in insurance sales activities, failure to use approved or registered insurance terms and fee rates in compliance with the relevant rules, inclusion of untrue client information in policies and poor quality of their double recording and failure to conduct quality checks as required by the rules. Based on the above facts, Cathay Lujiazui was fined CNY2.11 million, its Beijing branch was fined CNY0.3 million and the officers were fined CNY0.71 million in aggregate. As of the date of this Offering Circular, the fines have been paid and remedial measures have been taken to strengthen Cathay Lujiazui's internal control system.

These litigation and administrative proceedings have in the past resulted in payments of insurance benefits, damage awards, settlements or administrative sanctions, including fines, which have not been material to us. We currently have control procedures in place to monitor our litigation and regulatory exposure, and to take appropriate actions. While we cannot predict the outcome of any pending or future litigation, examination or investigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, there is no assurance that any future litigation or regulatory proceeding will not have a material adverse outcome, which could have a material adverse effect on our reputation, business, financial condition, results of operations or cash flows.

**Work stoppages and other labour-related issues may adversely affect our operations.**

Our performance depends to a large extent on favourable labour relations with our employees. Although we have built up a harmonious labour-management relationship for more than 60 years, there can be no assurance that new employee agreements will be negotiated or consultations will take place without discord with our employees or any labour union that may be established or on terms satisfactory to us. If we are unable to negotiate successfully with our employees or labour union, we may become subject to work stoppages, including strikes.

From time to time we may also become subject to demands, claims or legal actions brought by our employees or our labour unions acting on their behalf. Any significant increase in labour and labour-related legal costs, deterioration of employee relations, slowdowns or work stoppages, as well as our failure to attract and retain qualified employees, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, reputation, results of operations and financial condition.

**We depend on our Board, senior executives and other key employees for our operations and the growth potential of our business.**

Our success is, to a significant extent, attributable to our Directors, who have an in-depth knowledge and understanding of the insurance business as well as the markets in which we operate. We are also dependent on the sound underwriting, product development, risk control, business development, investments and actuarial expertise of our senior executives and other key employees. The competition for qualified technical, investments, sales and managerial personnel in the insurance sector in Taiwan, Mainland China and Vietnam is intense. Our continuing success will depend on our ability to retain and hire suitably qualified and experienced management and key employees and the loss of their service could have a material adverse effect on our business, financial condition and results of operations.

**Our business, results of operations and financial condition could be materially and adversely affected if we are unable to successfully manage our growth, including with respect to the effective implementation of a centralised management and supervision of group entities and the consistent application of strategies and policies throughout our company.**

Our future growth may place significant demands on our managerial, operational and capital resources. The expansion of our business activities exposes us to various challenges, including, but not limited to:

- continuing to expand and train actuarial staff and to enhance actuarial capabilities;
- continuing to expand, train and retain the tied agency force, while maintaining costs and productivity at optimal levels;
- continuing to expand, train and retain investment professionals who have the expertise and experience to invest in existing and new asset areas, as the regulatorily permissible asset classes for investments broadens and the scale of the asset management operations increases;
- continuing to develop adequate underwriting and claims settlement capabilities and skills;
- recruiting, training and retaining personnel with proper experience and knowledge;
- meeting higher requirements for cost controls, meeting the demand for a broader capital base and satisfying an on-going need to meet the minimum capital adequacy requirements; and

- strengthening and expanding our risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities, as well as risks associated with the investment portfolio.

There is no assurance that we will manage our growth successfully. In particular, we may not be able to rapidly recruit and effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of our business. In addition, we may not be able to exercise effective centralised management and supervision over our subsidiaries and branch entities if our internal control and information technology systems are not developed quickly enough to accommodate our growing business needs.

In addition, to the extent we pursue our growth strategy through acquisitions, there is no assurance that we will be able to identify and secure suitable acquisition opportunities or that we will be able to implement our strategies and policies in respect of acquired entities in a timely fashion. Furthermore, any particular acquisition may not produce the intended benefits. For example, we may not be successful in integrating any future acquisition with our existing operations and personnel, and the process of integration may cause unforeseen operating difficulties and expenditures and may require significant attention from our management that would otherwise be available for the ongoing development of our business. If we encounter difficulty in integrating an acquisition, our business, financial condition and results of operations may be materially and adversely affected.

**The valuation attached to our investment properties contains assumptions that may or may not materialise and the value of our holding of investment properties may fluctuate.**

As at 31 December 2021, 2022 and 2023, our investment properties were stated at fair value of NTD 514.0 billion, NTD 528.1 billion and NTD 541.8 billion, respectively. We reassess the fair value of our investment properties at every reported statement of financial position date based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm's length transaction. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. Accordingly, the valuations are not a prediction of the actual value we can realise from these investment properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including without limitation changes in government regulations, could affect such values. In addition, our consolidated statement of comprehensive income includes changes in the fair value of investment properties. A decrease in the value of the investment properties could reduce our net income. An upward change in the fair value, which reflects unrealised capital gains at the relevant statement of financial position dates and could increase our net income, does not generate cash inflow to us until such investment properties are disposed of. Any further adverse development in the condition of the property market may have an adverse impact on the selling prices of and the time it will take to sell our investment properties.

Furthermore, the value of the investment properties held by us may fluctuate from time to time due to market and other conditions and is also based on certain assumptions which, by their nature, are subjective and uncertain, and may differ materially from actual results. There is no assurance that our properties or investments will retain the price at which they may be valued or that our investment in such properties or investments will be realised at the valuations or property values that have been recorded or reflected in our financial statements, and the price at which we may sell or lease any part or the whole of the properties or investments may be lower than the valuation for those properties or investments. For example, as a result of the economic downturn and the adoption of work-from-home policies, there has been an excess supply of global office spaces, leading to lower leasing prices of office buildings. On the other hand, due to inflation and higher raw material costs, there may be higher financing costs and higher maintenance costs associated with the holding of such investment properties. Such events may result in a decrease in the value of the investment properties held by us.

**A downgrade in the ratings assigned to us could adversely affect our ability to write new business, raise funds and may adversely impact our existing business.**

The Guarantor is rated "A3" by Moody's with a stable outlook, "A-" by Fitch with a stable outlook and "A-" by Standard & Poor's with a stable outlook. These ratings are important factors in establishing a competitive position in the insurance industry. Financial strength ratings measure a company's ability to meet its insurance obligations. Credit ratings measure a company's ability to repay its debt obligations and directly affect the cost and availability of unsecured financing. Ratings are subject to periodic review at the discretion of the rating agencies and may be revised downward or revoked at their sole discretion.

As with other companies in the financial services industry, our ratings could be downgraded at any time and without notice. There is no assurance that our subsidiaries will improve or maintain their ratings, and any potential downgrade in the ratings assigned to our subsidiaries by rating agencies could adversely affect our business.

**We are exposed to the risk of failures in our information technology systems.**

The operation of our business depends on the efficient and uninterrupted operation of our information technology systems. Our information technology systems are vulnerable to damage or disruption from various factors, including but not limited to, power loss, telecommunications failures, computer denial of service attacks, data corruption, network failure, computer viruses, security breaches, natural disasters, theft, vandalism, fraud or other acts not within our control. Inadequacies or failures of our information technology systems could impair our collection, processing or storage of data and the day-to-day management of our business, which could have a material adverse effect on our business, financial condition and results of operations. In addition, given the size of our operations, our information technology systems may not have enough capacity and capability to handle the information technology needs of a larger entity.

**A number of our key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.**

The EV attributable to owners of the Guarantor, as at 31 December 2021, 2022 and 2023, was NTD 1,199 billion, NTD 988 billion and NTD 1,140 billion, respectively. For the years ended 31 December 2021, 2022 and 2023, our VNB was NTD 28.8 billion, NTD 26.3 billion and NTD 26.8 billion as at the respective dates. In addition, "*Selected Financial Information*" section of the Offering Circular has also set out additional key performance indicators, including the annual premium equivalent, the first-year premium and the persistency ratio, that the Guarantor uses to measure its scale and profitability of its business. Please also refer to "*Description of Our Company – Overview*" for details. The calculation of these values necessarily makes numerous assumptions with respect to industry performance, the performance of our operations, general business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. Specifically, these assumptions include risk discount rate, investment yield, mortality, morbidity, lapse and surrender, expense ratio, commissions, policyholder dividends and tax rates, among other things. As a result, actual future experience may differ from those assumed in the calculations, and these differences may be material.

Since our actual market value is determined by investors based on a variety of information available to them, these values should not be construed to be a direct reflection of our actual market value and performance, and should not be construed to have any correlation with our stock price. For these reasons, prospective investors should only consider these values after carefully evaluating all of the risks described in this Offering Circular, including the risks described in this section. The inclusion of these values in the Offering Circular should not be regarded as a representation by us, the Joint Lead Managers, or any other person of our future profitability and financial condition.

**An actual or perceived reduction in our financial strength could increase policy surrenders and withdrawals, damage our business relationships and negatively impact new sales of our products.**

Policyholders' confidence in the financial strength of an insurance company, as well as in the financial services industry generally, is an important factor affecting our business. Any actual or perceived reduction in our financial strength could materially and adversely affect our business because any such development may, among other things:

- increase the number of policy surrenders and withdrawals;
- damage our relationship with our creditors, customers and the agents of our products;
- negatively impact sales of our products;
- require us to reduce prices for many of our products and services to remain competitive;
- adversely impact our ability to obtain reinsurance on acceptable terms; and
- increase our borrowing costs as well as affect our ability to obtain financing on a timely basis.

There is no assurance that we will not experience any reductions in our financial strength, actual or perceived, in the future.

**The failure to identify and adequately address risks associated with ESG factors, include stakeholders' expectations, could adversely affect the achievement of our long-term strategy and affect our business.**

Our ESG strategy focuses on the three main pillars of sustainability, "*Climate, Health, and Empowerment*". We aspire to harness the power of corporate citizenship, working together with our employees, policyholders, and the general public to protect the well-being of Taiwan. We integrate ESG factors into the decisions that we make and actions we take in order to achieve our sustainability value. We are committed to reducing our carbon footprint and championing financial inclusivity as part of supporting the just transition to a lower-carbon economy. As of 31 December 2022, our total investment in low-carbon and green energy reached NTD 222 billion.

Our ESG strategy helps us assess our impact on the economy, the environment and society, and to consider the significance of various ESG factors for our stakeholders, as well as their importance and impact to our business. Given the continuously evolving global and local business environment and in light of our stakeholders' shifting priorities and expectations, we may fail to identify material ESG factors, adequately address pertinent ESG-related risks and expectations and requirements of our investors, regulators and others. This may include any failure to effectively capture ESG-related opportunities to drive meaningful positive impact.

If we are unable to effectively implement our ESG strategy and address ESG risks and expectations and requirements of our stakeholders, this could adversely affect the achievement of our long-term strategy and could have a material and adverse effect on our reputation, business, financial condition or results of operations.

**We are subject to risks arising from international operations.**

We conduct our international operations in the Mainland China and Vietnam, and we continue to consider additional opportunities to make foreign acquisitions and expanding into foreign insurance markets. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including without limitation the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labour unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates, earnings expatriation restrictions, difficulties in obtaining licenses, and misappropriation of intellectual property. If we pursue expansion in additional locations, we may incur additional capital expenditures in these locations. We cannot assure investors that we will realise the anticipated strategic benefits of our international operations or that our international operations will contribute positively to, and not adversely affect, our business and operating results.

**Our strategic initiatives at our businesses may not be successful.**

We provide a full range of life insurance products and related services, including interest sensitive life insurance, traditional life protection insurance, health and accident insurance, investment-linked insurance, and others. Each of our businesses has ongoing and future strategic and operating initiatives to further develop and grow its operations including the strategies set forth in "*Description of Our Company – Strategies*". There is no assurance that we will be able to successfully achieve any of our strategic and operating initiatives, whether at the operating business level, or at the overall Group level.

## RISK FACTORS RELATING TO THE INSURANCE INDUSTRY

**Our businesses are heavily regulated, and changes in regulation may reduce our profitability and limit our growth.**

We are subject to extensive regulation and supervision in the jurisdictions where we conduct business, in particular Taiwan where much of our business is focused and where our operations are supervised by the FSC and must comply with the Insurance Act and the Regulations for Establishment and Administration of Insurance Enterprises of the ROC and related regulations.

According to the Insurance Act, a domestic insurance company must obtain the FSC's approval prior to commencing business. To obtain the approval of the FSC, an insurance company must meet and maintain certain requirements, including maintaining its corporate status as a company limited by shares or as a cooperative, minimum paid-in capital, capital adequacy requirement, deposit of security bond, etc. An insurance company shall, in compliance with the applicable regulations, truthfully prepare explanatory documents detailing the company's financial and business matters, and shall make such documents publicly available for inspection.

Generally, all rate formulas, terms of policies, and design for each kind of insurance product shall be subject to the Insurance Bureau's product review, which is either conducted under the prior-approval procedure or use-and-file procedure, as the case may be, pursuant to the Insurance Act and its related regulations. Prior to entering into a life insurance contract, an insurer must provide the information required by the relevant applicable regulations. A person must fill out an insurance application or proposal form and submit such application to the insurer, which has the discretion to agree whether to underwrite the policy or not. In addition, the marketing channels, sale and solicitation of insurance products are highly regulated under the Insurance Act and related regulations. Our offshore investment is also regulated by the FSC Regulations Governing Insurance Company's Foreign Investment. Please refer to "*Regulation and Supervision of the Taiwan Life Insurance Industry*" for more details on relevant laws and regulations.

Our businesses in the ROC are extensively regulated by the FSC, which has been given wide discretion in its administration of these laws, rules and regulations as well as the authority to impose regulatory sanctions on us. On 1 July 2004, the FSC was established as the competent authority responsible for development, supervision, regulation, and examination of financial markets and financial service enterprises in ROC. There are four bureaus under the FSC, including Securities and Futures Bureau, Banking Bureau, Insurance Bureau, and Financial Examination Bureau. On 1 July 2012, the Insurance Bureau was restructured with functions of its four divisions being transformed to General Supervision, Life Insurance Supervision, Non-Life Insurance Supervision, and Financial Supervision.

Furthermore, regulatory authorities may review the existing laws and regulations applicable to insurance companies and their products and services from time to time. The FSC has been actively reviewing existing laws and regulations applicable to insurance companies in the ROC and has announced a number of amendments to laws and regulations relevant to insurance industry in 2024. Recent development in the ROC's regulations in relation to the insurance industry includes without limitation (i) Regulations Governing Appointed Actuaries and External Reviewing Actuaries of Insurance Companies amended on 16 January 2024; (ii) Regulations Governing the Preparation of Financial Reports by Insurance Enterprises amended on 23 January 2024; and (iii) Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies amended on 6 March 2024. Changes to the interpretation or scope of application of such laws and regulations may also substantially increase our compliance costs and other expenses, which may materially and adversely affect our business, results of operations and financial condition.

The terms and premium rates of our insurance products are subject to regulations. Changes in these regulations may affect our profitability on the products we sell and may have a material adverse effect on our profitability.

Failure to comply with any of the laws, rules and regulations to which we are subject could result in fines, restrictions on business expansion or, in extreme cases, revocation of business licences, which could materially and adversely affect us. As some of the laws, rules and regulations that we are subject to are relatively new, there is uncertainty regarding their interpretation and application.

In addition to the laws, rules and regulations specifically for the governance of the insurance companies, other laws, rules and regulations under which we are regulated may change from time to time. For example, our Taiwan operations are affected by the ROC's tax laws and regulations. The ROC tax authorities may undertake reforms of the tax system, which may result in changes to the tax laws and regulations that we are currently subject to. There is no assurance that this reform will not have a material adverse effect on our business, results of operations or financial condition. We also cannot assure investors that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on our business, financial condition and results of operations.

**We are required to comply with minimum solvency requirements and we may be required to raise additional capital or change business strategy if the Guarantor's risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future.**

Insurance companies are generally required by applicable law to maintain their solvency at a level in excess of statutory minimum standards. Our solvency is affected primarily by the solvency margins that the Guarantor or its subsidiaries are required to maintain, which are in turn affected by the volume and type of new insurance policies we sell, the composition of our in-force insurance policies and by regulations on the determination of statutory reserves.

The RBC System has been implemented in ROC since 9 July 2003, which provides an early detection of the soundness of insurance enterprises' financial conditions, hence enabling insurance enterprises to enhance their capital structure. The RBC refers to capital calculated on the basis of the risks that an insurance company may incur from its actual business operations, and depending on type of the insurance company, includes without limitation asset risks, insurance risks, interest risks, credit risks, underwriting risks and asset-liability matching risks. According to the "Regulations Governing Capital Adequacy of Insurance Companies", which was announced on 20 December 2001 and last amended on 4 August 2023, insurance enterprises must file RBC ratio report twice a year to the FSC. The RBC ratio of an insurance company is considered adequate if it equals to or exceeds 200 per cent. and the net worth ratio is more than 3 per cent. in one of the most recent two periods. If the Guarantor's RBC ratio does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in its RBC ratio.

Should the Guarantor's RBC ratio deteriorate, we may have to make provision for additional reserves and incur charges to earnings, which could have a material adverse effect on our financial condition and results of operations, and could materially and adversely affect the growth rate of our business.

Likewise if the solvency margin of any of our subsidiaries inside or outside Taiwan falls below the required levels for each of their respective jurisdictions, those subsidiaries may have to make provision for additional reserves, which could have a material adverse effect on our financial condition and results of operations, and could also materially and adversely affect the growth rate of our business.

For increased alignment with international regulatory supervision standards, the ROC Insurance Bureau has announced a plan to adopt a new solvency regime in 2026, which will be based upon the ICS. Under the new regime:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at mark-to-market value;
- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and
- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 unlimited capital, Tier 1 limited capital and Tier 2 capital based on quality considerations.

The adoption of the new regime will be conducted in phases in accordance with the localisation and transition measures announced by the FSC. See "*Regulation and Supervision of the Taiwan Life Insurance Industry – Accounting and Risk Management – Solvency Requirements*" for more details.

With the proposed implementation of the new solvency regime, it is unclear how our business, financial condition and results of operations will be impacted, and uncertainty remains as the FSC continues to propose further guidelines and updates.

**Concentrated surrenders may materially and adversely affect our cash flows, results of operations and financial condition.**

Under normal circumstances, it is possible, to a certain extent, for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, a general loss of confidence in banks and the financial sector, or the severe weakening of our financial strength, may trigger massive surrenders of insurance policies. If this were to occur, we would have to dispose of our investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect our cash flows, financial condition and results of operations.

**Customer preferences for insurance, investments and pension products as well as wealth management solutions may change and we may not respond appropriately or in time to sustain our business or our market share in the geographical markets in which we operate.**

The insurance, investment, pension, banking and wealth management markets as well as the preferences of our customers are constantly evolving. As a result, we must continually respond to changes in these markets and customer preferences to remain competitive, grow our business and maintain market share in the geographical markets in which we operate. We face many risks when introducing new products. Our new products may fail to achieve market acceptance, which could harm our business.

Our new products may also be rendered obsolete or uneconomical by competition or developments in the insurance, investment, pension, banking and wealth management industries. Furthermore, even if our current and anticipated product offerings are responsive to changing market demand, we may be unable to commercialise them. Moreover, potential products may fail to receive necessary regulatory approvals, be difficult to market on a large scale, be uneconomical to introduce, fail to achieve market acceptance, or be precluded from commercialisation by proprietary rights of third parties. Any inability to commercialise our products would materially impair the viability of our business. Accordingly, our future success will depend on our ability to adapt to changing customer preferences, industry standards and new product offerings and services. Any of these changes may require us to re-evaluate our business model and adopt significant changes to our strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on our business, financial condition and results of operations.

**The rate of growth of Taiwan's insurance market may not be as high or as sustainable as we anticipate.**

We expect the insurance market in Taiwan to expand and the insurance penetration rate to rise with the continued growth of Taiwan's economy and household wealth, the reform of the social welfare system and the promotion of digital innovation. Our judgments regarding the anticipated drivers of such growth and their impact on Taiwan's insurance industry are prospective. There is no assurance that such prospective judgments will be consistent with actual developments. Moreover, Taiwan's insurance industry may not be free from systemic risks, including risks related to macroeconomic conditions and financial system stability. Thus, the growth and development of Taiwan's insurance industry may not be sustainable and may not be in line with our expectations, which could have a material adverse effect on our business, financial condition and results of operations.

**Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.**

Our businesses are exposed to risks of unpredictable liabilities for insurance claim payments arising out of catastrophic events, which can be unpredictable by nature. Catastrophes can be caused by various natural hazards, including without limitation hurricanes, typhoons, floods, earthquakes, wind, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks, wars and industrial or engineering accidents. In addition, our business could be affected by public health epidemics or pandemics, such as the outbreak of avian influenza, severe acute respiratory syndrome (SARS), Zika virus, Ebola virus, COVID-19 or any other diseases, as well as restrictions on travel and other measures to limit their impact, international tensions in many parts of the world, terrorism, ongoing and future military and other actions, heightened security measures in response to these threats, natural disasters such as earthquakes, typhoon, wildfires and other extreme weather events, impacts from climate change or other catastrophes. These events may cause disruptions to commerce, reduced economic activity and market volatility and have an adverse effect on our business. Catastrophes could also result in losses in our investment portfolios, due to, among other things, the failure of our counterparties to perform, significant volatility or disruption in financial markets, or declines in equity stock prices, and could in turn adversely affect our profitability.

Although we carry some reinsurance to reduce our catastrophe loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as difficulties in assessing our exposures to catastrophes, this reinsurance may not be sufficient to protect us adequately against losses. As a result, one or more catastrophic events could have a material adverse effect on our business, financial condition and results of operations.

**We could face unanticipated losses from man-made catastrophic events.**

Risks can occur as a result of legislative, socio-political, technological and similar changes and are liable to have unmeasured or unknown effects on our portfolio. We may have significant exposure to unexpected and large losses resulting from man-made catastrophic events, such as a large fire, explosion or acts of terrorism. Over recent years, there have been several examples of these man-made events, such as the series of gas explosions occurred in the Cianjhen and Lingya in Kaohsiung in 2014.

It is difficult to predict the timing of man-made catastrophic events or estimate the amount of loss any given occurrence will generate for us. If such a man-made catastrophic event were to occur, our reported income could decrease in the relevant period, which could reduce our earnings and ability to underwrite future business.

## RISK FACTORS RELATING TO THE ROC

**Our business prospects, financial condition and results of operations could be adversely affected by political considerations relating to the ROC.**

We actively conduct our business and generate most of our revenues in Taiwan. Taiwan has a unique international political status. Since 1949, Taiwan and the PRC have been separately governed. Relations between the ROC and the PRC at times in the past have been particularly strained for a number of reasons, including without limitation their different interpretation of the "One China" principle and tensions concerning the relationship between the ROC and the United States. Should the tension continue to be heightened, relationship between the ROC and the PRC government may deteriorate, which, over time, may ultimately lead to potential military conflicts.

Relations between the ROC and the PRC and other factors affecting the political or economic conditions of Taiwan could also materially adversely affect our business, operations and prospects. In addition, political conditions in the ROC can be unstable due to party politics and other factors, which in turn could have a material adverse effect on our business prospects, financial condition and results of operations.

**Our operations in the ROC are subject to risks associated with the ROC legal system.**

Our business and operations in the ROC are governed by the ROC legal system, which is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. In the event that we breach any of the foregoing due to an act or omission, we will be subject to penalties prescribed thereunder. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are uncertain, and are subject to policy changes. There can be no assurance that we will be able to remain in compliance with all applicable laws and regulations in the ROC.

**Financial reporting and accounting standards in the ROC differ from those in certain other countries.**

We are subject to financial reporting requirements in ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, the Guarantor's consolidated financial statements are prepared in accordance with Taiwan-IFRS, and are not intended to present the financial condition, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions, including the United States, other than those in the ROC. Taiwan-IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. In making their investment decision, potential investors should consult their own professional advisors for an understanding of such differences and how they might affect the financial information contained herein.

**Holders of the Bonds may not be able to enforce a judgment of a foreign court in the ROC.**

Our business and operations are mainly in the ROC. Most of our directors and senior management are residents of the ROC, and certain portion of our assets and the assets of such persons are located in the ROC. As a result, it may be difficult for holders of the Bonds to enforce judgments obtained outside the ROC against us or such persons in the ROC, especially ROC is not a signatory party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, commonly known as the New York Convention, that requires courts of contracting states to give effect to private agreements to arbitrate and to recognise and enforce arbitration awards made in other contracting states.

## RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

**The Bonds may not be a suitable investment for all investors.**

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal, interest or distribution payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex investment securities and such Bonds may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing or (c) any other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

**A trading market for the Bonds may not develop.**

No public market exists for the Bonds. Approval in-principle has been received from the SGX-ST for the listing of the Bonds on the Official List of the SGX-ST; however, the offering and settlement of the Bonds is not conditioned on obtaining a listing. No assurances can be given as to whether the Bonds will be, or will remain, listed on the SGX-ST or whether a trading market for the Bonds will develop or as to the liquidity of any such trading market. If the Bonds fail to or cease to be listed on the SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Bonds. If any of the Bonds are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Bonds and other factors, including general economic conditions and our financial condition, performance and prospects. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds may be sold to a limited number of investors and liquidity of the Bonds may be adversely affected if a significant portion of the Bonds are bought by limited investors.

**Insolvency laws of Singapore and the ROC may differ from the bankruptcy laws of other jurisdictions with which holders of the Bonds are familiar.**

The insolvency laws of Singapore and the ROC and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the holders of the Bonds are familiar. Since the Issuer and the Guarantor are incorporated under the laws of Singapore and the ROC, respectively, any insolvency proceedings relating to the Issuer or the Guarantor, regardless of where they were brought, would likely involve Singapore or ROC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions with which the holders of the Bonds are familiar.

**The Issuer's ability to make payments under the Bonds is dependent on the business and financial condition of the Guarantor and its subsidiaries.**

The Issuer, a single purpose vehicle incorporated for the purpose of issuing the Bonds, is a direct wholly-owned subsidiary of the Guarantor. The other subsidiaries of the Guarantor are neither the issuer nor the guarantor in respect of the Bonds. Holders have no recourse against those subsidiaries (other than the Issuer or the Guarantor, as the case may be) with respect to the payment of amounts due under the Bonds. The Issuer's ability to make payments under the Bonds depends on its investment performance and the availability of funds from the Guarantor and the Guarantor's financial condition and results of operations. In the event that we do not make such payments or funding due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds could be adversely affected.

**The Bonds and the Guarantee of the Bonds are subordinated obligations.**

The obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee of the Bonds will constitute unsecured and subordinated obligations of the Issuer and the Guarantor. Subject to the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up (as defined in the Terms and Conditions of the Bonds) of the Issuer, the rights of the Holders to receive payments in respect of the Bonds will rank senior to any present and future holders of any share capital of the Issuer (including Ordinary Shares (as defined in the Terms and Conditions of the Bonds) and Preferred Shares (as defined in the Terms and Conditions of the Bonds) of the Issuer) and any other outstanding Junior Obligations (as defined in the Terms and Condition of the Bonds) of the Issuer and equally with the holders of all Parity Obligations (as defined in the Terms and Conditions of the Bonds) of the Issuer, but junior in right of payment to the claims of all Senior Creditors (as defined in the Terms and Conditions of the Bonds) of the Issuer by operation of law or contract. Upon the Winding-Up of the Issuer, holders of the Bonds can enforce the obligations of the Guarantor under the Guarantee of the Bonds, but, subject to the insolvency laws of the ROC and other applicable laws, in the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee of the Bonds will rank senior to any present and future holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other outstanding Junior Obligations of the Guarantor, equally with the holders of all Parity Obligations of the Guarantor, but junior in right of payment to the claims of all Senior Creditors by operation of law or contract.

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Bonds will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Bonds.

**The Issuer and the Guarantor may raise or redeem other capital which affects the price of the Bonds.**

The Issuer and the Guarantor may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a Winding-Up of the Issuer and/or the Guarantor, and may increase the likelihood of a cancellation of interest under the Bonds. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

The Bonds are redeemable on the Maturity Date or upon the occurrence of certain events. The Bonds are redeemable on the Maturity Date (as defined in the Terms and Conditions of the Bonds), in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

In addition, subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Issuer also has the right to redeem the Bonds at in whole, but not in part, at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable):

(i) upon the occurrence of a Tax Event (as defined in the Terms and Conditions of the Bonds);

(ii) upon the occurrence of a Tax Deduction Event (as defined in the Terms and Conditions of the Bonds);

(iii) if at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled; or

(iv) upon the occurrence of a Regulatory Event (as defined in the Terms and Conditions of the Bonds).

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Bonds.

**An early redemption of the Bonds is subject to Redemption Conditions.**

Any redemption or purchase of the Bonds (other than a redemption on the Maturity Date) shall be subject to the Redemption Conditions (as defined in the Terms and Conditions of the Bonds) to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

(A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and

(B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

In addition, if a Special Event (as defined in the Terms and Conditions of the Bonds) has occurred and is continuing, then the Issuer may, subject to satisfaction of Condition 12 of the Terms and Conditions of the Bonds, but without any requirement for the consent or approval of Bondholders, substitute all, but not some only, of the relevant Tranche of Bonds for, or vary the terms of such Bonds with the effect that they remain or become, "Qualifying Bonds" as defined in the Terms and Conditions of the Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

**Differences between Taiwan-IFRS and generally accepted accounting principles may impact the assessment of the Guarantor's financial condition or the characterisation of the Bonds.**

Our financial statements are prepared using accounting principles, procedures and reporting practices generally accepted in the ROC, or Taiwan-IFRS, and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other jurisdictions, including the United States and Europe. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. Potential investors should consult their own professional advisors for an understanding of the differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions.

Further, no attempt has been made to identify future differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions as a result of the prescribed changes in accounting standards. There can be no assurance that such changes will not have a significant impact on our financial condition and results of operations. See "*Risk Factors – Risks Relating to the Bonds – The Bonds are redeemable on the Maturity Date or upon the occurrence of certain events*".

**There are limited remedies for non-payment under the Bonds and the Guarantee of the Bonds.**

The right to institute Winding-Up proceedings is limited to circumstances where payment under the Bonds has become due and is unpaid. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Bonds) any Holder for recovery of amounts in respect of the Bonds following the occurrence of a non-payment after any sum becomes due in respect of the Bonds will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed. Holders can look to the Guarantor only upon the Winding-Up of the Issuer, and the right to institute Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed is limited to circumstances provided by applicable law.

**The Trustee may request that Holders provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances (including, without limitation, as referred to in Conditions 9(b) and 9(c) of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or action and/or institutes proceedings on behalf of the Holders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or action can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings notwithstanding the provision of an indemnity and/or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such steps and/or actions and/or institute such proceedings directly.

**Foreign exchange rate risks and exchange controls may result in investors receiving less interest, distribution or principal than expected.**

The Bonds are denominated and payable in U.S. dollars. An investor whose financial activities are denominated principally in a currency other than U.S. dollars will be subject to foreign exchange rate risks by virtue of an investment in the Bonds, due to, among other things, economic, political, social and other factors over which neither the Issuer nor the Guarantor has any control. Revaluation of such currency or depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds for an investor and could result in a loss when the return on the Bonds is translated into such currency. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds in the event of an appreciation. As a result, investors may receive less interest, distribution or principal than expected, or no interest, distribution or principal.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Guarantor's and our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

**Credit ratings assigned to the Bonds may not reflect the potential impact of all Bonds.**

The Bonds are expected to be rated by Fitch and S&P. The ratings address the Issuer's and the Guarantor's ability to perform their respective obligations under the Terms and Conditions of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. We cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform Holders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

**The Terms and Conditions of the Bonds contain provisions which may permit their modification without the consent of all investors.**

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders of the Bonds who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders of the Bonds may be adverse to the interests of individual Holders of the Bonds. See "*Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Meetings of Bondholders*".

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Holders of the Bonds, agree to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement (as defined in the Terms and Conditions of the Bonds) (other than in respect of a Reserved Matter (as defined in the Terms and Conditions of the Bonds)) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of the Bondholders and any modification of the Terms and Conditions of the Bonds or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby. See "*Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Modification and waiver*".

**A change in English, Singapore and ROC law which governs the Bonds may adversely affect the Bondholders.**

The Terms and Conditions of the Bonds are governed by English law in effect as of the date of issue of the Bonds, except in relation to Conditions 3(a) and (b) of the Terms and Conditions of the Bonds, which are governed by Singapore law and ROC law, respectively. No assurance can be given as to the impact of any possible judicial decision or change to English, Singapore or ROC law or administrative practice after the date of issue of the Bonds.

**The Bonds will be represented by a Global Certificate, and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.**

The Bonds will be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer, failing which, the Guarantor, will discharge its payment obligations under the Bonds by making payments to the Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Bonds. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

**Integral multiples of less than the specified denomination.**

The denominations of the Bonds are U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a holder of Bonds who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, holders of the Bonds should be aware that Bonds with aggregate principal amounts that are not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

**The Bonds are subject to Singapore taxation risks.**

The Bonds are intended to be ''qualifying debt securities'' for the purposes of the Income Tax Act 1947 of Singapore (''**Income Tax Act**''), subject to the fulfilment of certain conditions more particularly described in ''*Taxation – Singapore*''. However, there can be no assurance that the Bonds will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds.*

*Each Bondholder that is a Financial Institution shall be deemed to agree, be bound by and acknowledge that it shall not subscribe for, purchase or hold any Bonds if doing so would result in a reciprocal cross-holding arrangement of subordinated bonds with a maturity of 10 years or more with the Guarantor, in breach of the Applicable Supervisory Rules. For the purposes of this paragraph, "**Financial Institution**" shall have the meaning as set out in the Financial Institutions Merger Act of the ROC.*

The U.S.$600,000,000 5.95 per cent. Tier 2 Subordinated Dated Capital Bonds due 2034 (the "**Bonds**") of CATHAYLIFE SINGAPORE PTE. LTD. (the "**Issuer**") are constituted by a trust deed dated 5 July 2024 (as amended and/or supplemented from time to time, the "**Trust Deed**") entered into by the Issuer, Cathay Life Insurance Co., Ltd. (the "**Guarantor**") and Citicorp International Limited (the "**Trustee**") and are the subject of an agency agreement dated 5 July 2024 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, Citicorp International Limited as registrar (the "**Registrar**", which expression shall include any successor thereto), Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor and additional transfer agent thereto) and any other agents named therein. References to the "**Paying Agents**" include the Principal Paying Agent and references to the "**Transfer Agents**" include the Transfer Agent. References to the "**Principal Paying Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are to the principal paying agent, the registrar, the transfer agent and the agents for the time being for the Bonds. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Trust Deed and Agency Agreement and subject to their detailed provisions. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Trust Deed and Agency Agreement applicable to them.

Copies of the Trust Deed and Agency Agreement are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Trustee.

### 1. FORM, DENOMINATION AND TITLE

The Bonds are issued in registered form in the specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (the "**Specified Denomination**").

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside of the United Kingdom and the Republic of China ("**ROC**") in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or a distribution in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name any Bond is registered.

*Upon issue, the Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate".*

2. **TRANSFERS OF THE BONDS**

(a) ***Transfer of the Bonds***: A Bond may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Bond to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of the Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

(b) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).

(c) ***Transfers Free of Charge***: Transfers of the Bonds and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the Registrar or the Transfer Agent may require in respect of tax or charges).

(d) ***Closed Periods***: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on the due date for redemption of the Bonds or (ii) after the Bonds have been called for redemption.

3. **STATUS**

(a) ***Status and ranking of the Bonds***: The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to the insolvency laws of Singapore, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity

Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer.

(b) ***Status and ranking of the Guarantee***: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. This guarantee (the "**Guarantee of the Bonds**") constitutes a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor.

*The status and ranking of the Bonds and the Guarantee will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.*

(c) ***Set-off***: Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place.

(d) ***Definitions***: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Applicable Supervisory Rules**" means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time;

"**Junior Obligations**" means:

(i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Issuer and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds; and

(ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract;

"**Ordinary Shares**" means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be;

"**Parity Obligations**" means any instruments or securities issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes or qualifies as Tier 2 Capital Instruments (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments) or any other obligations of the Issuer or the Guarantor, as the case may be, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds (in the case of the Issuer) or the Guarantee of the Bonds (in the case of the Guarantor) by operation of law or contract;

"**Preferred Shares**" means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be;

"**Senior Creditors**" means all policyholders (including all obligations to such policyholders under policies and contracts of insurance), other unsubordinated creditors of the Issuer or the Guarantor, as the case may be;

"**Tier 1 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 Unlimited capital (第一類非限制性資本) or Tier 1 Limited capital (第一類限制性資本) of the Issuer or the Guarantor, as the case may be, in each case pursuant to the Applicable Supervisory Rules; and

"**Tier 2 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Issuer or the Guarantor, as the case may be, in each case pursuant to the Applicable Supervisory Rules.

4. **INTEREST**

(a) ***Accrual of Interest***: The Bonds confer a right to receive interest from the 5 July 2024 (the "**Issue Date**") at 5.95 per cent. per annum (the "**Rate of Interest**") payable semi-annually in equal instalments in arrear on 5 January and 5 July of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 5 January 2025.

Unless otherwise provided for in these Conditions, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, interest will continue to accrue at the Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions).

*The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.*

(b) ***Fixed Interest Amount***: The Interest Amount payable in respect of each complete Interest Period shall be U.S.$29.75 per Calculation Amount.

(c) ***Calculation of Interest Amount:*** The amount of interest payable in respect of any period (save for a complete Interest Period) shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).

(d) ***Definitions***: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Interest Amount**" means, in relation to an Interest Period, the amount of interest payable for that Interest Period; and

"**Interest Period**" means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

## 5. REDEMPTION, PURCHASE AND OPTIONS

(a) ***Redemption of Bonds at Maturity***

The Bonds, unless previously redeemed, purchased and cancelled as provided below, shall be finally redeemed on 5 July 2034 (the "**Maturity Date**") in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

(b) ***Redemption for Taxation Reasons***

(i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if:

(A) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a "**Tax Event**").

(ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate signed by one authorised signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) ***Redemption for Tax Deduction Reasons***

(i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if:

(A) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 26 June 2024, (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or (as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a "**Tax Deduction Event**").

(ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Trustee a certificate signed by one authorised signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that such non tax deductibility cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it.

(d) ***Minimal Outstanding Amount Redemption***

(i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13 and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled.

(ii) Upon expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(d).

(e) ***Regulatory Event Redemption***

(i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a "**Regulatory Event**").

(ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by one authorised signatory of the Issuer or the Guarantor stating that the circumstances referred to above prevail and setting out the details of such circumstances.

(iii) Upon expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(e).

(f) ***Redemption Conditions***

(i) Notwithstanding anything to the contrary set forth herein, any redemption or purchase of the Bonds pursuant to Condition 5 (other than a redemption on the Maturity Date) shall be subject to the following conditions (such conditions being referred to herein as the "**Redemption Conditions**") to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

(A) the Bonds may not be redeemed or purchased pursuant to Condition 5 (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and

(B) the Bonds may only be redeemed or purchased pursuant to Condition 5 (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

(ii) The determination by the Issuer in connection with any redemption that the applicable conditions to redemption set forth in this Condition 5(f) have or have not been met or that no such conditions to redemption apply shall, in the absence of manifest error, be treated and accepted by the Bondholders and all other interested parties as correct and sufficient evidence thereof and shall be final and binding on such parties, and the Trustee shall be entitled to rely on such determination without liability to any person.

(iii) In the event that the option of the Issuer (i) to redeem the Bonds following the occurrence of any Special Event, (ii) to substitute the Bonds, or vary the terms of the Bonds, following the occurrence of any Special Event, or (iii) to conduct a Minimal Outstanding Amount Redemption pursuant to Condition 5(d), would at any time prevent the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), then, at the option of the Issuer, the terms of the Bonds and the Guarantee of the Bonds shall automatically be deemed to be modified, without the consent of the Bondholders, so as to exclude any feature relating to such option that is preventing the Bonds or the Guarantee of the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules). Should such automatic deemed modification occur, notice of such fact shall be given promptly by the Issuer to the Trustee and the Bondholders.

(g) ***Purchases***

Neither Cathay Financial Holding Co., Ltd., the Guarantor, the Issuer, any of its respective subsidiaries nor any of the related parties of the Guarantor or the Issuer shall subscribe for any Bonds or purchase any Bonds in the open market or otherwise and at any price, unless such subscription and/or purchase, as the case may be, is effected with Relevant Regulatory Approval, to the extent required by the Applicable Supervisory Rules.

For the purposes of this Condition 5(g), "**related parties**" shall have the meaning as set out in IAS (International Accounting Standard) 24.

(h) ***Cancellation***

Any Bonds redeemed by the Guarantor or any of its subsidiaries shall be cancelled forthwith. Any Bonds so cancelled may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

(i) ***Definitions***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Capital Requirements**" means any minimum prescribed solvency capital ratios to which the Guarantor or the Issuer is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio（資本適足率）as calculated according to the Applicable Supervisory Rules;

*The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor or the Issuer may change from time to time. See "Risk Factors – Risks Relating to the Insurance Industry – We are required to comply with minimum solvency requirements and we may be required to raise additional capital or change business strategy if the Guarantor's risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future" in the offering circular for further details.*

"**Relevant Regulator**" means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the Financial Supervisory Commission, ROC;

"**Relevant Regulatory Approval**" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12), as the case may be, of such Bonds; and

"**Special Event**" means a Tax Event, Tax Deduction Event or Regulatory Event or any combination of the foregoing.

6. **PAYMENTS**

(a) ***Principal and Interest***:

(i) Payments of principal in respect of the Bonds shall be made against presentation and surrender of the Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on the Bonds shall be paid to the person shown on the Register at the close of business on the Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on the Bonds shall be made in U.S. dollars by transfer to a registered U.S. dollar account of the Bondholder appearing in the Register.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar shall annotate the Register with the amount of principal so paid and shall (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar shall annotate the Register with the amount of interest so paid.

(iv) Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(b) ***Payments Subject to Fiscal Laws***: All payments are subject in all cases to any applicable laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) ***Appointment of Agents***: The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the

Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent; (iii) a Registrar, (iv) a Transfer Agent, and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(d) ***Non-Business Days***: If any date for payment in respect of the Bonds is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in New York City, Singapore, Hong Kong and Taipei and the city in which the specified office of the Principal Paying Agent is located.

## 7. TAXATION

All payments of principal and interest by the Issuer or the Guarantor or any of its agents making a payment on its behalf in respect of the Bonds shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by Singapore, the ROC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond:

(a) ***Other connection***: for such taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by reason of such Bondholder (or fiduciary, beneficial owner, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Bondholder, if the relevant Bondholder is an estate, nominee, trust, partnership, company or corporation) having a present or former connection with the jurisdiction by which such taxes, duties, assessments or governmental charges have been imposed, levied, collected, withheld or assessed, other than the mere holding of the Bond;

(b) ***Presentation more than 30 days after the Relevant Date***: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Bondholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;

(c) ***Estate, inheritance, etc.***: for any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge;

(d) ***Failure to provide information***: where such withholding or deduction could have been lawfully avoided if the Bondholder or beneficial owner (or a third party on behalf of the Bondholder or beneficial owner) had complied with a request addressed to such Bondholder to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Bondholder or beneficial owner (or third party); provided that the Issuer or the Guarantor, as the case may be, shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 14);

(e) ***Presentation in the ROC***: presented (or in respect of which the Certificate representing it is presented) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere; or

(f) for any combination of the foregoing.

As used in these Conditions, "**Relevant Date**" in respect of the Bonds means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) "**principal**" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 7.

The Issuer or (as the case may be) the Guarantor or any of their agents making a payment on their behalf shall be permitted to withhold or deduct any amounts pursuant to or in connection with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreements (including any intergovernmental agreements) thereunder or any law, regulation, or official interpretation implementing any of the foregoing (in each case "**FATCA Withholding**"). The Issuer, the Guarantor and their agents will have no liability for or have any obligation to pay additional amounts in respect of any such FATCA Withholding.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 8. PRESCRIPTION

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 9. NON-PAYMENT

(a) ***Limited rights to institute proceedings***: Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due and is unpaid.

(b) ***Proceedings for Winding-Up***: Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be or (ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the

Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.

(c) ***Enforcement***: Without prejudice to Condition 9(b), the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), without further notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Bonds or the Guarantee of the Bonds (other than any payment obligation of the Issuer or the Guarantor under or arising from the Bonds or the Guarantee of the Bonds including, without limitation, payment of any principal or satisfaction of any interest in respect of the Bonds or the Guarantee of the Bonds) including any damages awarded for breach of any obligations, provided that in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) ***Trustee not bound to take action***: The Trustee shall not be bound to take action as referred to in Conditions 9(b) and 9(c) or any other action under these Conditions or the Trust Deed unless (a) it shall have been so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the outstanding Bonds or so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) ***Bondholder not entitled to proceed directly***

(i) No Bondholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

(ii) No Bondholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer and/or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or submit a claim in the Winding-Up of the Issuer and/or the Guarantor to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

(f) ***Extent of Trustee's or Bondholders' remedy***: No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or the Guarantee of the Bonds or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Bonds or the Guarantee of the Bonds, as the case may be.

*The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.*

(g) ***Definitions***: In these Conditions, "**Winding-Up**" means a final and effective order or resolution in the jurisdiction of the Issuer or the Guarantor, as the case may be, for the liquidation, winding-up, bankruptcy or similar proceedings in respect of the Issuer or the Guarantor, as the case may be (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation, the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution).

## 10. MEETINGS OF BONDHOLDERS AND MODIFICATIONS

(a) ***Meetings of Bondholders***: The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction). The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity of the Bonds or redemption of the Bonds, any date for payment of interest or Interest Amounts on the Bonds, (ii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Bonds, (iii) to vary any method of, or basis for, calculating any redemption amount, (iv) to vary the currency or currencies of payment or denomination of the Bonds, (v) to amend the terms of the Guarantee of the Bonds, (vi) to amend the subordination provisions in the Trust Deed or (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Extraordinary Resolution (each, a "**Reserved Matter**"), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than $33^1/_3$ in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

"**Extraordinary Resolution**" means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Trust Deed by a majority of not less than three-quarters of the votes cast.

Any such meeting of the Bondholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Trustee may determine in accordance with the provisions of the Trust Deed.

The Trust Deed provides that a resolution (i) in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds outstanding or (ii) passed by way of Electronic Consent (as defined in the Trust Deed) shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) ***Modification and waiver***: The Trustee may, without the consent of the Bondholders, agree to (i) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and (ii) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

## 11. REPLACEMENT OF CERTIFICATES

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates and otherwise as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12. SUBSTITUTION OR VARIATION

(a) If a Special Event has occurred and is continuing, then the Issuer may (without any requirement for the consent or approval of the Bondholders), subject to its having satisfied the requirements set out under the definition of "Qualifying Bonds" immediately prior to the giving of any notice referred to herein that the provisions of this Condition 12 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 14, the Bondholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Bonds for, or (ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

(b) Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with this Condition 12, as the case may be.

(c) In connection with any substitution or variation in accordance with this Condition 12, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

(d) Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

In this Condition 12, "**Qualifying Bonds**" means bonds that:

(a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of one authorised signatory of the Issuer or the Guarantor shall have been delivered to the Trustee and the Bondholders prior to the substitution or variation of the Bonds), provided that:

(i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor; and

(ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;

(b) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the Rating Agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and

(c) are listed on the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

## 13. FURTHER ISSUES

The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such Bonds, and references in these Conditions to "**Bonds**" and "**Bondholders**" shall be construed accordingly.

## 14. NOTICES

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

*So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 15. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

## 16. GOVERNING LAW AND JURISDICTION

(a) ***Governing Law***: The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the subordination provisions set out in Conditions 3(a) and 3(b) are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively.

(b) ***Jurisdiction***: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Bonds and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) ***Service of Process***: Each of the Issuer and the Guarantor irrevocably appoints Cogency Global (UK) Limited at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

# THE GLOBAL CERTIFICATE

*The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.*

The Bonds will be represented by a Global Certificate which will be registered in the name of Citivic Nominees Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay interest on such principal sum in arrear on the dates and at the rate specified in the Terms and Conditions of the Bonds, together with any additional amounts payable in accordance with the Terms and Conditions of the Bonds, all subject to and in accordance with the Terms and Conditions of the Bonds and to pay such principal amount in the circumstances set out in Condition 5(a) (*Redemption of Bonds at Maturity*), Condition 5(b) (*Redemption for Taxation Reasons*), Condition 5(c) (*Redemption for Tax Deduction Reasons*), Condition 5(d) (*Minimal Outstanding Amount Redemption*) and Condition 5(e) (*Regulatory Event Redemption*).

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates ("**Individual Certificates**") if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office (as defined in the Terms and Conditions of the Bonds) of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

## RECORD DATE

Notwithstanding Condition 6(a) (*Principal and interest*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

## NOTICES

Notwithstanding Condition 14 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to Holders of Bonds represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

## DETERMINATION OF ENTITLEMENT

The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of the Global Certificate.

## EXCHANGE RATES

The following table sets forth the average, high, low and period-end exchange rates between the New Taiwan dollar and the U.S. dollar (in NT$ per U.S.$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

| | **Year Ended 31 December** | | | |
|---|---|---|---|---|
| | **New Taiwan Dollars/U.S. Dollars Noon Buying Rate** | | | |
| | **Low** | **Average[(1)]** | **High** | **Period End** |
| 2016 | 31.05 | 32.23 | 33.74 | 32.40 |
| 2017 | 29.64 | 30.40 | 32.37 | 29.64 |
| 2018 | 29.03 | 30.13 | 31.00 | 30.61 |
| 2019 | 29.91 | 30.90 | 31.63 | 29.91 |
| 2020 | 28.08 | 29.46 | 30.45 | 28.08 |
| 2021 | 27.56 | 27.94 | 28.59 | 27.74 |
| 2022 | 27.52 | 29.80 | 32.37 | 30.73 |
| 2023 | 29.70 | 31.15 | 32.47 | 30.62 |
| 2024 | | | | |
| January | 30.81 | 31.21 | 31.60 | 31.29 |
| February | 31.22 | 31.43 | 31.65 | 31.62 |
| March | 31.41 | 31.69 | 32.01 | 31.93 |
| April | 32.02 | 32.34 | 32.64 | 32.58 |
| May | 32.12 | 32.33 | 32.56 | 32.48 |

*Source: www.federalreserve.gov*

Note:

(1) Determined by averaging the rates on each business day during the relevant period.

We publish our financial statements in New Taiwan dollars and in accordance with Taiwan-IFRS. This Offering Circular contains translation of New Taiwan dollar amounts into U.S. dollars at specific rates solely for your convenience. Unless otherwise noted, all translations from New Taiwan dollars to U.S. dollars and from U.S. dollars to New Taiwan dollars in this Offering Circular were made at a rate of NT$30.62 to U.S.$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 31 December 2023. No representation is made that the New Taiwan dollar or U.S. dollar amount referred to in this Offering Circular could have been or could be converted into U.S. dollars or New Taiwan dollars, as the case may be, at any particular rate or at all.

# DESCRIPTION OF THE ISSUER

## INCORPORATION

The Issuer is a directly wholly-owned subsidiary of the Guarantor and was incorporated on 5 June 2024 as a private company limited by shares (UEN: 202422650D) under the Companies Act 1967 of Singapore. The registered office of the Issuer is located at 16 Raffles Quay #19-01 Hong Leong Building Singapore (048581).

## BUSINESS ACTIVITIES

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to its constitution. The Issuer's main business activities include entering into arrangements for the issue of bonds with capital characteristics pursuant its constitution, including the Bonds, and any other activities in connection thereto. As of the date of this Offering Circular, there are no material assets held by the Issuer and the Issuer has not, since its incorporation, engaged in any material activities other than those relating or incidental to its registration and the authorisation of documents and agreements as may be referred to in this Offering Circular.

## DIRECTORS

As at the date of this Offering Circular, the directors of the Issuer are Mr. TAN Kim Swee Bernard, Mr. HUNG Ta-Ching and Ms. TSAI Yi-Fang.

## SHARE CAPITAL

The issued share capital of the Issuer is U.S.$30,000,000. We expect that the issued share capital of the Issuer will be fully paid-up on or around the Issue Date. As at the date of this Offering Circular, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this Offering Circular, the Issuer has no subsidiaries.

## LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened actions against it.

# CAPITALISATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalisation and indebtedness as of 31 December 2023 and as adjusted to give effect to the issue of the Bonds before deduction of management and underwriting commission and expenses. The following table should be read in conjunction with our consolidated financial statements and the notes thereto.

| | As of 31 December 2023 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | *NT$ in thousands* | *U.S.$ in thousands* | *NT$ in thousands* | *U.S.$ in thousands* |
| **Borrowings:** | | | | |
| Bonds payable | 114,841,430 | 3,750,537 | 114,841,430 | 3,750,537 |
| Bonds to be issued | – | – | 18,372,000 | 600,000 |
| **Total borrowings** | 114,841,430 | 3,750,537 | 133,213,430 | 4,350,537 |
| **Total equity:** | | – | | |
| Share capital | 63,515,274 | 2,074,307 | 63,515,274 | 2,074,307 |
| Capital surplus | 91,588,303 | 2,991,127 | 91,588,303 | 2,991,127 |
| Total retained earnings | 548,075,939 | 17,899,280 | 548,075,939 | 17,899,280 |
| Other equity | (84,760,761) | (2,768,150) | (84,760,761) | (2,768,150) |
| Non-controlling interest | 9,456,250 | 308,826 | 9,456,250 | 308,826 |
| **Total equity** | 627,875,005 | 20,505,390 | 627,875,005 | 20,505,390 |
| **Total capitalisation and indebtedness**[(2)] | 742,716,435 | 24,255,927 | 761,088,435 | 24,855,927 |

Notes:

(1) Total capitalisation and indebtedness equal total borrowings plus total equity.

(2) The translation of New Taiwan dollars into U.S. dollar amounts has been made at the rate of NT$30.62 to U.S.$1.00, the noon buying rate as set forth in the H.10 Statistical release of the Federal Reserve Bank of New York on or nearest to 31 December 2023.

Since 31 December 2023, the Group has incurred additional indebtedness through multiple issuances of bonds. On 2 May 2024, the Guarantor issued U.S.$187 million 5.8 per cent. cumulative subordinated bonds due 2034. On 15 April 2024, the Guarantor issued NTD 32.35 billion 3.7 per cent. cumulative subordinated bonds due 2034 and NTD 11.65 billion 3.85 per cent. cumulative subordinated bonds due 2039.

Unless otherwise disclosed in this Offering Circular, there has been no material change in our capitalisation and indebtedness since 31 December 2023.

# DESCRIPTION OF OUR COMPANY

## OVERVIEW

The Guarantor was founded in October 1962 and has been the largest Taiwanese life insurer in terms of total premium income consistently for over 60 years. The Guarantor became a subsidiary of the Cathay FHC Group on 31 December 2001 when Cathay Financial Holding Co., Ltd. was set up through a share swap. The stock of the Guarantor was converted into stock of Cathay FHC Group listed on the Taiwan Stock Exchange with the stock code 2882. Cathay FHC Group is currently the largest financial holding company in Taiwan in terms of total assets.

We provide a full range of life insurance products and related services, including interest sensitive life insurance, traditional life protection insurance, health and accident insurance, investment-linked insurance, and others. We seek to optimise our product offering mix by focusing on protection-type life insurance products, USD-denominated interest sensitive life insurance products and investment-linked insurance products. Our full range of products and services also allows us to provide to cater to different customers' needs. Meanwhile, we manage the income from our insurance policies by investing in securities, real estate and loans, all in accordance with our investment policies and regulatory requirements. We have also actively expanded into overseas markets, being the first Taiwanese company to establish an insurance company in Mainland China in January 2005 and the first Taiwanese company to establish an insurance company in Vietnam in November 2007.

Despite the challenging global economic environment, we have achieved a stable and strong financial performance in 2023, demonstrating the success of our diversified business structure and effective risk management. In 2023, we expanded our customer base to serve over eight million customers and have over 20 million in-force policies. We also received NTD 465.6 billion in total premium and generated total operating revenue of NTD 733 billion and net profit of NTD 17 billion. As of 31 December 2021, 2022, and 2023, our total assets were NTD 8,073 billion, NTD 8,172 billion and NTD 8,536 billion respectively, and our total liabilities were NTD 7,331 billion, NTD 7,707 billion and NTD 7,908 billion respectively. In addition, as of 31 December 2023, the Guarantor maintained an RBC ratio of 323 per cent., well above the industry average and the minimum regulatory requirement of 200 per cent.

One of our core competitive strengths lies in our well-established and effective distribution channels, which are demonstrated by the largest tied agency force and the most balanced geographical reach among all life insurers in Taiwan. As of 31 December 2023, we had around 25,000 full-time tied agents in Taiwan. We also have a strong partnership with one of Taiwan's leading privately-owned banks, Cathay United Bank, which is also a subsidiary of Cathay FHC Group. We are committed to empowering our tied agents and bancassurance partner to provide premium customer services through, for example, including the adoption of digital technology throughout the sales process. We pursue a comprehensive distribution and marketing strategy to utilise our different distribution channels to target new and existing customers. Our distribution and marketing strategy between specific demographic characteristics for certain products, such as gender, age and income, and enhances up-selling of other age-appropriate products to our existing customers as they grow older.

In addition to our main insurance business, we are also an industry leader of sustainable insurance, being the first life insurance company in Asia to voluntarily comply with the United Nations' Principles for Sustainable Insurance (PSI). We uphold the core competence principle of being people-oriented and the sustainability principle of reciprocity ("*benefiting oneself by benefiting others*"). We not only incorporate ESG issues into our daily operations, but also integrates them into our core competencies businesses to effectively implement corporate sustainability and continue to bring stability to society. For example, we have adopted the new Elder Friendly, Protection First and Sustainability strategy to strengthen our core competency in insurance, develop the different aspects of "new products * new services * new family members".

Aside from the above financial and operational results, we also measure the scale and profitability of our main business using various key performance indicators adopted by the Guarantor as set out in the "*Selected Financial Information*" section, including:

- Value of new business: VNB measures the value of new business written in the reporting period. It is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period, less the cost of holding the required capital in excess of regulatory reserves to support this business.

- Embedded Value: the EV is an actuarially determined value of the life insurance business of an insurance company based on a particular set of assumptions about future experience, excluding the value of future new business.

- Annual Premium Equivalent: APE measures the business sales in the life insurance industry and is used to compute life insurance industry's new business value more accurately when the sales contain both lump-sum premium payments and recurring premium payments.

- First Year Premium: the FYP refers to the premiums received in the first year of policies.

- Persistency Ratio: persistency ratio is the ratio of life insurance policies receiving timely premiums in the year and the number of net active policies. The ratio indicates how many policyholders are paying the due premiums regularly on the policies with the insurer.

## RECENT DEVELOPMENTS

### Publication of quarterly results as of and for the three months ended 31 March 2024

On 15 May 2024, the Guarantor published the Chinese version of our unaudited but reviewed results as of and for the three months ended 31 March 2023 and 2024. Our independent auditor, Deloitte & Touche, has given an unmodified conclusion in its independent auditors' review report, concluding that nothing has come to auditors' attention that caused auditors to believe that the consolidated financial statements do not present fairly, in all material respects, our consolidated financial position, our consolidated financial performance and our consolidated cash flows for the said period.

For the first quarter of 2024, we continued to implement our value-oriented strategy in the sales of our insurance products and has maintained strong financial performance, which was shown by our growth in total operating revenue and net profit. For the three months ended 31 March 2024, we generated total operating revenue of NTD 219 billion, representing an increase of 27.6 per cent. from the total operating revenue of the same period last year. We also achieved a net profit of NTD 25 billion. In addition, our investment portfolio continued to grow at a steady pace, generating stable investment returns. In terms of our capital, the Guarantor's RBC was maintained at a level above 300 per cent. and our net worth ratio was close to eight per cent., both of which are well above the minimum regulatory requirements, demonstrating our strong capital adequacy and solvency position.

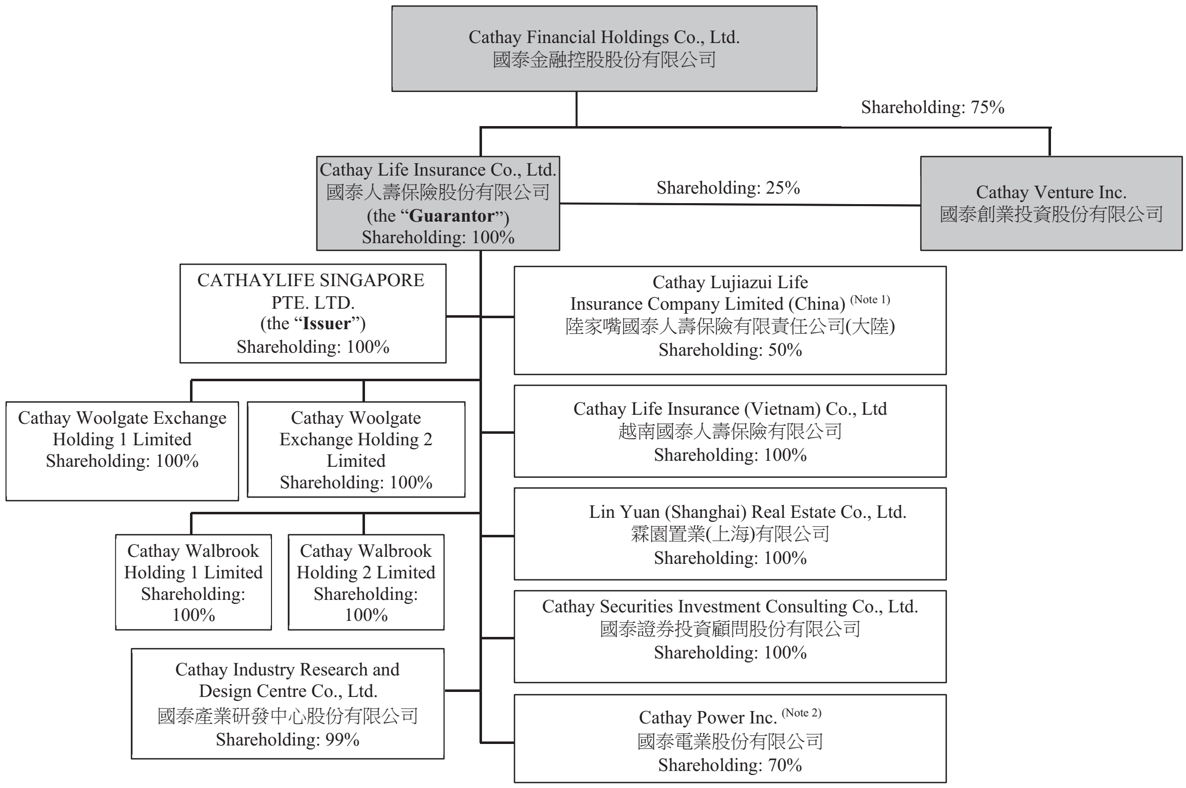
Please refer to "*Summary Financial Information – Condensed Quarterly Financial Information as of and for the Three Months ended 31 March 2024*" for the condensed quarterly financial information as of and for the three months ended 31 March 2023 and 2024.

### Disposal of CHL

The Guarantor previously held 100 per cent. equity interest in CHL and its subsidiaries, a leading U.S. asset management company. In order to further expand Cathay FHC Group's global reach of its asset management business and deepen its partnership with the Generali Group, on 6 July 2023, the Guarantor agreed to sell, and GIH, agreed to buy, 100 per cent. equity interest of CHL and its subsidiaries. GIH is the asset management company within the Generali Group, a global insurance and asset management provider. The transaction was structured as an exchange of shares without a cash consideration. As a result of the transaction, the Guarantor became a minority shareholder of GIH, holding approximately 16.75 per cent. equity interest in GIH. The transaction has obtained all the necessary approvals and was completed on 3 April 2024. This transaction was part of the long-term partnership between the Cathay FHC Group and GIH and will not affect the previous relationship between CHL and us. As of the date of this Offering Circular, CHL and its subsidiaries are no longer our consolidated subsidiaries.

## CORPORATE STRUCTURE

The following is our simplified corporate structure as of the date of this Offering Circular:




Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

Note 2: Expressed with the merger entity.

## COMPETITIVE STRENGTHS

Since our establishment in 1962, we have been the leading life insurer in Taiwan. Our principal strengths include:

### Leading market position as the largest Taiwanese life insurer

Our "Cathay Life Insurance" brand is widely recognised globally. In 2024, our "Cathay Life Insurance" brand was shortlisted for the sixth time in the "Global 500 Annual Brand Value Ranking" published by Brand Finance, as one of the two Taiwanese brands in the 2024 Global 500 and the only Taiwanese financial services brand shortlisted. In addition, we are committed to the United Nations' sustainable development goals, directing our brand strategy towards a meaningful health strategy blueprint for society. We seek to promote long-lasting positive social impacts through, among others, hosting various charitable activities, supporting rural development and promoting elderly care.

We have been the largest Taiwanese life insurer in terms of total premium income consistently for over 60 years. In 2023, the Guarantor has outperformed its peers in Taiwan in terms of both total premiums and annual premium equivalent earned from life, annuity, accident and health insurance products, according to Taiwan Insurance Institute. With a total premium of NTD 465.6 billion, our market share is more than one fifth of Taiwan's life insurance market in 2023. We continue to improve our product offerings and distribution network both within Taiwan and overseas and have grown to reach a total asset size of NTD 8,536 billion as of 31 December 2023.

Our scale of operations and in-depth understanding of the Taiwan, Mainland China and Vietnam's life insurance markets are significant competitive advantages and will support our efforts to achieve growth. We take advantage of our industry expertise and customer reach derived from our long operating history in those markets to better assess and manage risks related to our insurance products, including through adjustments in product offerings and pricing.

### Well established distribution channel with premier agency force and unparalleled cross-selling capabilities

One of our core competitive strengths lie in our well-established and effective distribution channels, with the largest sales forces among all life insurers in Taiwan, and strong partnership with Cathay United Bank, one of Taiwan's leading private banks. We are committed to empowering our tied agents and bancassurance partner to provide premier customer services, by means including the implementation of digital technology throughout the sales process. We pursue a comprehensive distribution and marketing strategy to utilise our different distribution channels to target new and existing customers. Our distribution and marketing strategy differentiates between specific demographic characteristics for certain products, such as gender, age and income, and enhancing up-selling of other age-appropriate products to our existing customers as they grow older.

Our experienced and seasoned tied agency force provides us with significant customer reach and a consistent level of customer services, enabling us to build and maintain long-term relationships with our customers. Our proprietary tied agency force is our core distribution channel, and has been the key driver of high-margin product sales, providing solid contribution to premium income and CSM accumulation. As of 31 December 2023, we had around 25,000 full-time tied agents in Taiwan, being the largest tied agency force in the Taiwan life insurance industry. Our tied agents are based all over Taiwan, maintaining a strong presence in not only the six metropolitan special municipalities, but also smaller cities and counties. As of 31 December 2023, 65.8 per cent. of our branches were located in six special municipalities in Taiwan, 33.6 per cent. of our branches were located in other cities and counties and 0.6 per cent. of our branches were located on the islands. With a 13-month retention rate of 63.8 per cent. in 2023, we have one of the most experienced tied agency force in Taiwan's life insurance industry, which is committed to building long-term client relationship for us.

In addition, we maintain an exclusive bancassurance partnership with Cathay United Bank, which is an industry-leading privately-owned bank in Taiwan. Both companies are subsidiaries under the Cathay FHC Group, being the largest financial holding group in Taiwan in terms of total asset. We cooperate seamlessly with Cathay United Bank. Monthly steering committee meetings are held between the senior management of the Guarantor and Cathay United Bank to align the bancassurance channel strategy. At the working level, our employees provide thorough training and on-site support to the wealth management personnel of Cathay United Bank, enabling them to promote our high-margin products. Our products are key contributors to Cathay United Bank's wealth management income, which accounted for more than half of Cathay United Bank's total wealth management income over the last three years, making the bancassurance partnership mutually beneficial and sustainable.

**Ongoing reinforcement of value-driven product strategy**

CSM remains our top priority in our product strategy. Ahead of our peers, we have adopted a value-driven product strategy since 2012, demonstrating steady growth in our sales of high CSM products. In developing our products, we have focused on shorter guaranteed period and lower guaranteed rate, while balancing the trade-off between profit and risk. For example, we currently focus on protection-type products, developing term-life products to gradually shorten guaranteed period. Our total premium generated from our protection-type products has grown from 24.5 per cent. of the total premium for the year ended 31 December 2021 to 37.4 per cent. of the total premium for the year ended 31 December 2023. Notwithstanding our value-driven product strategy, we also strive to develop a wider variety of our products and provide a more diversified product range to address evolving customer needs through our product innovation.

**Solid balance sheet and sufficient capital position**

The Guarantor maintain an RBC ratio that is well above the minimum regulatory requirement. While under current laws and regulations, insurers in Taiwan are only required to have an RBC ratio of more than 200 per cent., the Guarantor's RBC ratio has been consistently above 300 per cent. over the past three years. Our indebtedness has a well-distributed maturity profile, which enables us to effectively manage our capital needs to meet our repayment obligations. In addition, the amount of our total assets has experienced steady growth in the past three years and reached approximately NTD 8.5 trillion as of 31 December 2023, making us not only the largest insurer in Taiwan but also one of the largest insurers in Asia.

Over the years, we have had the opportunity to regularly meet with our equity and fixed income investors through our investor relations activities and maintain close relationship with them. The Guarantor has also maintained favourable ratings from reputable international rating agencies such as Moody's, Fitch and Standard & Poor's. The Guarantor is rated "A3" by Moody's with a stable outlook, "A-" by Fitch with a stable outlook and "A-" by Standard & Poor's with a stable outlook.

In addition, as a subsidiary of Cathay FHC Group, we have received committed support from our parent in the past years in the form of capital injection. The capital injection from Cathay FHC Group since 2008 has amounted to NTD 152 billion. As the key profit contributor to Cathay FHC Group's profit, we expect to receive full support from our parent.

**High quality investment portfolio with steady growth**

We conduct and manage most of our investments through our dedicated investment team in Taiwan. Over the past three years, the Guarantor's own investment portfolio has been growing at a steady pace, with overseas bonds being the largest asset class in its investment portfolio. The Guarantor's own investment in overseas bond increased from 57.7 per cent. of its total investment portfolio as of 31 December 2021 to 61.8 per cent. of its total investment portfolio as of 31 December 2023. Our investment team in Taiwan mainly invests in investment grade and USD-denominated bonds. In 2023, our investment team in Taiwan identified the opportunity brought by rising interest rates to increase the Guarantor's holding of overseas fixed income investments based in North America. While the Guarantor also maintains a stable proportion of equity asset allocation, it has been increasing the proportion of its fixed-income assets to improve portfolio return, placing more emphasis on long-term investment during product selection, strictly controlling risk exposures, and thereby achieving stable investment results.

Our investment team in Taiwan comprising of over 400 investment professionals constantly monitors financial market conditions and the fundamentals of selected investment targets and adjusts investment portfolio in accordance with market fluctuations. The investment team seeks to seize opportunities to gain returns and create stable long-term performance. In addition, our investment team in Taiwan continually optimises our investment management infrastructure to prevent material and systemic risks and promote the high-quality development of our investment portfolio.

**Visionary and experienced management team**

Our senior management consists of highly qualified professionals with extensive experience and expertise in the industry. With an average of over 30 years of company services, we have a highly dedicated management team with great wealth of industry knowledge and deep understanding of our business objectives and development needs. As individuals with extensive management expertise in the insurance and financial industries both in and outside Taiwan, they are able to combine international experience and local market requirements. Furthermore, the stable and profitable growth of our company over the years demonstrates the management team's ability to manage proactively while making timely strategic decisions in response to evolving customer needs and market conditions.

## STRATEGIES

Our vision is to enable our customers to enjoy a healthy living and a prosperous retirement life, while also achieving our CSM targets and balancing ICS risk capital needs. Our main strategies are set out below:

**Continuing to improve our product offering and provide better protection for our customers**

As insurance has become a key financial management tool for Taiwanese customers, we continually innovate and develop our insurance product offering to provide flexible financial solutions to satisfy our customers' retirement cash flow. We provide analytical tools to assist customers in planning for retirement and better understand the value of their insurance policies to meet their diverse needs at different life stages, and options to enhance the synergistic effect of our different products.

We will continue to adhere to our value-driven product strategy and prioritise CSM accumulation. We will focus on the promotion of protection-type insurance products such as NTD-denominated accident and health insurance products. To fulfil the retirement financial planning requirements of our customers, we also focus on interest sensitive life products denominated in USD, which have more favourable terms and have better asset accumulation results. In addition, such USD-denominated interest sensitive life insurance products help improve our asset and liability management. As the same time, we also promote investment-linked life insurances with death benefits that not only provide monthly cash inflow for the customers with long term certainty.

Although maximising CSM is our top priority, we also focus on RAROC. When launching a product, we ensure that the RAROC ratio exceeds 100 per cent. to ensure our solvency ratio is maintained at a stable level.

Lastly, through the products we offer, we want to improve our customers' well-being and increase customers' risk prevention awareness. For example, the FitBack health hub, a wellness enhancement plan run by us, already had more than one million users as of 31 December 2023. We will also continue to utilise our platform to provide more elderly care related information and train our salespersons to become health consultants to provide more professional services. By promoting our spillover-effect insurance products and raise more awareness on well-beings, we intend to encourage more people to enjoy a healthier lifestyle and drive more sales opportunities for health insurance products.

**Improving customer experience through digital innovation and personalisation**

We seek to utilise data as the key drive to achieve our marketing goals. Through the collection of data, modelling, labelling and conducting analysis using artificial intelligence, we develop customised profiles and precise prediction of potential needs for each customer. Once high-potential customers are identified through the NAP, the salesperson could efficiently prepare individual sales strategies to optimise their sales. We have also developed digital tools that could offer precise calculations of customers' protection needs and provide personalised advice. As we continue to enhance and perfect such digital tools, we will be able to better understand customers' needs and potentials, provide more personalised insurance plans and optimise our marketing strategies.

Utilising our digital capabilities, we also use digital precision marketing on different platforms to exhibit protection related topics and raise awareness for insurance needs. Through short videos or interviews with influencers, we hope to simplify and enhance the promotion of insurance knowledge and make it more accessible to the public. By integrating protection concepts into daily life scenarios, we want to attract customers' attention to insurance and raise their awareness for such needs.

**Further deepening our distribution channels and strengthening our client engagement**

We have historically relied on our tied agents as the primary channel for the distribution and marketing of our insurance products. We have the largest tied agency force in Taiwan's life insurance industry as well as an exclusive bancassurance partnership with Cathay United Bank. Our strategy is to continue to strengthen our distribution channels and to improve the quality of our customers' experience.

We will improve our agency competitiveness by adjusting our organisational structure. In addition to strengthening our full-time tied agent structure, we also seek to empower our part-time sales force by engaging part-time agents for large scale marketing and promotions. We will emphasise both quality and quantity, develop better training programs and policies for different levels or categories of agents to cultivate an environment suitable for future development and build a youthful brand image. Our tied agents will also take advantage of digital tools available, such as the wealth management interactive marketing tool iRich and new business platform NAP, to locate potential customers more efficiently and provide more comprehensive services to satisfy customers' financial needs and help customers accumulate more wealth.

We will continue to follow our value-driven strategy and improve the resilience of our bancassurance channel. We are also considering diversifying our partnership with other third-party banks. By introducing our competitive, exclusive products portfolio to these third-party banks, we strive to make our products the leading products promoted or carried by such third-party banks.

We also seek to enhance our bancassurance customers' user experience by upgrading our digital infrastructure and creating a more streamlined process to write new policies, change policies and process premium payments. We will enhance our marketing support by building a comprehensive insurance service platform for our bancassurance partners.

As the FSC has been gradually relaxing relevant regulations and encouraging industry players to deepen their application of technology, in 2024, we will focus on strengthening customer experience throughout the sale cycles, creating digital experience for customer acquisition, retention and conversion. We seek to explore more digital insurance business opportunities and increase online to offline sales ratio. We will make further upgrades to our insurance mobile application to provide deeper and more secure customer service experience. We will integrate financial services under the wider Cathay FHC Group, collaborate with our cross-industry partners and apply Open API and new business cooperation modes to integrate the core areas to build a digital financial ecosystem for the insurance industry.

**Promoting our sustainability value through our ESG strategies**

We will continue to uphold our core values of being people-oriented and our sustainability principle of reciprocity ("*benefiting oneself by benefiting others*") and focus on our three main pillars of sustainability – "Climate, Health and Empowerment".

As a climate action pioneer, we formulated a dual strategy covering "Zero Carbon Operation Transformation" and "Low-carbon Investment Allocation", exerting our financial influence to lead the industry on net zero emissions. As a supporter of and the first financial service provider in Taiwan to join the RE100 initiative, we are committed to using 100 per cent. renewable energy in our Taiwan operating bases by 2030 and achieving net zero carbon emission by 2050. We strive to set an example by strengthening our risk management and operation integrity through our strong corporate governance, in order to lay a solid foundation for the company's operations. We will continue to expand our sustainable influence through our initiatives and actions.

To promote our sustainability value, we will enrich our health insurance product offering and expand the elderly services provided by us. For example, we plan to collaborate with external organisations to provide our policyholders with better quality care services, such as utilising part of the premiums to make minor improvements to the elders' home facilities (such as adding handrails and upgrading to non-slippery floor). We will also promote responsible investments, including without limitation increasing low-carbon investments and green energy investments. More responsible investment training events will be organised to empower our investment teams to make more responsible investments as well.

**PRODUCTS**

We offer a variety of insurance products in five categories: interest sensitive life insurance, traditional life protection insurance, health and accident insurance, investment-linked insurance, and others.

We have adopted a value-driven product strategy since 2012, demonstrating steady growth in high CSM products. We adhere to a value-driven strategy and product transformation to cope with the introduction of IFRS17 and TW-ICS standards, with CSM accumulation being the top priority. The key focus is to shorten the guaranteed period and lower the guaranteed rate, while balancing the trade-off between profit (assessed by CSM) and risk (based on RAROC). Considering the profitability, quantity and capital charge of various insurance products, we are focusing on protection-type, USD-denominated interest sensitive life insurance products and investment-linked insurance products as a matter of our product strategy:

- We earn mortality gain from protection-type products, which contribute to our CSM. Our NTD-denominated health and accident insurance policies are our key protection-type product offerings. We are also working to develop term-life products to gradually shorten guaranteed period.

- We earn interest spread from the USD-denominated interest sensitive life insurance products while avoiding a foreign exchange risk, making such products a good match to enforce asset-liability management.

- We earn expense gain from the investment-linked products, which has low capital charge and no interest rate risk. Our key investment-linked products are those with death benefit and/or guaranteed minimum death benefit, which are held by clients for a long tenure, contributing to the size of our assets under management and a stable expense gain.

We seek to optimise our product offering mix by increasing the sales proportion of protection-type life insurance products, which offer a stable source of revenues and enhance our risk-based capital adequacy ratio as these products generate higher underwriting profits and reduce risk capital through shortened guarantee periods. We also manage our risk exposure and profitability by periodically adjusting our policy features and premiums to reflect updated actuarial data and seeking to optimise the proportion of interest sensitive life insurance products and investment-linked products in our product offering mix. On many of our products, we provide our policyholders with various options to tailor their policies to their needs by integrating specific features into their policies. From time to time, we also supplement our existing products by introducing additional riders and enhanced product features.

With higher life expectancy, Taiwan is expected to enter a super-aged society by 2025. To enhance the awareness of the public in Taiwan in terms of heath management, the FSC encourages insurance companies to develop spillover-effect products. We continue to be a front-runner in the Taiwan's life insurance industry in innovating and developing new products. For example, as cancer remains the leading cause of death in Taiwan and the treatment cost remains high despite new advances in cancer treatment, we continually promote innovative insurance products that cover advanced medical treatment for cancer to better protect all kinds of customers. Furthermore, in light of the expectation of a super-aged society, we further refine our product lines for our elderly customers. In addition to launching more diversified products for elderly customers, we also focus on high-end elderly customers and promote comprehensive insurances products that are specifically designed to function as both estate planning and self-protection.

We have been promoting our "Elder Friendly, Protection First and Sustainability" strategy and actively developing innovative products to fulfil the different needs of people. Some of our past achievements in product innovation include:

| Year | Product Innovation |
|---|---|
| 2023 . . . . . . . . . . . . . . . | • became the first in Taiwan's life insurance industry to introduce a regular variable universal life product with spillover-effect mechanism linked to ESG;<br><br>• launched a NTD-denominated insurance product that allows policyholders to increase the amount of survival benefits at a specified age through the "Senior Citizen Favourable Retirement Right (樂齡優退權)";<br><br>• became the first in Taiwan's life insurance industry to launch new interest-sensitive insurance products with a mechanism that allows early withdrawal of the insurance upon the occurrence of specified injuries or diseases;<br><br>• further expanded the elders' exclusive product line by launching elderly hospitalisation and long-term care products to build comprehensive protection for the elderly.<br><br>• launched the post-cancer diagnose follow-up care insurance product, which was the first to integrate with "genetic testing for cancer prevention" in-kind benefits insurance and focus primarily on monitoring the risk of cancer metastasis and recurrence. |
| 2022 . . . . . . . . . . . . . . . | • became the first in Taiwan's life insurance industry to introduce eye insurance, incorporating coverage for four major common eye diseases and specific treatment;<br><br>• became the first in Taiwan's life insurance industry to create a weight management insurance policy, incorporating an innovative spillover-effect mechanism for body mass index and weight management; |

| Year | Product Innovation |
|---|---|
| | • launched insurance products exclusively designed for the elderly customers to cater to the insurance needs of the elderly customers; |
| | • upgraded the health promotion platform "FitBack Health Bar" by designing various health tasks and launching spillover-effect 2.0 products that linked to different membership levels; |
| | • piloted the first investment-linked insurance product that incorporated intelligent financial services to satisfy various financial needs of the younger generation; |
| 2021 . . . . . . . . . . . . . . . | • launched the 'Genetic Testing In-Kind Benefit' cancer insurance products ahead of our peers; |
| | • incorporated innovative health management items such as cancer screening, vaccination, and smoking cessation treatment into the pre-emptive health promotion mechanism. |

The following table sets out our total premium by each product category for the financial years indicate:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | *(% of Total)* | **2022** | *(% of Total)* | **2023** | *(% of Total)* |
| | | | *(NTD billion)* | | | |
| **Total Premium** | | | | | | |
| Interest Sensitive Life Insurance. . . . . . . . . . . . . . | 312.3 | 48.3 | 213.9 | 44.5 | 188.3 | 40.4 |
| Traditional Life Protection Insurance. . . . . . . . . . . | 51.8 | 8.0 | 55.8 | 11.6 | 59.0 | 12.7 |
| Health and Accident Insurance . . . . . . . . . . . . . . | 106.4 | 16.5 | 110.2 | 22.9 | 114.9 | 24.7 |
| Investment-linked Insurance . . . . . . . . . . . . . . . . | 166.8 | 25.8 | 93.1 | 19.4 | 96.3 | 20.7 |
| Others. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 8.7 | 1.3 | 7.4 | 1.5 | 7.0 | 1.5 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 646.0 | 100 | 480.4 | 100 | 465.6 | 100 |

A description of each of our product categories is set out below.

### Interest Sensitive Life Insurance

Our interest sensitive life insurance products are also known as traditional life insurance (saving) products. Our USD-denominated interest sensitive life products are our key products and are performing well in terms of profitability and RAROC.

Our interest sensitive life insurance products allow policyholders to receive a specific amount calculated based on a minimum guaranteed rate plus a discretionary top-up payment payable on an annual basis. Such discretionary top-up payment is determined annually and varies from year to year due to factors such as returns on investments and market competition.

Our interest sensitive life insurance products are offered in different currencies, including without limitation insurance products denominated in NTD, USD, AUD and other currencies.

### Traditional Life Protection Insurance

Our traditional life protection insurance products mainly include whole life insurance and term life insurance.

*Whole Life Insurance*

Our whole life insurance products provide a guaranteed benefit to the beneficiary upon the death of the insured person, or a cash surrender value upon the early termination of the policy by the policyholder, in each case as predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. Premium payments may be required up to a specified age or for a specified period, and are typically level throughout the period.

*Term Life Insurance*

Term life insurance products provide a guaranteed benefit to the beneficiary upon the death of the insured person within a specified time period in return for periodic payment of fixed premiums. Specified coverage periods generally range from 1 to 20 years or expire at specified ages. Premiums are typically set as a fixed sum for the coverage period and are generally lower than premiums for whole life insurance products. In their basic form, term life insurance policies function as pure protection products, in that they normally have little or no savings or investment elements and typically expire without value at the end of the coverage period if the insured person is still alive. We are actively developing our term-life products offering to gradually shorten the guaranteed period.

**Health and Accident Insurance**

Our NTD denominated health and accident policies are our key protection-type products. For the years ended 31 December 2021, 2022 and 2023, we received total premiums from our health and accident insurance products in the amounts of NTD 106.4 billion, NTD 110.2 billion and NTD 114.9 billion, representing 16.5 per cent., 22.9 per cent. and 24.7 per cent. of our total premium, representing a consistent growth over the past three years.

*Health Insurance*

We offer individual health insurance plans that provide compensation for medical and surgical expenses from illness or accidents. We also offer group insurance plans that provide health insurance for the employees of enterprises or members of associations.

We offer defined health benefit insurance products and medical expense reimbursement insurance products to individuals. Our defined health benefit insurance products include products specifically covering cancer, heart disease, strokes and long-term care, and provide guaranteed payments if an examination, surgical procedure or hospitalisation becomes necessary for the insured person due to such covered diseases. We also offer a comprehensive range of defined health benefit insurance products, which we believe are particularly attractive to customers who are comparatively price-sensitive and are seeking to protect against specific combinations of health events. Our medical expense reimbursement insurance products provide for the reimbursement of a portion of the insured person's outpatient or hospitalisation treatment fees and expenses.

*Accident Insurance*

We offer individual injury insurance products that provide coverage for injury, disability or death in accidents. We also offer a group insurance plan that provides injury insurance for the employees of enterprises or members of associations.

Our accident insurance products provide death, disability and medical expense benefits in the event that the insured person is involved in an accident, in return for periodic payment of fixed premiums over a predetermined period. Typically, a death benefit is paid if the insured person dies as a result of an accident and a disability benefit is paid if the insured person becomes disabled, with the benefit depending on the extent of the disability. If the insured person receives medical treatment as a result of an accident, individual accident insurance policies may also provide for reimbursement of a portion of the medical treatment expenses or a compensation for a fixed benefit.

### Investment-linked Insurance

Our investment-linked insurance plans combine investment and protection, with part of the premiums invested in a wide range of investment choices. Unlike fixed annuities, however, the benefits vary based on the performance of the related investment. For the years ended 31 December 2021, 2022 and 2023, we received total premium from our investment-linked insurance products in the amount of NTD 166.8 billion, NTD 93.1 billion and NTD 96.3 billion, representing 25.8 per cent., 19.4 per cent. and 20.7 per cent. of our total premium. The total premium from investment-type insurance in 2022 decreased compared to 2021, primarily due to the better performance of the stock and bond markets in 2021, resulting higher premium contribution in the base period.

We mainly focus on and expect to continue focusing on offering investment-linked products because they do not incur interest rate risk and require low capital charge. We focus on investment-linked products that offer death benefit or guaranteed minimum death benefit, aiming for the clients to hold them for a long tenure and thereby contributing to higher asset-under-management and more stable expense gain. Apart from the investment-linked insurance main contracts, we also offer a wide range of riders and endorsement that adds investment-linked features to insurance policies.

Investment-linked products generally provide a return linked to an underlying investment portfolio designed by the policyholder while also providing a guaranteed minimum protection benefit and/or a guaranteed minimum accumulation benefit, predetermined by the contract, in return for periodic payments of fixed premiums over a predetermined period. Investment-linked products remain central to our product strategy by providing our customers with the flexibility to adjust the balance between protection cover and wealth accumulation over the lifetime of the product. In general, the investment risk associated with the surrender value of such products is borne by the policyholder.

### Others

Other insurance products offered by us include group insurance and products offered by insurance companies acquired by us.

We provide group life insurance products primarily to institutional customers, including without limitation some of the leading companies and institutions in the region. Our group insurance plan provides term-life insurance, injury insurance or health insurance for the employees of the enterprises or member of associations.

## OPERATIONS

### Underwriting

Our underwriting department is responsible for the planning, supervision and management of insurance contract reviews. Our insurance underwriting involves the evaluation of applications for our insurance policies by a group of professional underwriters, who determine the type and the extent of risk that we are willing to accept. We have established underwriting policies to determine the proper risk classification and premium levels of each request for coverage.

Our underwriters comply with the rules of financial underwriting. For underwriting a new policy of existing policyholders or new policyholders, the underwriters consider historical 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.

We have also set up a special underwriting team to deal with controversial cases and to interpret relevant underwriting standards. In addition, we have set up specific underwriting procedure for large policies to enhance risk management over large policies, which requires internal escalation and additional approval.

**Claims Management**

We manage the claims received from policyholders through our claims management staff located in our headquarters and branch offices. Typically, claims are received by our staff, who make a preliminary examination and forward them to the claims settlement team for further verification. If the claim is valid, the amount payable is calculated and, once approved, is distributed to the policyholder. We manage our claims management risk through organisational controls and computer systems controls. Our organisational controls include specified authorisation limits for various operating levels, periodic and ad hoc inspections at all levels of our organisation, expense mechanisms linking payout ratios with expenses for our life insurance policies, and requirements that claims examinations above certain monetary thresholds be performed by at least two staff members. We also impose stringent requirements on the qualification and employment of claims management staff. For claims relating to our health insurance products, claim adjustment processes are facilitated through a team of supporting personnel with medical training. Our claims management control procedures are supported by an electronic processing system that is used for the verification and processing of claims.

**Reinsurance**

In order to limit the possible losses caused by certain events, we arrange reinsurance business based on our business needs and in accordance with related insurance regulations. For reinsurance of ceded business, we are ultimately obligated to fulfil our obligations to the insured when the reinsurer fails to fulfil its obligations. We have entered into reinsurance agreements with various reinsurance companies, including without limitation Central Reinsurance Corporation, Swiss Re Asia Pte. Ltd, Munich Reinsurance Company, RGA Reinsurance Company, SCOR SE and Hannover Rück SE.

We formulate our reinsurance strategy before the products are launched to reduce the concentration risk of individuals and the volatility risk of new insurance benefits. We also enter into catastrophe reinsurance contracts to protect against short-term liquidity risks caused by certain natural disasters. In addition to the aforementioned risk transfer mechanisms, we plan to also use reinsurance as a tool to reduce the fluctuation of our solvency under future regulatory requirement and market circumstance. The rights held by us over the reinsurer include reinsurance assets, claims and payments recoverable from reinsurers and net amount due from reinsurers and ceding companies, and we regularly assess whether the rights are impaired or unrecoverable. If any evidence, which occurred after initial recognition of reinsures assets, shows that we may not receive all amounts of receivables from the reinsurer and the unrecoverable amount can be reasonably estimated, we recognise the difference between the recoverable amount of reinsurance assets and carrying value as an impairment loss.

**Overseas Operations**

As part of Cathay FHC Group's overall plan to deepen business networks in overseas markets, we continue to deepen our business operations and networks in Greater China and ASEAN markets by connecting regional offices and discovering local needs. As of 31 December 2023, our subsidiary in Mainland China, Cathay Lujiazui Life Insurance Company Limited (formerly known as Cathay Life Insurance Co., Ltd), operated 12 offices (headquarters and branch offices) and 51 sales and services agencies, and has also continued to demonstrate stable business growth. In addition, as of 31 December 2023, our subsidiary in Vietnam, Cathay Life Insurance (Vietnam) Co., Ltd., had 150 business offices and its premium income has continued to grow. It is currently driving its digital transformation and has launched its mobile insurance application.

*Mainland China Business*

Our business in Mainland China is operated through a joint-venture company Cathay Lujiazui, together with the Chinese state-owned Shanghai Lujiazui Finance & Trade Development Co., Ltd (the "**Shanghai Lujiazui Group**"). Cathay Lujiazui, headquartered in Shanghai, is the first cross-strait joint venture life insurance company. The company was first founded by the Guarantor and China Eastern Airlines Co., Ltd as a joint venture in December 2004 with each shareholder being interested in 50 per cent. of the shares of the joint venture. In July 2014, Shanghai Lujiazui Group succeeded China Eastern Airlines Co., Ltd as the shareholder of the joint venture and the company was renamed from Cathay Life Insurance Co., Ltd to Cathay Lujiazui Life Insurance Company Limited. Cathay Lujiazui officially started its operation in January 2005 and currently has a registered capital of CNY3 billion. Since its establishment, Cathay Lujiazui has successfully opened 11 branches in Jiangsu, Zhejiang, Fujian, Beijing, Shandong, Guangdong, Liaoning, Tianjin, Xiamen, Sichuan and Henan, and has set up marketing outlets in nearly 50 cities. As of 31 December 2021, 2022 and 2023, Cathay Lujiazui's total assets was about CNY16.6 billion, CNY20.2 billion, and CNY26.0 billion, respectively.

One of Cathay Lujiazui's major products is the "*Incremental Whole Life Insurance*". This product provides protection throughout the insured's life-time, and guarantees a benefit to the beneficiary upon the death of the insured. It provides not only insurance protection, but also savings-oriented features. The amount of insurance payment increases year by year according to a prescribed fixed rate in the relevant insurance policy.

The board of Cathay Lujiazui consists of ten directors. The chairman of the board of Cathay Lujiazui, Mr. Li Zuoqiang, is also the vice general manager of the Shanghai Lujiazui Group. Among the other nine directors of Cathay Lujiazui's board, four of them are representatives of Shanghai Lujiazui Group, while the other five are our representatives.

Cathay Lujiazui grows business in scale and value through a self-owned agent workforce and partnership with multiple external channels, such as market-leading brokers, agencies and banks in China.

*Vietnam Business*

We operate our life insurance business in Vietnam through our wholly-owned subsidiary, Cathay Life (Vietnam). In December 2007, we successfully obtained a business license issued by the Ministry of Finance in Vietnam and established Cathay Life (Vietnam), becoming the first Taiwanese company to set up an insurance subsidiary in Vietnam.

Our head office in Vietnam is in Ho Chi Minh City. We also maintain branch offices in Hanoi, Da Nang, Can Tho, Dong Nai, and Hai Phong (with about 150 total branch locations across Vietnam). Cathay Life (Vietnam)'s charter capital reached U.S.$690 million in 2021, and its total premium grew 3 per cent. year on year to VND2.9 trillion for the year ended 31 December 2023. We have also expanded and diversified our distribution channels in Vietnam over the past few years. Cathay Life (Vietnam) mainly distributes its products through its tied agents.

## DISTRIBUTION AND MARKETING

We operate well established distribution channels, through our premier tied agency force, and an exclusive bancassurance partnership with Cathay United Bank with unparalleled cross-selling capabilities. Our strong sales capabilities provide solid contribution to premium income and value of new business. For the year ended 31 December 2023, tied agents represent 78.7 per cent. of our FYP, while bancassurance with Cathay United Bank accounted for 17.1 per cent. of our FYP.

The table below sets out our FYP and APE breakdown by distribution channel:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *FYP (%)* | *APE (%)* | *FYP (%)* | *APE (%)* | *FYP (%)* | *APE (%)* |
| Tied Agency | 55.2 | 75.2 | 65.1 | 78.8 | 78.7 | 81.1 |
| Bancassurance with CUB | 34.0 | 18.7 | 28.0 | 17.3 | 17.1 | 15.5 |
| Others | 10.9 | 6.1 | 6.9 | 3.9 | 4.2 | 3.5 |

## Tied Agents

Our experienced and seasoned tied agency force has been the key to drive high-margin product sales, providing solid contribution to premium income, value of new business and CSM accumulation. Our tied agents have over 14 years of experience on average. Our tied agents operate out of our branch network and sell products exclusively for us. We have focused on recruiting and training quality agents with an emphasis on academic qualifications and experience. Once recruited, the tied agents are carefully given a high standard of training in the areas of product knowledge, sales techniques and ethics. We have invested significant resources into developing our tied agency force. Currently, tied agency constitutes our largest distribution channel, by the amount of premium written.

As of 31 December 2023, we maintained a tied agency force of around 25,000 full-time tied agents in Taiwan, which is larger than our major peers such as Fubon Life and Nan Shan Life. Our agency network is spread all over Taiwan, enabling us to have a wide service coverage. While some of our peers' distribution channels are only concentrated on metropolitan six municipalities of the ROC, we have maintained a strong presence of tied agents in the ROC's provincial cities and counties as well.

We also benefit from having an experienced tied agency force that is committed to building long-term client relationship. We have consistently outperformed our major peers, including Fubon Life and Nan Shan Life, in terms of the 13-month retention rate of our tied agents. For the year ended 31 December 2023, the 13-month retention rate of our tied agents was 63.8 per cent., which is significantly higher than Fubon Life's 51.5 per cent. and Nan Shan Life's 55.4 per cent.

We strategically focus on developing digital capabilities across the entire agency value chain, including pre-sale, client services, and internal management. We have also received numerous international awards for our digital capabilities, including the Best in Future of Work award in 2022 by International Data Corporation, the Remote Customer Service Innovation of the Year in 2023 by the Stevie Awards, and the Digital Insurer of the Year (2020/22) and the Life Insurance Company of the Year (2021/23) by Asia Insurance Industry Awards.

## Bancassurance with CUB

We enjoy an exclusive bancassurance relationship with Cathay United Bank, another wholly-owned subsidiary of Cathay FHC Group. Cathay United Bank, the second largest privately-owned bank in Taiwan in terms of the amounts of total assets, total loans and total deposits, has 164 domestic branches and more than 10 million customers as of 31 December 2023. Cathay United Bank recorded a total deposit of NTD 3,445.1 billion for the year ended 31 December 2023. It focuses on digital empowerment, offering one-stop management of banking assets, investment positions and insurance products. In 2023, the number of digital users of Cathay United Bank exceeded 7 million.

Under the exclusive bancassurance relationship with Cathay United Bank, Cathay United Bank only sells our insurance products and contributes to most of our premiums generated from the Bancassurance channel. To utilise the synergies among the companies within Cathay FHC Group, we also hold monthly steering committee meetings with top management from Cathay FHC Group and Cathay United Bank to align the bancassurance strategy. We provide thorough training and assistance to the bank's wealth management sales personnel with support from on-site insurance consultants. Such in-depth training provided by us has enabled Cathay United Bank's wealth management sales personnel to effectively promote our high-margin products. Our products are key contributors to Cathay United Bank's wealth management income, which accounted for more than half of the bank's total wealth management income over the past three years, making the bancassurance partnership reciprocal and sustainable. Cathay United Bank is also a leading bank in Taiwan that is transitioning from selling single-paid products to selling regular-paid products.

### Others

We also distribute our insurance products through other channels such as the internet or telemarketing or through third-party banks, which comprise a small portion of our income.

## INVESTMENT

### Investment Objectives

When formulating our investment policies, we take into consideration factors including the relationship between our assets and liabilities, our risk tolerance levels, our long-term risk premium requirement, our liquidity and solvency, and responsible investing principles including asset/liability management, risk management, funds allocation management and other matters. Our main investment objectives are to focus on asset/liability management, and based on the characteristics of our liabilities, our risk management and post-integration capital management, invests primarily in long-term bonds with good credit rating and returns that meet our requirement and strives to increase our recurring income. For our equity investments, we consider the total return of the investment target and our entire investment portfolio, selecting investment targets with strong fundamentals and high growth potential. Our investment team constantly monitors financial market conditions and the fundamentals of selected investment targets and adjusts investment portfolio in accordance with market fluctuations. The investment team seeks to seize opportunities to gain returns and create stable long-term performance. We conduct most of our investment activities through our dedicated investment team in Taiwan.

In response to the implementation of IFRS 17 and TW-ICS standards, we have adopted a liability-drive investments taking into account RAROC under TW-ICS standards and increase fixed income assets in our investment portfolio to manage interest rate risks.

### Investment Income

The total investment yield for the years ended 31 December 2021, 2022 and 2023 was 4.92 per cent., 3.73 per cent. and 3.28 per cent., respectively.

### Investment Portfolio and Performance

The investment portfolio maintained by the Guarantor has been growing at a steady pace over the last three years. The majority of our investment has been in overseas bonds over the last three years. For the year ended 31 December 2023, the Guarantor invested NTD 4,718 billion in overseas bonds, representing approximately 61.8 per cent. of its total investments. The Guarantor maintains monitoring processes for its domestic and overseas debt securities and formally reviews its holdings of debt securities on a periodic basis to identify potential credit deterioration whether due to ratings downgrades, unexpected price variances or industry or issuer specific concerns. The Guarantor manages its potential losses in the event of substantial credit deterioration of its debt securities by setting credit exposure limits for corporations and large business groups based on external credit ratings and its internal credit scoring.

The following table sets out the investment portfolio of the Guarantor for the financial periods indicated:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *(NTD billion)* | *(% of Total)* | *(NTD billion)* | *(% of Total)* | *(NTD billion)* | *(% of Total)* |
| **Fixed income** | | | | | | |
| Overseas Bonds | 4,189 | 57.7 | 4,539 | 61.9 | 4,718 | 61.8 |
| Domestic Bonds | 572 | 7.9 | 517 | 7.1 | 622 | 8.1 |
| Mortgage and Secured Loans | 308 | 4.2 | 280 | 3.8 | 230 | 3.0 |
| Policy Loans | 170 | 2.3 | 167 | 2.3 | 170 | 2.2 |
| **Equity Investments** | | | | | | |
| Domestic Equities | 519 | 7.2 | 373 | 5.1 | 504 | 6.6 |
| Overseas Equities | 465 | 6.4 | 408 | 5.6 | 427 | 5.6 |
| **Cash, cash equivalents and others** | 316 | 4.4 | 300 | 4.1 | 199 | 2.6 |
| **Real Estate** | 548 | 7.6 | 562 | 7.7 | 577 | 7.5 |
| **Others** | 168 | 2.3 | 182 | 2.5 | 192 | 2.5 |
| **Total Investments** | 7,254 | 100.0 | 7,331 | 100.0 | 7,638 | 100.0 |

Compared to the year ended 31 December 2022, the Guarantor's pre-hedging recurring yield for the year ended 31 December 2023 increased by 8 basis points to 3.45 per cent. Such increase was driven by expanded position and higher yield in fixed income, with interest income showing double-digit year-on-year growth. For the same periods, its after-hedging investment yield has declined by 45 basis points to 3.28 per cent., reflecting increased hedging costs, while hedging costs remained well-contained within 1 per cent.

With our substantial overseas investment, we are exposed to foreign exchange risks. To manage and mitigate such risks, we actively monitor market conditions and prevent or mitigate such risks through derivative transactions. We also dynamically adjust our foreign exchange hedging strategies and integrate the reserve for foreign exchange valuation, which increase the flexibility for overall foreign exchange risk management and allow us to effectively keep our hedging cost within our target range of 1.0 per cent. to 1.5 per cent.

***Overseas Bonds***

The Guarantor's holdings of overseas bonds constitute its largest investment category. The Guarantor's overseas bonds investment consists principally of foreign currency-denominated bonds issued by foreign issuers including governments and corporations. Our investment team in Taiwan invests in fixed income products in the United States and other overseas markets, which it believes have superior credit, duration and yield characteristics compared to domestic bonds, as part of our efforts to strengthen our asset and liability management, diversify our sources of income and enhance the returns of our investment portfolio. The majority of the Guarantor's overseas bonds are investment grade and USD denominated. A small percentage of its overseas bonds are denominated in other foreign currencies, such as AUD, CNH, EUR and GBP. In terms of region, while more than half of the Guarantor's investment in overseas bonds is in North America, it also has substantial holdings of Asia Pacific and European bonds. In the past three years, our investment team in Taiwan seized the opportunity brought by rising U.S. interest rates by increasing the Guarantor's holding of USD-denominated bonds, leading to an increase in the proportion of fixed income investment in North America. The Guarantor's holdings of overseas bonds represented 57.7 per cent., 61.9 per cent. and 61.8 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively.

***Domestic Bonds***

The Guarantor's domestic debt securities consist primarily of government and government-related bonds, corporate bonds, financial institution bonds and exchange-traded funds. The Guarantor's holdings of domestic bonds represented 7.9 per cent., 7.1 per cent. and 8.1 per cent. of our total investments as of 31 December 2021, 2022 and 2023, respectively.

***Domestic Equities***

The Guarantor's holdings of domestic equity securities and investments consist of common and preferred stocks of listed and unlisted Taiwanese companies and ownership interests in domestic partnerships, as well as ownership interests (other than beneficiary certificates) in its consolidated subsidiaries, associates and jointly controlled entities, representing 7.2 per cent., 5.1 per cent. and 6.6 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively.

***International Equities***

The Guarantor's holdings of international equity securities and investments consist of common and preferred stocks of listed overseas companies and private equity investments, representing 6.4 per cent., 5.6 per cent. and 5.6 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively.

***Real Estate***

The Guarantor's real estate investments consist principally of real properties held as investment assets, including land and buildings, as well as real properties used in our operations. Such investment represented 7.6 per cent., 7.7 per cent. and 7.5 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively.

***Loans***

The Guarantor offers various loan products to qualified retail and institutional borrowers, including policy loans to our existing policyholders, and loans secured by real estate and other assets. Its loans represented 6.5 per cent., 6.1 per cent. and 5.2 per cent. of its total investments as of 31 December 2021, 2022 and 2023, respectively.

**Investment Team**

We have the most seasoned and committed investment team that constantly monitors financial market conditions and the fundamentals of selected investment targets and adjusts investment portfolio in accordance with market fluctuations. Our team seeks to seize opportunities to gain returns and create stable long-term performance.

Most of our investment team members are based in Taiwan. Our investment team in Taiwan consists of Investment Desk, Risk Management, and overall management units. Under the Investment Desk, we have teams looking after different financial security and assets, including fixed income, equity, alternative investments, real estate investment, and foreign exchange hedging. We have separate risk management teams to look after financial risk and enterprise risks for the Guarantor's investment portfolio. To ensure full alignment of investment strategy and planning, we also have asset allocation and planning team, as well as investment management team to coordinate with overall strategy planning and performance monitoring. As of 31 December 2023, our investment team in Taiwan comprises of over 400 investment professionals and over 58 per cent. of these professionals possess over five years of experience with our company. The senior managers in our investment team in Taiwan have been with us for an average of 25 years.

We adopted a top-down asset allocation decision system. Our Board is responsible for establishing the overall investment direction and strategy. For ongoing management of the investment portfolio, our asset-liability committee and investment committee monitor the execution of investment strategy and report to the president. In addition, our risk management committee regularly monitors and conducts periodic review of the investment portfolio to identify and control different risks associated with our investment portfolio. The risk management committee also reports its findings to the Board.

## RISK MANAGEMENT

Risk management is fundamental to our operations and our long-term growth. We have devoted substantial resources to enhancing our risk management over the years, and created risk management policies with the aim 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.

While the Guarantor has made its risk management policies and procedures accessible to our subsidiaries as guidelines and encourages our subsidiaries to adopt such policies and procedures, our subsidiaries usually establish and implement their own risk management systems independently in compliance with local laws and regulatory requirements.

### Risk Management Framework and Structure

The Guarantor's risk management policies have designated different responsibilities and roles to the various levels within the Guarantor:

#### *The Board of Directors*

The Board is responsible for establishing appropriate risk management framework and culture, ratifying appropriate risk management policies and reviewing it regularly as well as allocating resources in the most effective manner. The Board and senior management consistently promote, execute risk management and keep the consistency of the operational objectives of the Guarantor as well as operational strategies and operations management. The Board reviews risk appetite annually and makes appropriate adjustments if necessary. The Board is aware of the risks arising from operations, ensuring the effectiveness of risk management and bearing the ultimate responsibility for overall risk management. The Board delegates authority to risk management department to deal with violation to risk limits by other departments.

#### *Risk Management Committee*

The risk management committee proposes risk management policies, framework and organisational functions and establishes quantitative and qualitative risk management standards. Once the risk management policies are established, the risk management committee executes such policies and conducts regular review of the development, build-up, and performance of the overall risk management mechanism. The risk management committee is also responsible for reporting the results of risk management implementation to the Board regularly and making necessary suggestions for improvement. In addition, the risk management committee assists and monitors the risk management activities and the review of the risk limit development process. In accordance with the changes and updates in environment, the risk management committee arranges and adjust the risk categories, risk limit allocation and risk taking.

#### *Chief Risk Officer*

The chief risk officer maintains independence and holds no position in any profit centre of the Guarantor other than a position directly related to risk management. The chief risk officer has access to any business information which may have an impact on risk overview of the Guarantor and is responsible for the overall risk management of the Guarantor.

#### *Risk Management Department*

The department is responsible for operational affairs such as monitoring, measuring, and evaluating daily risks, which should be performed independently to business units. Regarding different business activities, the risk management department proposes and implements the risk management policies of the Guarantor, performs regular review and prepares risk management reports, and assist with any other risk management related issues.

### *Business Units*

Each business unit is assigned a risk management coordinator to assist with the execution of the risk management of each business unit. The duties of the risk management include without limitation (i) identifying and reporting risk exposures and potential impacts on time; (ii) regular review of the risks and their limits; (iii) assisting with the development of the risk model and ensuring that risk measurement, application of the model and the parameter settings are reasonable and consistent; (iv) maintaining effective internal control procedures; and (v) collecting data related to operational risk. The manager of a business unit is also responsible for the unit's daily risk management and risk reporting. Under the manager's supervision, each business shall submit risk management information regularly to the risk management department.

### *Auditing 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 the Guarantor.

### *Subsidiary*

Each subsidiary's risk management department or related unit develops risk management policies based on the nature of its business and needs and reports to the Guarantor's risk management committee for future reference.

## Risk Management Procedures

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

### *Market Risk*

Market risk is the risk of losses in value of the Guarantor's financial assets arising from the changes in market prices of financial instruments. The Guarantor adopts measurement indicators for market risk based on the value at risk and reviews regularly. In addition, the Guarantor performs back testing to ensure the accuracy of the market risk model regularly. The Guarantor also 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 reserve for foreign exchange valuation, the Guarantor determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

### *Credit Risk*

Credit risk is the risk of losses suffered by the Guarantor due to the failure of the counterparty or debtor to perform our contractual obligations. Considering the credit risk factors, the Guarantor has set up the measurement indicators for credit and investment positions by countries, industries and business groups. The Guarantor applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, the Guarantor applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Guarantor shall not grant loans or make investment in general. However, if the Guarantor has to undertake the business under certain circumstances, the Guarantor 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".

***Country Risk***

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

***Liquidity Risk***

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

***Operational Risk***

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

***Insurance Risk***

The Guarantor assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and the Guarantor may bear losses due to unexpected changes when paying claims and related expenses.

Insurance risk mainly covers the following risks:

- product design and pricing risk: the risk arising from improper design of products, inconsistent terms and conditions and pricing or unexpected changes;

- underwriting risk: unexpected losses arising from solicitation activities, underwriting and approval activities, other expenditure activities, etc;

- reinsurance risk: the risk occurring when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfil its obligations such that premiums, claims or expenses cannot be reimbursed;

- catastrophe risk: the risk arising from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Guarantor's credit rating or solvency;

- claim risk: the risk arising from mishandling claims; and

- reserve-related risk: the risk occurring when the Guarantor does not have sufficient reserves to fulfil its obligations owing to underestimation of its liabilities.

To reduce and manage insurance risks, the Guarantor has developed a risk control framework to assume, measure, monitor and control such risks. The Guarantor stipulates its insurance risk management standards, which include the definitions and range of risks, management structure, key risk management indicators and other risk management measures. Proper methods were established to evaluate such insurance risks. The Guarantor's risk management department also uses the regular insurance risk management report as a reference for monitoring insurance risk and developing insurance risk management strategies. In addition, it regularly summarises the results of implementing risk management policies and report to the risk management committee of the Guarantor as well as the risk management department of the Cathay FHC Group. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Guarantor.

The Guarantor limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed taking into consideration the Guarantor's risk-taking ability, risk profiling and legal issues factors when determining whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Guarantor has also established reinsurer selection standards, shortlisting transaction counterparties whose credit rating and other criteria satisfy relevant legal requirements.

***Asset and Liability Matching Risk***

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

The Guarantor establishes an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Guarantor faces. The measurement asset-liability matching risk is also reviewed and reported to the asset/liability management committee and the risk management committee of the Guarantor regularly. The annual report is delivered to the risk management department of the Cathay FHC Group for review on a regular basis.

When an exceptional situation occurs, the related departments would propose solutions to the asset/liability management committee, the risk management committee of the Guarantor and the risk management department of the Cathay FHC Group.

In response to the implementation of IFRS 17 and TW-ICS standards, we will also strengthen our interest rate risk management by advancing duration management and employ interest rate hedge as needed.

***Capital Adequacy***

The Guarantor regards risk-based capital ratio and net worth ratio as a management indicator for capital adequacy. The RBC ratio is the total adjusted net capital of the Guarantor divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of

Insurance Companies in ROC. The net worth ratio is the Guarantor's equity audited (or reviewed) by the auditors divided by the total assets excluding separate accounts for investment-linked insurance specified in our financial statements.

Pursuant to the applicable laws and regulations, the Guarantor's RBC ratio and net worth ratio should be higher than 200 per cent. and 3 per cent. respectively. In order to enhance the Guarantor's capital management and to maintain a proper RBC ratio and net worth ratio, the Guarantor has established a set of capital adequacy management standards. The Guarantor regularly reviews its RBC ratio, net worth ratio and related control standards and conducts simulation analysis to evaluate the use of funding, the changes of the financing environment or the amendments to applicable laws and regulations affecting the RBC ratio and net worth ratio. The Guarantor also regularly provides capital adequacy management reports and analysis to the finance department of Cathay FHC Group. Such analysis is also reported to the risk management committee of the Guarantor.

When the Guarantor's RBC ratio or net worth ratio exceeds the internal risk control criteria or other exceptions occur, the Guarantor is required to notify the risk management department and the finance department and the risk management department of Cathay FHC Group, and submits the RBC ratio or net worth ratio analysis report and proposed solutions.

***Information Security Management Risk***

The risk refers to the damage resulting from confidentiality, completeness and availability of information asset or the lack and breach thereof, or damage caused by stealing, tampering, damaging, losing, or leaking information asset. The Guarantor establishes an information security management policy to reduce the impact of information security incidents, and regularly reports to the board the performance of implementing information security management and the trends of information security risk.

***Personal Data Management Risk***

The risk refers to the damage caused by stealing, tampering, damaging, losing, or leaking personal data. The Guarantor establishes a personal data management policy to reduce the impact of personal data damages.

***Emerging Risks***

Emerging risks refer to risks that are not currently revealed but may arise as a result of changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. The Guarantor conducts emerging risk management operations by reference to authority organisations, 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.

***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 changes, including transition risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to acute and extreme weather events or longer-term shifts in climate patterns). The Guarantor has established related management measures as a response.

*Reputational Risk*

The risk refers to the damage to brand and shareholders caused by improper behaviour or negative news, and adversely affects the Guarantor 's reputation. The Guarantor establishes a reputational risk management guideline to conduct risk assessments, adopt response measures, and implement stakeholder communication.

**Hedging and Mitigation of Risks**

The Guarantor enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, interest return swaps (IRS), forwards, cross currency swaps (CCS) and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Guarantor's investments.

Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk-taking abilities. The Guarantor executes hedge and exercises authorised 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.

As of 31 December 2023, foreign exchange assets comprise a large portion of the Guarantor's total assets. Except for 30 per cent. of the foreign exchange assets which are derived from its foreign exchange policies, the remaining 70 per cent. of foreign exchange assets are exposed to foreign exchange risk. To manage the foreign exchange risk, the Guarantor enters into a variety of foreign exchange derivatives, such as currency swaps (CS), cross currency swaps (CCS) and non-deliverable forward, to hedge against foreign currency fluctuations.

The Guarantor has been actively managing its hedging cost to stay within its target range of 1.0 per cent. to 1.5 per cent. and its hedging cost has been well maintained within such range in the past three years.

To ensure continuous effectiveness of hedging instruments, the Guarantor assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors. Meanwhile, a copy of the assessment report is also delivered to the audit department for future reference.

## INFORMATION TECHNOLOGY

We maintain four information technology departments, each of which is responsible for developing and maintaining IT systems for our different functions, including: (1) system information technology department; (2) life insurance information technology department; (3) investment information technology department; and (4) marketing information technology department.

In relation to policy underwriting and claims, we improve our risk management with digital technology and models to control the contract quality. We have developed our CARE system, which is an integrated AI predictive scoring system, to promote better risk segmentation, provide better marketing experience and achieve better customer engagement.

We also actively improve our digital capability to provide better customer services and increase customer loyalty. We introduced Groupins$^{+}$, our B2B tool which allows our group customers in Taiwan to pick, select, and assemble the desired policies online and receive quotes efficiently. We also streamlined our digital insurance solutions from pre-sale stage to after-sale stage with the introduction of personalised digital insurance platform that allows our customers to select and assemble desired policies and mobile app "FitBack" that allows our customers to manage their policies more easily and efficiently.

## EMPLOYEES

As of 31 December 2023, we have approximately 30,000 employees in Taiwan, over 60 per cent. of which possess associate or higher degrees. The average years of service of our employees are 13.15 years.

We have built up a harmonious labour-management relationship for more than 60 years since our establishment. In April 1998, the scope of application of the Labor Standards Act was successfully introduced by the Ministry of Labor of ROC. We not only adopted "Work Rules" in accordance with laws and regulations, but also signed labour contracts with employees to establish clear employee rights and obligations and avoid labour disputes.

We always attach great importance to the organisational commitment across employees, and are improving gender equality, the working environment, education and training in response to the needs of employees. We also conduct employee engagement surveys on a regular basis, with employee satisfaction maintained at good levels in recent years.

We have provided various business-related training for our employees. We design training blueprints for employees based on their functional requirements for various management levels, and continuously invest a large amount of resources in cultivating financial professionals. A training plan is also set up to train key staff based on organisational development and training needs of all employees at different career stages with the aim to continuously enhancing team competitiveness. To keep in line with the market, the latest technology and knowledge, relevant employees also regularly participate in domestic and foreign seminars based on various professional requirements. Outstanding employees are assigned to participate in short-term professional or degree courses of well-known domestic and foreign institutions on a regular basis, and related costs are fully subsidised.

## LEGAL AND REGULATORY

As at the date of the Offering Circular, except as otherwise disclosed in this Offering Circular, we are not involved in, or aware of, any litigation, arbitration or administrative proceedings, actual or threatened, that would, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

We are subject to certain administrative actions, claims and are a party to certain legal proceedings in the ordinary course of our business. The majority of our legal disputes arise out of claims by our customers alleging that agents insufficiently explained our insurance or investment products at the time of sale, insurance settlement claims by our customers, commission-related claims by agents, and claims of fraud or other misconduct by our agents or employees. We have incurred, and expect to incur in the future, costs or losses relating to such legal disputes with our customers. Recent or pending legal and regulatory proceedings are set out below:

To achieve our investment objective, between 2003 and 2007, we subscribed to shares of Fairfield Sentry Limited, and subsequently received U.S.$24,496,798.58 from the redemption of such shares as agreed between the parties. However, as a result of Bernard L. Madoff Investment Securities LLC being allegedly involved in the Ponzi Scheme, Fairfield Sentry Limited entered into liquidation procedures before the BVI courts. Around the same time, Bernard L. Madoff Investment Securities LLC also entered into liquidation procedures. The liquidator of Fairfield Sentry Limited and the official receiver of Bernard L. Madoff Investment Securities LLC filed a lawsuit against the Guarantor at the Bankruptcy Court in March 2011 and December 2011, respectively. They claimed that we must return the proceeds from the redemption of shares. We have appointed lawyers to defend the proceedings. Regarding the lawsuit between us and Fairfield Sentry Limited, the United States Bankruptcy Court has rejected the claims by Fairfield Sentry Limited. After the United States Bankruptcy Court rejected the claims by Fairfield Sentry Limited and the Federal Court held that the original judgment rendered by the Bankruptcy Court should sustain, the liquidator of Fairfield Sentry Limited has filed an appeal with the

United States Court of Appeals for the Second Circuit and we are waiting for the court's judgment. Further, regarding our claim against Bernard L. Madoff Investment Securities LLC, after the United States Bankruptcy Court rejected the claims by the official receiver of Bernard L. Madoff Investment Securities LLC and the United States Court of Appeals for the Second Circuit vacated the original judgment rendered by the Bankruptcy Court and remanded the case back to the Bankruptcy Court for further proceedings. The case is now in the discovery phase. We considered that said case is not likely to cause significant impact on our financial and operating position. Provisions have been made to bad debts in relation to the potential liabilities that may result from the above proceedings.

On 16 November 2023, the National Financial Supervision and Administration Bureau of the PRC（國家金融監督管理總局）announced penalties on Penalised Parties. The Penalised Parties were accused of fictitious statement of meeting expenses for funds withdrawal, provision of false insurance intermediaries' business reports, financial statements, documents and information, engagement of unqualified individuals and institutions in insurance sales activities, failure to use approved or registered insurance terms and fee rates in compliance with the relevant rules, inclusion of untrue client information in policies and poor quality of their double recording and failure to conduct quality checks as required by the rules. Based on the above facts, Cathay Lujiazui was fined CNY2.11 million, its Beijing branch was fined CNY0.3 million and the officers were fined CNY0.71 million in aggregate. As of the date of this Offering Circular, the fines have been paid and remedial measures have been taken to strengthen Cathay Lujiazui's internal control system.

## RELATED PARTY TRANSACTIONS

We engage from time to time in various transactions with related parties which include Cathay FHC Group, Cathay United Bank, and other transactions companies under the Cathay Group. For details, please see Note 34 of the notes to our consolidated financial statements as of and for the years ended 31 December 2022 and 2023.

*The following overview of the insurance industry in Taiwan has been provided for background purposes only. The information presented in this section is derived from various government and private publications. Such information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any market study and statistical survey. None of the Issuer, the Guarantor, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them or any other party involved in the offering has independently verified such information. Accordingly, such information should not be unduly relied upon.*

## TAIWAN LIFE INSURANCE INDUSTRY

### Overview

Taiwan remains one of the largest life insurance markets in Asia. In 2022, Taiwan's life insurance market total premium amounted to U.S.$62.7 billion, ranking fifth in Asia, behind Mainland China, Japan, India and South Korea, according to Swiss Re Sigma World Insurance Report. In 2022, Taiwan's life insurance market total premium per capita was U.S.$2,656, ranking third among major Asia economies, behind Hong Kong and Singapore, according to Swiss Re Sigma World Insurance Report. Total assets of Taiwan life insurers have kept a steady growth trend over the past decade, growing from NTD 18.6 trillion in 2014 to NTD 34.9 trillion in 2023 at a CAGR of 7.2 per cent., according to the Taiwan Insurance Institute.

In 2023, the life insurance industry in Taiwan was composed of 21 registered life insurance providers, according to the Insurance Bureau of the FSC, of which 16 were domestic and five were wholly owned foreign players. Only three life insurers secured greater-than 10 per cent. market share by the total premium for the year ended 31 December 2023, according to the Insurance Bureau of the FSC, namely us being the number one ranked player (21.3 per cent. market share), followed by Fubon Life (14.8 per cent. market share) and Nan Shan Life (12.3 per cent. market share). The top five players were all domestic insurers, which together accounted for 63.4 per cent. of the Taiwan market in terms of total premium for the year ended 31 December 2023, according to the Insurance Bureau of the FSC. The remaining 11 domestic insurers accounted for 27.0 per cent. of the market in terms of total premium for the year ended 31 December 2023, according to the Insurance Bureau of the FSC. Five wholly owned foreign insurers accounted for 9.6 per cent. of total premium the market in terms of for the year ended 31 December 2023, according to the Insurance Bureau of the FSC.

The Taiwan life insurance market recorded a total annual premium income of NTD 2.2 trillion for the year ended 31 December 2023, according to the Taiwan Insurance Institute.

Taiwan's life total premium has shown a downward trend in recent years. From 2019 to 2023, the total annual premium income in Taiwan decreased from NTD 3.5 trillion to NTD 2.2 trillion according to the Taiwan Insurance Institute. Such downward trend is mainly due to: (1) the strengthening of regulations on savings-type products since 2019, including tighter controls on declaring high interest rates for savings-type products and requiring a higher protection component within insurance policies; and (2) the outbreak of COVID-19 and the measures taken by governments around the world to contain its spread, which has negatively impacted the global economy and created significant volatility in the financial markets, including Taiwan's economy.

### Industry Trends

The Taiwan life insurance industry plays a key role in fulfilling the increasing insurance demands of the Taiwan market, driven by key macroeconomic factors. These include (among others) shifting customer demographics, aggregation of disposal income from the increasing elderly population, and rising health expenditure.

Demand for retirement financial planning and accident & health insurance products continue to emerge in Taiwan due to the rapid increase in its elderly population (defined as age 65 or more). Taiwan's the elderly population has grown significantly over the past decade. In 2022, elderly population in Taiwan was 4.1 million, representing a CAGR of 4.2 per cent. from 2.5 million in 2010, according to the National Development Council.

In addition, in 2022, Taiwan's elderly population accounted for 17.6 per cent. of its total population, up from 10.7 per cent. in 2010. According to the National Development Council, the percentage of elderly population in Taiwan is expected to further increase in the next 10 years, reaching 25.6 per cent. in 2032. Overall life expectancy in Taiwan has also shown a steady increase, growing from 79.2 years in 2010 to 79.8 years in 2022. According to the National Development Council, it is expected to further increase in the next 10 years, reaching 83.1 years in 2032. Meanwhile, the aggregated disposable income of Taiwan's population aged 45 or more reached NTD 6 trillion in 2022, accounting for 65 per cent. of the total national income, according to the Executive Yuan.

We believe the trend of a rapidly aging population with increasing life expectancy has led the population to focus more on long-term retirement financial planning, driving demand for retirement-oriented long-term insurance products. We also believe the population's increased longevity presents greater opportunities for sales of accident & health insurance products.

In addition, the growing demand in Taiwan's health expenditure would allow commercial insurance to play a critical role in addressing the medical needs of individuals in the future. Taiwan had one of the most rapidly increasing health expenditures among the OECD member countries in the past five years. According to the OECD, health expenditure per capita in Taiwan increased at a CAGR of 6.8 per cent. between 2018 and 2022 whereas the average CAGR for OECD member countries' health expenditure per capita from 2018 to 2022 is 3.3 per cent. Despite the continued growth of health expenditure in Taiwan, its portion of GDP (7.5 per cent. in 2022), still remained at the lowest levels among OECD member countries, which averaged 9.2 per cent. in 2022, according to the OECD. The ratio of out-of-pocket payments to current health expenditure in Taiwan, which was 33.6 per cent. in 2022, remained significantly higher than those of OECD member countries generally, which averaged 18.9 per cent, according to the OECD.

With the continuously increasing demand in Taiwan's health expenditures, there is a growing need for commercial health insurance to compensate for the shortfall in coverage provided by the public health system.

# DIRECTORS AND SENIOR MANAGEMENT

The Guarantor is managed by the Board, which is collectively responsible for overseeing management of the Guarantor's business and affairs. The Board also formulates our overall strategy, monitors our financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of the Guarantor and each individual subsidiary.

## Board of Directors

The Board of Directors currently is comprised of a total of eleven directors, including one chairman, one vice chairman, six directors and three independent directors. The Board of Supervisors currently is comprised of a total of four supervisors, including one resident supervisor. The following table sets out certain particulars about each of the directors of the Guarantor as of the date of this Offering Circular:

| Name | Title |
|---|---|
| Mr. HSIUNG Ming-Ho 熊明河 . . . . . . . . . . . . | Chairman |
| Mr. LEE Chang-Ken 李長庚 . . . . . . . . . . . . . . | Vice Chairman |
| Mr. TSAI Tzung-Han 蔡宗翰 . . . . . . . . . . . . . | Director |
| Mr. TSAI Chung-Yan 蔡宗諺 . . . . . . . . . . . . . | Director |
| Mr. LIU Shan-Chi 劉上旗 . . . . . . . . . . . . . . . | Director |
| Mr. LIN Chao-Ting 林昭廷 . . . . . . . . . . . . . . | Director |
| Mr. WANG Yi-Tsung 王怡聰 . . . . . . . . . . . . . | Director |
| Mr. CHU John Chung-Chang 朱中強 . . . . . . . . | Director |
| Ms. WANG Li-Ling 王儷玲 . . . . . . . . . . . . . . | Independent Director |
| Mr. WU Tang-Chieh 吳當傑 . . . . . . . . . . . . . . | Independent Director |
| Ms. YU Pei-Pei 余佩佩 . . . . . . . . . . . . . . . . . | Independent Director |

**Mr. HSIUNG Ming-Ho** first became a director of the Guarantor in May 2002 and has been the chairman of the Board since June 2023. Mr. HSIUNG is also a director of Cathay FHC Group, a director of Cathay Medical Care Corporate, and a director of Culture and Charity Foundation of the Cathay United Bank. Mr. HSIUNG is also a convener of Cathay Financial Holdings Corporate Governance and Nomination Committee. Prior to becoming a director of the Guarantor, Mr. HSIUNG used to serve as the president of the Guarantor. Mr. HSIUNG holds a Master of Science degree from University of Iowa in the United States.

**Mr. LEE Chang-Ken** was first elected as a director of the Guarantor in May 2002 and has been the vice chairman of the Guarantor since June 2023. Mr. LEE is also the president of Cathay FHC Group, the vice chairman of Cathay Life Charity Foundation, a managing director of CDIB Partners Investment Holding Corp., a director of Cathay Securities Investment Trust Co., Ltd. and Joint Credit Information Center, a managing supervisor of Cathay Medical Care Corporate, a managing director of The Bankers Association of The Republic of China, and a director of the Bankers Association of Taipei. He was the president of Cathay United Bank. Mr. LEE holds a Master of Business Administration degree from University of Pennsylvania in the United States.

**Mr. TSAI Tzung-Han** has been a director of the Guarantor since May 2005 and the vice chairman of Cathay United Bank. Mr. TSAI also serves as a director of Conning Holdings Limited, a director of the Taiwan Entrepreneurs Fund Limited, a director of 7-Eleven Malaysia Holdings Berhad and a director of Srisawad Corporation Public Company Limited. Mr. TSAI is also an executive vice president of Tung Chi Capital Co, Ltd. Mr. TSAI holds a juris doctor degree from Georgetown University in the United States.

**Mr. TSAI Chung-Yan** has been a director of the Guarantor since August 2006 and the senior executive vice president of Cathay Real Estate Development Co., Ltd. Mr. TSAI is also the vice chairman of Cathay Healthcare Management Co. Ltd., a director of Cathay Real Estate Development Co., Ltd., a director of Cathay Real Estate Foundation, a director of Cymbal Medical Network Co., Ltd., a director of Xingde Co., Ltd., a director of Hsing Lin Medicine Industry Co., Ltd., and an executive vice president of Liang-Ting Co., Ltd. Mr. TSAI holds a master of arts degree from San Francisco State University, USA.

**Mr. LIU Shan-Chi** has been a director of the Guarantor since June 2017 and the president of the Guarantor since August 2017. Mr. LIU is also a supervisor of Cathay Medical Care Corporate and a managing supervisor of the Life Insurance Association of the Republic of China. Mr. LIU holds a Master of Business Administration degree from National Taiwan University, the Republic of China.

**Mr. LIN Chao-Ting** has been a director of the Guarantor since June 2013 and the managing senior executive vice president of the Guarantor since June 2017. Mr. LIN is a director of Cathay Charity Foundation and a director of the Life Insurance Association of the Republic of China. Mr. LIN holds a Master of Science degree from National Taiwan University in the ROC.

**Mr. WANG Yi-Tsung** has been a director of the Guarantor since November 2016 and a senior executive vice president of the Guarantor since July 2013. Ms. WANG also acts as the chairman of the board of Cathay Securities Investment Consulting. Mr. WANG holds a Master of Business Administration degree from Massachusetts Institute of Technology in the United States.

**Mr. CHU John Chung-Chang** has been a director of the Guarantor since December 2014. Mr. CHU is the chairman of the board of May Foog Woolen & Worsted Textile Mill. Ltd. and a director of Cathay Real Estate Development Co., Ltd. Mr. CHU holds a Master of Business Administration degree from York University in Canada.

**Ms. WANG Li-Ling** has been an independent director of the Guarantor since June 2019. Ms. WANG is the President of Pension Fund Association of the ROC. She is also a professor of Risk Management and Insurance Department, National Chengchi University, an independent director of Cathay FHC Group, a member of Cathay FHC Group's Corporate Governance and Nomination Committee/Audit Committee, the chairperson of Cathay Life Risk Management Committee, and a convener of Cathay Life Charter of Special Committee for Mergers and Acquisitions. Ms. WANG used to serve as the Chief Committee of Financial Supervisory Commission Republic of China (Taiwan), a director of First Financial Holding and an independent director of China Life Insurance Co., Ltd. Ms. WANG holds a Ph.D. degree from the Department of Risk Management, Insurance, and Actuarial Science of Temple University in the United States.

**Mr. WU Tang-Chieh** has been an independent director of the Guarantor since June 2019. Ms. WU is the Secretary-General of Taiwan Financial Services Roundtable. Ms. WU is also a consultant of Accounting Research and Development Foundation, a supervisor of Taiwan-Russia Association, a supervisor of Alumni Association of National Taipei University, a president of Alumni Association of Department of Public Finance of National Taipei University, a director of Foundation of Pacific Basin Financial Research and Development, a director of Mr. Guo-Fu Chen Foundation, an independent director of Cathay Financial Holdings, an independent director of Cathay United Bank, an independent director of Cathay Century Insurance, a managing director of Cathay United Bank, a convener of Cathay Financial Holdings Remuneration Committee, a member of Audit Committee, the chairperson of Cathay Century Risk Management Committee, a member of Cathay Life and Cathay Century Charter of Special Committee for Mergers and Acquisitions, and a convener of Cathay United Bank Audit Committee. Ms. WU was the chairman of Hua Nan Financial Holdings Co., Ltd., the chairman of Hua Nan Bank, Land Bank of Taiwan, the Political Deputy Minister at the Ministry of Finance, a managing vice chief committee of Financial Supervisory Commission Republic of China (Taiwan), and the Director-General of Securities and Futures Bureau, Financial Supervisory Commission Republic of China (Taiwan). Mr. WU holds a master's degree from the Department of Public Finance of National Chengchi University in Taiwan.

**Ms. YU Pei-Pei** has been an independent director of the Guarantor since June 2022. Ms. YU is the Chairman of Vigor Kobo Co., Ltd. Ms. YU is also an independent director of Cathay FHC Group, an independent director of Cathay Century Insurance, an independent director of Wistron Corporation, a director of Hung Ting Investment Management Consultant, a member of Cathay FHC Group's Remuneration Committee, a member of Cathay FHC Group's Audit Committee, a member of the Guarantor's Charter of Special Committee for Mergers and Acquisitions, a convener of Cathay Century Insurance, a convener of Cathay Securities Charter of Special Committee for Mergers and Acquisitions. Ms. YU holds a Master of Business Administration degree from the University of British Columbia in Canada and National Chengchi University Department of Banking in Taiwan.

**Board of Supervisors**

The Board of Supervisors currently is comprised of a total of four supervisors, including one resident supervisor. The following table sets out certain particulars about each of the supervisors of the Guarantor as of the date of this Offering Circular:

| Name | Title |
|---|---|
| Ms. TSAI Chih-Ying 蔡志英 . . . . . . . . . . . . . | Resident Supervisor |
| Mr. LIN Chih-Ming 林志明 . . . . . . . . . . . . . . | Supervisor |
| Mr. LI Yung-Chen 李永振 . . . . . . . . . . . . . . . | Supervisor |
| Mr. TSAI Han-Chang 蔡漢章 . . . . . . . . . . . . . | Supervisor |

**Ms. TSAI Chih-Ying** has been a resident supervisor of the Guarantor since June 2017. Ms. TSAI is also a director and president of Ande Development Co., Ltd. Ms. TSAI holds a Master of Business Administration degree from Pepperdine University in the United States.

**Mr. LIN Chih-Ming** has been a supervisor of the Guarantor since January 2000. Mr. LIN is a director of Cathay Medical Care Corporate, and a medical consultant of Cathay General Hospital. Mr. LIN had been a director of Cathay General Hospital. Mr. LIN holds a Doctor of Medicine degree from National Taiwan University in Taiwan.

**Mr. LI Yung-Chen** has been a supervisor of the Guarantor since May 2002. Mr. LI holds a Master of Commerce degree from National Taiwan University in Taiwan.

**Mr. TSAI Han-Chang** has been a supervisor of the Guarantor since May 2008. Mr. TSAI holds a Master of Science in applied mathematics degree from National Chung Hsing University in Taiwan.

**Senior Management**

The following table sets out certain particulars about each of the senior management officer of the Guarantor as of the date of this Offering Circular:

| Name | Title |
|---|---|
| Mr. HSIUNG Ming-Ho 熊明河 . . . . . . . . . . . . | Chairman |
| Mr. LEE Chang-Ken 李長庚. . . . . . . . . . . . . . | Vice Chairman |
| Mr. LIU Shan-Chi 劉上旗 . . . . . . . . . . . . . . . | President |
| Mr. LIN Chao-Ting 林昭廷 . . . . . . . . . . . . . . | Managing Senior Executive VP |
| Mr. WANG Yi-Tsung 王怡聰 . . . . . . . . . . . . . | Senior Executive VP |
| Mr. WU Chun-Hung 吳俊宏 . . . . . . . . . . . . . . | Senior Executive VP |
| Ms. WU Shu-Ying 吳淑盈 . . . . . . . . . . . . . . . | Senior Executive VP |
| Mr. SUN Chih-Te 孫至德. . . . . . . . . . . . . . . . | Senior Executive VP |
| Ms. CHEN Wen-Chi 陳玟琪 . . . . . . . . . . . . . . | Chief Risk Officer |

**Mr. HSIUNG Ming-Ho**, see "*Directors and Senior Management – Board of Directors*".

**Mr. LEE Chang-Ken**, see "*Directors and Senior Management – Board of Directors*".

**Mr. LIU Shan-Chi**, see "*Directors and Senior Management – Board of Directors*".

**Mr. LIN Chao-Ting**, see "*Directors and Senior Management – Board of Directors*".

**Mr. WANG Yi-Tsung**, see "*Directors and Senior Management – Board of Directors*".

**Mr. WU Chun-Hung** has been a senior executive vice president of the Guarantor since December 2017. Mr. WU is responsible for product, actuarial and overseas development departments of the Guarantor. Mr. WU also serves as a director of Cathay Securities Investment Consulting Co., Ltd., Cathay Lujiazui and Cathay Life (Vietnam), and a supervisor of Cathay Century (China). Mr. WU holds a Master of Science in statistics degree from the National Tsinghua University in Taiwan.

**Ms. WU Shu-Ying** has been a senior executive vice president of the Guarantor since January 2024. Ms. WU is responsible for financial planning, alternative investment and finance departments of the Guarantor. Ms. WU also serves as an executive vice president of Cathay FHC Group. Ms. WU holds a Master of Business Administration degree from the University of Michigan in the United States.

**Mr. SUN Chih-Te** has been a senior executive vice president of the Guarantor since March 2020. Mr. SUN is responsible for digital development department of the Guarantor. Mr. SUN also serves as a divisional manager of Cathay FHC Group, a director of Cathay United Bank (Cambodia) Corporation Limited, Conning Holdings Limited and Quantifeed Holdings Limited and the Chairman of Symphox Information Co., Ltd. Mr. SUN holds Master of Business Administration and Master of Architecture degrees from Harvard University in the United States.

**Ms. CHEN Wen-Chi** has been the chief risk officer of the Guarantor since June 2020. Ms. Chen holds a Master of Business Administration degree from the National Taiwan University in Taiwan.

## USE OF PROCEEDS

The gross proceeds from the offering of the Bonds before deducting underwriting commissions to be charged by the Managers and other expenses incurred or to be incurred in connection with the offering of the Bonds will be U.S.$598,302,000. The net proceeds of the Bonds will be used to supplement and strengthen the Guarantor's financial structure and capital base and to improve the capital adequacy ratio of the Guarantor.

# REGULATION AND SUPERVISION OF THE TAIWAN LIFE INSURANCE INDUSTRY

## REGULATORY AUTHORITY

In the past, Taiwan has adopted multiple supervisory systems for insurance, securities, and banking, which were conducted by the three different departments of the Ministry of Finance – the Bureau of Monetary Affairs, the Department of Insurance, and the Securities and Futures Commission. Moreover, the supervision and on-site examination of banks were also conducted by overlapping authorities, including three different agencies – the Central Bank of the Republic of China (Taiwan), the Ministry of Finance and the Central Deposit Insurance Corporation.

In order to promote integrated financial supervision, the FSC was established on 1 July 2004 as a single financial regulator to take the responsibility for financial supervision and to consolidate the functions of monitoring and rule-setting for the banking, securities, and insurance industries, and also to carry out cross-sector financial examinations. Previously, the FSC was an independent authority under the Executive Yuan, but FSC has become a subordinate agency under the direction of the Executive Yuan since 1 July 2012. The Chairperson of FSC is vested with the executive power.

The Chairperson and the Vice Chairpersons of the FSC are appointed by the premier of Executive Yuan. Other than the heads of the MOF, MOEA and Ministry of Justice, who become commissioners upon acceptance of their respective offices, the Chairperson and Vice Chairpersons and all the other commissioners are required to have expertise and experience in different areas of the financial industry.

The FSC is expected to carry out vigorous law enforcement and comprehensive financial examination with its quasi-judicial investigative power bestowed by Article 5 of the Organic Act of the Financial Supervisory Commission of the ROC, which means that the commission can raid listed companies and financial institutions and seize accounting records or related evidence. The Financial Examination Bureau is one of the four bureaus under the FSC (namely the Insurance Bureau, the Banking Bureau, the Securities and Futures Bureau and the Financial Examination Bureau), and is entrusted with the responsibilities of such functions.

The Financial Examination Bureau is granted power to: (1) require a financial institution, a related party thereof, or a public company to present relevant materials; (2) notify an examinee to appear at a designated office to answer questions; or (3) apply for issuing a search warrant, and then enter and search the suspected places accompanied by judicial police authorities, provided that appropriate procedures are followed.

## REGULATORY ENVIRONMENT FOR INSURANCE BUSINESS

The insurance industry is a heavily regulated industry in Taiwan. The Insurance Bureau under the FSC is the official organisation that regulates the insurance industry in Taiwan. The insurance business is mainly regulated by the Insurance Act and the Regulations for Establishment and Administration of Insurance Enterprises of the ROC.

The Insurance Bureau of the FSC and the FSC are the regulatory authorities over the insurance, reinsurance, insurance brokerage and insurance agencies in Taiwan. The applicable laws and regulations include the Insurance Act, the Regulations for Establishment and Administration of Insurance Enterprises, the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents, the Regulations Governing the Supervision of Insurance Solicitors, the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises, the Regulations Governing Pre-sale Procedures for Insurance Products and the relevant rulings promulgated by the FSC from time to time.

### Authorization and License

According to the Insurance Act, a domestic insurance company must obtain the FSC's approval prior to commencing business. To obtain the approval of the FSC, an insurance company must meet the following requirements:

- ***Organisation Type*****:** An insurance company must be organised as a company limited by shares or as a cooperative (Article 136 of the Insurance Act). If an insurance company is organised as a company limited by shares, it shall be a public company in order to achieve a proper level of good-governance of such insurance company unless other laws prescribed otherwise or permitted by the FSC. An insurance company which is not a public company has to establish an audit committee and elect independent directors to secure a proper level of good-governance.

- ***Minimum Capital Requirement*****:** The minimum paid-in capital for the application to establish an insurance company is NT$2,000,000,000. The capital contribution of the promoters and shareholders is limited to cash (Article 2 of the Regulations Governing the Establishment and Administration of Insurance Enterprises). When the promoters apply for permission to establish an insurance company, at least 20 per cent. of the minimum paid-in capital must be collected and deposited in specific account in accordance with Article 7 of the Regulations Governing the Establishment and Administration of Insurance Enterprises.

- ***Capital Adequacy Requirement*****:** An insurance company's ratio of total adjusted net capital to risk-based capital shall not be lower than 200 per cent. and the net worth ratio of the latest two periods should be at least three percent in one period (Article 143-4 of the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Enterprises). Where necessary, the FSC may adjust the ratio according to international standards.

- ***Deposit of Bond*****:** An insurance company shall post bond at the national treasury in an amount equal to 15 per cent. of the total amount of its paid-in capital or paid-in fund (Article 141 of the Insurance Act). The bond shall be posted in cash, and upon approval of the FSC, government bonds or notes may be posted instead. In principle, the posted bond can only be returned when such insurance company ceases or suspends its operation.

- ***Deposit of Reserve Funds*****:** At the end of each fiscal year, an insurance company shall calculate the amount it should allocate to the various reserve funds for each type of insurance, and shall record such reserve amounts in special account books (Article 145 of the Insurance Act). The reserve ratios for the various reserve funds are prescribed in the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises (Article 145 of the Insurance Act).

- ***Stabilization Funds*****:** Enterprises engaged in non-life insurance and life insurance shall make contributions to set up separate stabilization funds. The stabilization funds shall be foundations, and their governing regulations shall be prescribed by the FSC (Article 143-1 of the Insurance Act).

### Responsible Persons of an Insurance Enterprise

The necessary qualifications of the responsible persons of an insurance company are prescribed by the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises. In general, if a person has no or limited legal capacity, has committed certain crimes relating to financial matters or other criminal offenses, is proven to have been involved with dishonest or improper activities, is an undischarged bankrupt or currently serves as a responsible person of the companies in the financial sector, such person is prohibited from becoming a responsible person (including directors) in an insurance company.

### Approval of Large Shareholders

Although there is no foreign ownership limitation for insurance companies in the ROC, any person acquires more than 5 per cent. share in an insurance company must notify the Insurance Bureau of the FSC within ten days after such acquisition. In addition, a person seeking to become a major shareholder (either 10 per cent., 25 per cent. or 50 per cent.) of an insurance company through acquisition of the company's shares must meet certain criteria as set forth in the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of an Insurance Enterprise, and obtain prior approval from the FSC.

If a major shareholder fails to meet any of the requirements set forth in the relevant laws, such major shareholder should notify the FSC and the FSC may request such major shareholder to take any necessary measures (including a compulsory disposal of its shares in the insurance company) or revoke the previously granted prior approval for the acquisition of shares in the insurance company.

## THE FINANCIAL CONSUMER PROTECTION ACT

As financial services enterprises, activities by insurance companies are subject to the Financial Consumer Protection Act of the ROC, which became effective in June 2011. Among other consumer protection measures, Article 7 of the Financial Consumer Protection Act provides that where a clause in a standard form agreement violates the bona fide principle, it is clearly unfair for the consumer and therefore, the clause is void. Besides, if there is a disagreement over the meaning of any contractual provision, the provision shall be interpreted in favour of the financial consumer. The Financial Consumer Protection Act also requires a financial services enterprise, including insurance enterprises, to exercise the due care of a good administrator in providing financial products or services. Besides, according to Article 7 of the Financial Consumer Protection Act, when an insurance enterprise enters into a contract with a financial consumer for the provision of financial products or services, it shall act in conformance with the principles of fairness, reasonableness, equality, reciprocity, and good faith.

### Specific limitations under the Insurance Act

According to Article 54-1 of the Insurance Act, in case any of the following was included in an insurance contract, and the including of which was obviously unfair when the contract was signed, that portion of the agreement is void:

- the liabilities of the insurer required by the Insurance Act are exempted or reduced;
- the policyholder, beneficiary or insured is made to waive or restricted from asserting its rights under the Insurance Act;
- the policyholder or insured's liabilities are increased; and
- other material disadvantages imposed upon the policyholder, beneficiary or insured.

Article 54 of the Insurance Act also provides that the mandatory provisions of the Insurance Act shall not be modified by contract; provided, however, that this rule shall not apply to modification which is favourable to the insured. The interpretation of an insurance contract shall be made on the basis of seeking the true intent of the parties, and shall not be restricted by the terminology as used. If there is any doubt, in principle the interpretation shall be such as to favour the insured.

### Right to Withdraw Subscriptions and Right to Terminate Contracts

In Taiwan, consumers will have the right to withdraw his/her subscriptions for insurance policy during a statutory ten-day cooling-off period from the next day when the customers receive the insurance policy, allowing them to receive a refund. Upon cancellation, the insurer shall return any premiums already paid with no interest.

A policyholder can terminate the life policy at any time. An insurer can terminate the life policy if: (i) due to the actions or behaviour of the policyholder or the insured, the risks covered by the insurance policy increases to the extent that the insurance agreement may be terminated or the premium shall be raised but the policyholder does not agree the raise of premium; (ii) the premium is not paid within the certain period; and (iii) other terms provided in the insurance contract expressly provided under the insurance policy.

**Punitive Penalty Surcharges**

In case of a violation of the principles regarding the duty to explain, prohibition of unfair sales practices, and prohibition of improper solicitation and advertisements by a financial service provider, when the violation is deemed severe, the FSC may increase the penalty to the extent appropriate within the scope of the benefit gained by such financial service provider, regardless of the limitation of the maximum penalty set by the relevant provisions under the Financial Consumer Protection Act.

## SALES

**Scope of Business of Life Insurance Companies**

According to the Insurance Act, the insurance under the said law can be classified into "property insurance" and "personal insurance". It further provides that the personal insurance includes life insurance, health insurance, personal accident insurance and annuity insurance. Under the Insurance Act, a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance) and therefore, in Taiwan, a life insurance company can only operate life insurance, health insurance, personal accident insurance and annuity insurance. Nonetheless, a life insurance company and a property insurance company can be subject to common control by a financial holding company under the ROC law.

**Overlap of Products with General Insurance Companies**

Although a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance), a property insurance companies may engage in health insurance and personal accident insurance if prior approval from the Insurance Bureau of the FSC is obtained.

**General Terms of Insurance Policy**

Generally, all rate formulas, terms of policies, and design for each kind of insurance product shall be subject to the Insurance Bureau's product review, which is either conducted under the prior-approval procedure or use-and-file procedure, as the case may be. For the insurance policies requiring prior approval, the insurer can only issue and sell such insurance products to the public after obtaining approval. However, for the sale of certain insurance products that are under the use-and-file procedure, the prior approval of the FSC is not required, but notification to the FSC must be made within 15 days after the issuance of the policies. Use-and-file procedure is generally required for any amendment to terms of policies, insurance application or proposal forms, pricing actuarial memorandum, and premium rates of policies that have previously been approved by or filed with the Insurance Bureau. However, if the Insurance Bureau deems the change material or such change increases the renewal premium rates of guaranteed renewable personal health insurance products, this will require the Bureau's prior approval. In addition, the FSC may issue regulations regarding product pricing and premium calculation formulas as well. Prior to entering into a life insurance contract, an insurer must provide the information required by the relevant applicable regulations. A person must fill out an insurance application or proposal form and submit such application to the insurer, which has the discretion to agree whether to underwrite the policy or not.

**Insurance Solicitation**

Article 136 of the Insurance Act makes it clear only an "insurance enterprise", which is required to be registered and licensed, can engage in any insurance or insurance related activities. Article 163 of the Insurance Act sets out the general prohibition on unlicensed operation of an "insurance broker" or "insurance agent" and Article 167-1 of the Insurance Act imposes a criminal liability on the agency, brokerage or solicitation for unlicensed insurers.

The term "insurance broker" means "a person who, on the basis of the interests of the insured and on his behalf, contacts an insurer for conclusion of an insurance contract and collects commission from the insurer that undertakes the insurance" (Article 9 of the Insurance Act). The term "insurance agent" means "a person who, on basis of an agency agreement or a letter of authorization, collects remuneration from the insurer and acts as an agent in managing business operations" (Article 8 of the Insurance Act). In addition to "insurance enterprise", "insurance broker" and "insurance agent", the statute further extends its coverage to "insurance solicitor", which refers to "a person who solicits insurance business for insurance enterprises, insurance broker companies, or insurance agent companies". All brokers, agents and solicitor are required to pass a qualifying examination and be registered with the competent authority. A solicitor shall pass a qualifying examination and be registered with a principal which may be an insurance enterprise, agent, or broker.

Unless otherwise permitted by law, if a person or entity is seen as providing agency, brokerage services or soliciting insurance business on behalf of an unlicensed "insurance enterprise" (which may include a foreign insurance company) in Taiwan, that person or entity will be in violation of the Insurance Act. The consequence of such violation is a prison term of not more than three years, and in addition thereto, a fine ranging from NT$3,000,000 to NT$20,000,000.

**Marketing**

Insurance companies and distributors may use the following methods to market insurance products: local premises, internet, television advertisements, telephone and visit to potential clients, and any other methods approved by the FSC. There are several requirements applicable to the advertising of insurance products, as stipulated in the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents, the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business and several others. Please note that the marketing and selling activities of insurance products are also subject to the requirements set forth in the Fair Trade Act, Consumer Protection Law and Financial Consumer Protection Act of the ROC.

The content of publicity and advertising used in insurance solicitation by insurance solicitors of an agent company or a broker company shall have been approved by the employing company; the employing company shall furthermore duly bear liability (Article 38 of the Regulations Governing Insurance Brokers and Article 36 of the Regulations Governing Insurance Agents). The documents, graphic illustrations, advertising, or promotional materials used by a solicitor in soliciting insurance shall indicate the name of the employing company, and, where the employing company is an agent company or broker company, the name of the insurance enterprise acting as its provider (Article 16 of the Regulations Governing the Supervision of Insurance Solicitors).

The content of the documents, graphic illustrations, advertising, or promotional materials shall comply with the policy provisions, premium rates, insurance application or proposal form, and any other such documents as reviewed and approved by the FSC following submission by the insurance enterprise and shall be used upon approval by the employing company. The content shall also comply with requirements prescribed by the FSC in relation to information disclosure.

Apart from the above, an insurance company shall comply with the following requirements stipulated in Article 4 of the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business ("保險業招攬廣告自律規範"):

- shall disclose the name, address and telephone number of the insurance company;

- ensure the correctness of the advertisement;

- the materials shall be made in the name of the insurance company and the content shall be approved by the company;

- the content shall be in plain Chinese and indicate the original languages if necessary;

- if the disclosure of insurance products or services is in relation to the insurance rate, fee, reward and risk, the disclosure shall be expressed in an equal and remarkable way;

- a life insurance company shall disclose relevant information according to the Rules Governing the Disclosure of Information for the Participating and Nonparticipating Life Insurance Policies;

- for a participating insurance policy, the participation rate may not be used to solicit clients. An insurance company may not compare the amount of participation with the returns of the same businesses, bank deposits or other financial products in the advertising activities;

- the content of the advertisement shall not contain the following:

  – inducing the insured to early terminate the contract or redeem the contract;

  – misleading the consumers that the government has provided a guarantee by approving the insurance products;

  – producing advertising or other promotional activities for an insurance product not approved for offering by the FSC;

  – advertising by means of exaggerating past performance or negative advertising with respect to others in the industry;

  – engaging in false, fraudulent, or other misleading acts;

  – any remarks or limitation provisions in inconspicuous font; or

  – engaging in any other conduct prohibited by the FSC; and

- the proper disclosure of the capital adequacy of the insurance company, which should ensure the correctness of the content, prohibit improper comparison and competition, or misleading the consumers that the government has provided a guarantee for such insurance company or its related business, and comply with other requirements as stipulated by relevant laws, rulings and regulations.

Also, any solicitation or marketing of specific insurance products by the solicitors online (including disclosing the name and feature of the insurance product, or any information that is sufficient to identify a specific insurance product) is not permitted unless the advertisement used is approved by the insurance company in advance, these Rules also require the insurance enterprises to establish a supervisory mechanism for online solicitation.

**Bancassurance**

Life insurance companies may use the bancassurance channel to distribute their insurance products. For joint promotion activities by and between banks, securities firms, insurance companies, insurance agents/ brokers, the related insurance industry associations promulgated (i) a tripartite model agreement, the Template Agreement for Banks, Securities Firms, Insurance Companies, Insurance Agents and Insurance

Brokers Conducting Joint Promotion of other Business; and (ii) a bilateral agreement between an insurance company and a bank which has obtained an approval from the FSC to concurrently engage in either the insurance agency or brokerage business. Such model agreements have been reviewed and recognized by the FSC. Though not mandatory, such agreement is usually adopted when the parties conduct bancassurance business in Taiwan.

Either a bank or an insurance company must comply with the requirements and apply to the FSC for approval before conducting bancassurance business. There is a regulatory requirement that when a bank or an insurance company first enter into bancassurance arrangements, it shall get approval from the FSC. After the first approval being acquired, a bank can deal with any other insurance companies or an insurance company can deal with any other banks without further approval unless the FSC suspends their bancassurance business (due to their violation of laws or regulations).

## ACCOUNTING AND RISK MANAGEMENT

### Calculation

An insurance company is required to close its annual financials as of December 31 of each year and shall (i) compile a report detailing its operational status and the use of its funds, attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items audited by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and (iv) thereafter submit the above items to the FSC within fifteen days for recordation. In addition to the financial and business reports that an insurance company must submit to the FSC, the FSC may, if considered necessary, require either that an insurance company report, within a specified time limit and observing all format and content requirements, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance company furnish account books, statements, vouchers, or other related financial and operational documents. Standards governing preparation of the financial reports referred for an insurance company are set forth under "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises."

### Solvency Requirements

In order to secure an insurance company's ability to pay insurance claims and assure the soundness of its management, an insurance company is required to certain RBC requirement, a regulatory capital measure to ensure the insurer can satisfy its financial obligations to the policyholders.

The Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies of the ROC, newly amended on 4 August 2023, classify insurance companies by RBC ratio into the following four tiers and pursuant to Article 143-6 of the Insurance Act, the FSC is required to adopt different supervisory measures for insurance companies in each tier:

- capital adequate (RBC ratio above 200 per cent. and the net worth ratio of an insurance company is more than 3 per cent. in one of the most recent two periods);

- capital inadequate (RBC ratio above 150 per cent. but under 200 per cent. or the net worth ratio of an insurance company is less than 3 per cent. in both of the most recent two periods and more than 2 per cent. in at least one period);

- capital obviously inadequate (RBC ratio above 50 per cent. but under 150 per cent. or the net worth ratio for both the most recent two periods of an insurance company is less than 2 per cent. and more than zero); and

- capital seriously inadequate (RBC ratio under 50 per cent. or the net worth of the insurance company is less than zero).

For an insurance company classified as "capital seriously inadequate" and where such insurance company or its responsible person fails to complete the capital injection plan or the corrective action plan for finance or business within the specific period required by the FSC, the FSC will, within 90 days following the expiration of the above specific period, assume conservatorship or receivership over such and insurance company, order the insurance company to suspend and wind up business, or liquidate it. For the FSC to effectively monitor the insurance industry's capital adequacy, each insurer must file the RBC ratio report periodically (annual and semi-annual) with the FSC.

For increased alignment with international regulatory supervision standards, the Insurance Bureau of the FSC has announced a plan to adopt a new solvency regime (i.e., the TW-ICS) in 2026, which will be based upon the ICS. The introduction of TW-ICS aims to have the local insurer's financial statements reflect the assets/liabilities at fair value and more aligned with the international measurements of the insurance companies' financial conditions.

Key differences between the traditional RBC ratio requirements and the TW-ICS regime are as follows:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at mark-to-market value;

- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and

- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 limited capital, Tier 1 unlimited capital and Tier 2 capital based on quality considerations.

To smoothly promote the TW-ICS regime and take a gradual approach toward aligning with international practices, the FSC is planning to adopt the new regime in three phases:

- phase 1 (on-site field testing phase), 2020 – 2021: Insurance companies are required to conduct the on-site field testing and research projects for the implementation of the TW-ICS regime. During this period, drafting of the localized supervisory rules for the implementation of the TW-ICS regime would be carried out by the FSC and other regulatory bodies;

- phase 2 (parallel run phase), 2022 – 2024: Insurance companies are required to submit information calculated based on the draft rules implementing the TW-ICS regime in addition to the traditional RBC ratio. During this period, drafting of transitional measures and localized supervisory rules and a full review of the required amendments to the existing laws and regulations for the implementation of the TW-ICS regime would be conducted by the FSC and other regulatory bodies;

- phase 3 (preparatory phase), 2025: During this period, insurance companies are required to review all related process to implement the TW-ICS regime; and

- implementation timetable: Implementation of the TW-ICS regime is scheduled to take place in 2026, to coincide with the adoption of IFRS 17.

## ASSET MANAGEMENT

### Restrictions on Asset Management

An insurance company's fund is equivalent to the sum of its shareholders' equity plus all required reserves ("**Insurance Funds**"). According to the Insurance Act, an insurance company can use its Insurance Funds only for (i) savings deposits; (ii) investment of securities; (iii) purchase of real estate; (iv) lending; (v) engaging, with the approval of the Insurance Bureau of the FSC, in special projects, public investments (e.g., infrastructure and utilities) and social welfare enterprises; (vi) foreign investments; (vii) investments in insurance-related businesses (businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognized by the Insurance Bureau of the FSC); (viii) trading in derivative products as approved by the Insurance Bureau; and (ix) others as approved by the Insurance Bureau.

**Domestic Securities Permitted to Be Invested by an Insurance Company**

According to Article 146-1 of the Insurance Act, investment to the domestic securities made by an insurance company is only limited to following type of securities. In addition, the FSC has set a ceiling of aggregate amount of securities investment made by the insurance company for each type of the domestic securities:

- government bonds and treasury notes;

- financial debentures issued by the banks, transferable CD, bills of exchange accepted by the banks, and commercial paper guaranteed by financial institutions; and

- shares issued through public offering.

Please note that even if insurance companies are permitted to acquire shares issued through public offering, the exercise of their shareholder rights is limited. As shareholders, insurance companies are not allowed to be elected nor to appoint a representative as director or supervisor of such issuing company, to vote for directors or supervisors of such issuing company, to appoint any personnel to the management of such issuing company, to act as trustee of the invested securitization-related products or to enter into any agreement with any other person for the purpose of engaging in the business operations of such issuing company:

- corporate bonds issued through public offering 1) secured by collateral or 2) with the issuer's credit rating at least twBBB- by Taiwan Ratings Corp. or an equivalent rating from S&P, Fitch and Moody's;

- beneficiary certificate of the security investment funds or other mutual funds permitted to be issued though public offering;

- securitization-related products; and

- other securities issued through private placement if the investment subject meets certain financial or other qualifications as set forth in the Measures for the Administration of Investment in Unlisted, Unlisted and Privately Placed Securities in the Insurance Industry (保險業投資未上市未上櫃及私募有價證券管理辦法).

Except for the investment in insurance-related industry or other industry allowed by the FSC or other competent authorities, an insurance company is prohibited from (i) investing more than 5 per cent. of its funds in equity shares of one single company and (ii) holding more than 10 per cent. of paid-in capital of one single company.

**Offshore Investment by Insurer**

Foreign investment by an insurer is limited to the following types and is subject to certain maximum restriction as specified under the FSC Regulations Governing Insurance Company's Foreign Investment:

- foreign currency deposits,

- offshore securities, which include, among others, (i) government bonds, treasury bills, and savings bonds issued by foreign governments, (ii) financial bonds, negotiable certificates of deposit, or floating rate notes issued or guaranteed by foreign banks, (iii) corporate bonds and financial debentures denominated in foreign currencies issued by domestic companies or banks, (iv) commercial papers denominated in foreign currencies, (v) stocks or corporate bonds traded on foreign centralized security markets or over-the-counter markets, (vi) beneficiary certificates of foreign securities investment trust funds, (vii) securitization products, and (viii) bonds issued by international organizations;

- loan denominated in foreign currency;

- derivatives;

- offshore real estate;

- establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, oversea special purpose vehicle for the purpose of issuing bonds with capital characteristics for specific use of proceed ("**Offshore Fundraising SPV**") or other insurance-related enterprise approved by the FSC;

- investment project approved by the Executive Yuen of the ROC; and

- other foreign investment approved by the FSC.

When undertaking foreign investment, only insurance company approved by the Insurance Bureau of the FSC may engage in derivatives trading for the purpose of risk hedging, enhancing the investment efficiency, and for structured products transactions; relevant measures for self-regulation in derivatives trading may be adopted by related industry associations and implemented after reporting to and ratification by the Insurance Bureau of the FSC.

In principle, the ceiling amount of foreign investment is 45 per cent. of such insurance enterprise's paid-in capital. The FSC also promulgates specific limitations and ceiling amounts applicable to each type of foreign investment under the FSC Regulations Governing Insurance Company's Foreign Investment and other regulations. Additional investment limitations apply to investment denominated in RMB.

Other major investment limits on the foreign investment include:

- The total outstanding balance of loans denominated in foreign currency together with the total outstanding balance of other permissible types of loan, including (i) loans guaranteed by a bank, or by a credit guarantee institution recognized by the FSC, (ii) loans secured by personal property or real property, and (iii) loans secured by certain qualified securities, e.g., government bonds and treasury bills, under the Insurance Act shall not exceed 35 per cent. of the Insurance Funds.

- The amount an insurance enterprise invests in the corporate bonds and stocks issued by the same corporation pursuant to the FSC Regulations Governing Insurance Company's Foreign Investment shall not exceed 5 per cent. of its Insurance Funds and 10 per cent. of the shareholders' equity of such issuer.

- The amount an insurance enterprise invests in bonds issued or guaranteed by each foreign governmental agencies shall not exceed 5 per cent. of its Insurance Funds.

- An insurance enterprise may not invest in offshore real estate, including real estate located in the People's Republic of China, unless (i) such insurance enterprise's RBC ratio satisfies the statutory standards, (ii) there are no major sanctions and penalties for violations of the Insurance Act in relation to the use of its Insurance Funds in the most recent two years and there are no major violations of the internal control procedures governing various applications of funds in the most recent two years, or rectification of those violations has been carried out and affirmed by the competent authority, and (iii) a risk management committee has been established or a chief risk officer has been appointed to govern the overall risk management of such insurance enterprise.

- In addition, the amount an insurance enterprise invests in offshore real estate shall not exceed 1 per cent. of its Insurance Funds and 10 per cent. of its shareholders' equity. Notwithstanding the foregoing, in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.25 times the statutory standards, such ceiling amount shall be 2.5 per cent. of its Insurance Funds and 40 per cent. of its shareholders' equity, and in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.5 times the statutory standards, such ceiling amount shall be 3 per cent. of its Insurance Funds and 40 per cent. of its shareholders' equity.

A prior approval from the Insurance Bureau of the FSC must be obtained for the establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, or other insurance-related enterprise approved by the FSC (collectively "**Offshore Insurance Related Companies**") by an insurance enterprise. When reviewing the application for such foreign investment, the applicant insurance enterprise must demonstrate that, among others, it has complied with the all relevant requirements for making the mandatory reserves in the preceding year, it has met the relevant RBC requirements, its board as well as the board of its financial holding parent company, if applicable, have approved such foreign investment, it has established internal control procedures related to investment in Offshore Insurance Related Companies, and it has established a risk management committee or appointed a chief risk officer to govern the overall risk management of such insurance enterprise. After the completion of such foreign investment of Offshore Insurance Related Companies, the insurance enterprise is subject to various post-investment monitoring and reporting obligations. For example, the insurance enterprise must make filings with the FSC within seven days following the occurrence of certain events, including the change of business scope or the major operational policy of the invested Offshore Insurance Related Companies, making of an important financial or business decision that requires an extraordinary resolution of the board of the invested Offshore Insurance Related Companies, dissolution or cessation of business of the invested Offshore Insurance Related Companies, merger or sale of substantial or all of its assets, etc. In addition, the insurance enterprise shall, at least once in a quarter, have its board of directors be reported and to discuss all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of such invested Offshore Insurance Related Companies. If such invested Offshore Insurance Related Companies is a subsidiary of the investing insurance enterprise, the above matters may be discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

Similar to the requirements applicable to the investment in the Offshore Insurance Related Companies, a prior approval from the Insurance Bureau of the FSC is also required for the establishment of an Offshore Fundraising SPV. Because the Offshore Fundraising SPV is supposed to serve only as an offshore vehicle of the insurance enterprise issuing bonds with capital characteristics for fundraising purpose, the Offshore Fundraising SPV must be structured as a wholly owned subsidiary of the insurance enterprise. In addition, except for borrowing operational funds and subject to various procedural and reporting requirements, it is not allowed for an Offshore Fundraising SPV to borrow money funds from, act as guarantor, or provide its assets as collateral for the debt of a third-person. After the Offshore Fundraising SPV completes each offering of bonds with capital characteristics for specific use of proceed, basic information, including the issuer, issuance date, maturity date, term, issuance amount, coupon rate, redemption right, etc., related to the insurance must be disclosed to the public pursuant to the form prescribed by the FSC. Similar to the requirements applicable to the investment for the Offshore Insurance Related Companies, all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of the Offshore

Fundraising SPV shall be reported and discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

**Establishment and Operation of Separate Accounts**

Insurance companies must establish and operate separate accounts on the balance sheet and income statements relating to investment-linked insurance business or labour pension annuity insurance business to record the value of the assets in which it invests.

**Prohibition on Provision of Guarantees or Borrowing**

Under the Insurance Act, insurance companies are generally prohibited from borrowing money, pledging its assets as a security or a guarantee for repayment of a third party's debt obligations, unless a prior approval from the FSC is obtained for the borrowing for any of the following purposes:

- the borrowing is to meet cash flow needs arising from payment of major benefits, a large amount of policy surrenders, or a large amount of policy loans;

- the borrowing is needed for a merger or for assumption of the in-force contracts of a troubled insurer; or

- the borrowing is done by issuing bonds with capital characteristics, for the purpose of strengthening the insurance company's financial structure.

## INTERNAL CONTROL

**Overview**

An insurance company must be organised as a company limited by shares or as a cooperative (Article 136 of the Insurance Act). If an insurance company is organised as a company limited by shares, it shall be a public company in order to achieve a proper level of good-governance of such insurance company unless other laws prescribed otherwise or permitted by the FSC. An insurance company which is not a public company has to establish an audit committee and elect independent directors to secure a proper level of good-governance.

Based on a FSC's ruling under Securities and Exchange Act of the ROC, an insurance company (also a public company) must have at least two independent directors and the seats of independent directors should not less than one-fifth of the total board seats.

To fulfil the oversight responsibility of independent directors, FSC promulgates various regulations. According to these regulations, the board should consider the opinion of the independent directors and record in the minutes any vote for or against the proposals as well as the reasons while dealing the following issues:

- deliberating on the systems of internal controls, the proposals of acquisition or the disposal of significant assets; and

- conducting derivatives transactions, provision of loans to another, and provision of endorsement or guarantee to another.

**Internal Control Mechanism**

For the purposes of compliance with applicable laws and regulations, sound management of its assets and protection of its policyholders, an insurance company is required to establish internal control procedures and standards in accordance with which its officers and employees are required to perform their duties.

Under the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, an insurer shall, based on its business nature and scale, establish internal control system covering the following aspects and review and revise such internal control procedures in a timely manner:

- insurance product development and management;
- product sales;
- claims;
- fund utilization;
- solvency assessment;
- processing derivatives transactions;
- reinsurance;
- matters relating to accounting, general affairs, resources, personnel management and other businesses;
- management of financial examination reports;
- management of financial consumers protection;
- management of the application of international financial reporting standards;
- mechanism for handling major incidents;
- mechanism for anti-money laundering and combating the financing of terrorism (AML/CFT) and management of compliance with relevant laws and regulations, including mechanism for identifying, assessing, and monitoring AML/CFT risks;
- sustainable information management; and
- other matters as designated by the FSC.

**Whistleblowing**

In Taiwan, every insurer shall set up a whistleblower system, and designate a unit at the head office with independent functions to accept and investigate the whistleblower cases. The whistleblowing mechanism must, at least, include the following aspects and be approved by the board of directors of the insurer:

- the whistleblowing mechanism must make clear that anyone may file a report when discovering any crime, corruption, or potential violations;
- the scope of whistleblowing (i.e., types of cases that will be accepted);

- the establishment and announcement of the whistleblowing channels;
- the process of investigation, rules of recusal and the standard operating procedure of subsequent disposition mechanism;
- whistleblower protection measures;
- acceptance of whistleblowing, investigation process, investigation results, records and retention of relevant documentation; and
- the whistleblower shall be given appropriate notice in writing or by other means concerning the progress of the whistleblowing.

Moreover, an insurer must keep the whistleblower's identity confidential and shall not terminate, dismiss, downgrade/relocate such whistleblower, give a reduction in pay, impair their entitlement as stipulated under the law, contract, or customs, or impose any unfavourable disposition because of the whistleblowing.

To ensure the whistleblowing system functions effectively, if the alleged perpetrator is a director (council member), supervisor (member of the board of supervisor), or a managerial officer in a position equivalent to a vice general manager or higher, the investigation report shall be reviewed by the supervisors (board of supervisors) or the audit committee of the insurer. The insurer shall report to or inform relevant governmental authorities of any major incidents or violations of laws discovered during the investigation.

**Conflict of interest**

To control the risks arising from related party transactions by the insurer, which could present a conflict of interest and may not be consistent with the best interests of the company, shareholders, and policyholders, the FSC enacted the regulations governing the lending activities of the insurers (Regulations for Extending Loans by Insurance Enterprises to Interested Parties) and other transactions entered into by insurers (Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties).

Under the Regulations for Extending Loans by Insurance Enterprises to Interested Parties, the lending activities of an insurer to a related party will be subject to the following requirements:

- Such loan must be fully secured
- The terms and conditions of the loan (e.g., interest rates, security, guarantor, borrowing period, repayment method) should not be more favourable than those extended to other borrowers of the same category, which refers to the person/entity to whom the loans are extended by the same insurer, for the same purpose, and under the same accounting item in the last year.
- If the loans extended to the same borrower which is a related party, respectively or aggregately, reaches NT$100 million or accounts for 1 per cent. of the proprietary equity of the insurer, such related party loan would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors.
- The ceiling of respective related party loan:
  - the total amount of the secured loans extended to a single related party who is a natural person shall not exceed 2 per cent. of the proprietary equity of such insurer;
  - the total amount of the secured loans extended to a single related party which is a corporate shall not exceed 10 per cent. of the proprietary equity of such insurer; and

– the total amount of the secured loans extended to the same related party shall not exceed 30 per cent. of the proprietary equity of such insurer.

- The total amount of all related party loans of an insurer shall not exceed 1.5 times of the proprietary equity of such insurer.

In terms of other related party transactions, an insurer is required to comply with the following requirements set forth in the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties:

- The terms and conditions of the related party transaction should not be more favourable than those with similar counterparties in the market.

- The limits on the transaction amount:

  – The aggregate amount of transactions with a single related party shall not exceed 10 per cent. of the proprietary equity of such insurer.

  – The aggregate amount of transactions with all related parties shall not exceed 60 per cent. of the proprietary equity of such insurer.

  – Such related party transaction would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors.

**Outsourcing regulatory framework**

Under the ROC outsourcing regulatory regime, if an insurance company wishes to outsource certain matters, it must comply with the relevant requirements stipulated under the Directions for Operation Outsourcing by Insurance Enterprises ("**Outsourcing Directions**") promulgated by the Insurance Bureau of the FSC. In ROC, an insurer is only permitted to outsource the operational or back-office matters related to this insurance company's business items or those in connection with customers information as listed under Clause 3 of the Outsourcing Directions.

Prior approval will be required if an insurer outsources its IT systems relating to material business operations involving data relevant to natural person customers offshore. Whether the outsourcing of the IT systems requires prior approval would be subject to the three-element test – (1) materiality, (2) natural person customer data, and (3) offshore. If any element is absent, no prior approval will be required pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions.

Every insurer is required to establish a risk-based outsourcing management framework and strengthen its ability to respond to emergencies. Additionally, the insurer shall bear the ultimate responsibility for outsourcing arrangements pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions. Before and during the outsourcing, an insurer should evaluate the risk of the outsourcing matters, assess the impact on operations and consumer rights and take appropriate control measures based on the risk level.

To strengthen the FSC's supervisory measures, if there is any violation of relevant laws and regulations, the FSC may, depending on the severity of the case, require the insurer to take necessary measures such as terminating or suspending outsourcing and making improvements within a specified time frame.

## COMPLIANCE OFFICER AND RISK MANAGEMENT TASK FORCE

An insurance company is required to designate a dedicated compliance unit under the supervision of the general manager to take charge of the planning, management and implementation of the compliance system and investigate and report any violation to the audit committee. The compliance unit shall establish the position of head office chief compliance officer who oversees the compliance matters and reports to the board of directors (council) and supervisors or the audit committee at least semi-annually, and in case of any major regulatory violation, immediately inform the directors (council members) and supervisors, and report to the board of directors (council) on compliance matters.

An insurance company shall establish suitable risk management policies and procedures, which shall be passed by the board of directors and be regularly reviewed. An insurance company shall establish an independent risk management task force and regularly report to the board of directors; upon identifying a significant risk exposure that might adversely affect its financial or business status or compliance with applicable acts and regulations, it shall take immediate and adequate countermeasures and submit a report to the board of directors.

Pursuant to Article 34-2 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, the risk management mechanisms of an insurance company shall include the following principles:

- identifying and evaluating the acceptable scope of risks based on the business scale, product characteristics, and overall economic conditions;

- risks that must be considered include market risks (including interest rate risks), credit risks, liquidity risks, operational risks, insurance risks, asset liability matching risks, and other risks. Related risk management mechanisms shall also be established; and

- the management must regularly review the risk management mechanism and the own risk and solvency assessment (ORSA) mechanisms in accordance with relevant laws and regulations, self-regulatory guidelines, and actual economic conditions, and adopt appropriate strategies.

An insurance company shall consider the nature, scale, and complexity of its business risks based on its risk management framework and develop ORSA operation processes that are suitable for its organisational structure and risk management system.

The risk management mechanisms established by an insurance company shall include at least the following matters:

- The risk management framework shall include risk governance, risk management organisational framework and duties, risk identification, risk measurement, risk response, risk monitoring and information, communication, and documentation.

- The risk management mechanisms shall incorporate the business management and corporate culture of the insurance company, which adopts qualitative and quantitative technologies in accordance with the risk management policies it established to manage relevant risks that can be reasonably anticipated by the insurance company.

- The insurance company shall set its risk appetite and specify the risk level it is willing to accept to attain strategic objectives and business plans. It must also set main risk limits for regular monitoring and management.

**Disclosure Requirements**

The Insurance Bureau of the FSC promulgated several regulations and rulings to regulate the pre-contract disclosure, including the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises. The ROC Life Insurance Association and the ROC Non-Life Insurance Association have also promulgated the required disclosure information, which was reviewed by the Insurance Bureau of the FSC.

An insurance company shall, in compliance with regulations, truthfully prepare explanatory documents detailing the company's financial and business matters, and shall make such documents publicly available for inspection. If an insurance enterprise becomes aware of any material information with a bearing upon the rights and interests of consumers, it shall report to the competent authority in writing within two days and explain the matter publicly.

Key disclosure requirements under Regulations Governing Public Disclosure of Information by Life Insurance Enterprises are as follows:

- company overview, including organisational structure, functional duties of departments, name of each department's responsible person, the dates of establishment, addresses, telephone and fax numbers, free telephone complaint line numbers, website addresses and e-mail addresses for the head office, branch offices (administering post offices), service centres, contact centres, and other domestic and overseas branch institutions;

- financial overview, including a funds utilization table, a balance sheet with appended notes for any capital increases or decreases, a consolidated income statement, a statement of changes equity, insurance contract liabilities, insurance contract assets (including liability for remaining coverage, liability for incurred claims and asset for insurance acquisition cash flows), financial liabilities related to investment contracts measured at fair value through profit or loss, and financial liabilities related to investment contracts measured at amortized cost, etc.;

- operations overview, including market share, premium revenues and indemnity paid for each type of insurance, reserves for each type of insurance, insurance solicitors' 13-month retention rate, average insured amount under newly-written individual life-insurance policies, average insured amount under in-force individual life-insurance policies, average premiums under in-force individual life-insurance policies, the ratio of appeal cases (including claim and non-claim appeal cases) filed with the financial ombudsman institution ("**FOI**") and the average number of days taken for the FOI to process the cases, the number of claims litigations and the ratio of litigations to claims, etc.;

- corporate governance report, including the corporate governance framework and regulations, the equity structure of the company and shareholder rights, the structure, diversity policy and level of independence of board of directors, the operation of board of directors, the responsibilities of board of directors and managers, the composition of the audit committee and election of supervisors, their responsibilities and level of independence, etc.;

- insurance product, the reference number and date of insurance product, contract key terms, the extent of coverage and any exclusions, the relationship between policy value reserves and cash surrender value of policies, and the formula for calculation of cash surrender value, the formula used in calculating policy dividends and an explanation of its use and participating policy dividends, the provisions governing reduced paid-up insurance and extended term insurance, rules and limitations governing policy conversion, etc.;

- material information bearing on the rights and interests of the consuming public, including a change in shareholder equity of 10 percent or more, any litigation, non-litigation, administrative disposition, administrative litigation, or application for or execution of a provisional attachment or provisional injunction having a material effect on finance or operations, a change of chairperson, general manager, independent director, or one third or more of the directors, a change of responsible person for the branch office of a foreign insurance enterprise in Taiwan, a change of certifying CPA or a change in the fiscal year; the preceding provision does not apply if the change of certifying CPA is effected due to internal adjustment of the accounting firm, a capital increase ordered by the competent authority pursuant to applicable laws and regulations, a board of directors resolution for a capital decrease or issuance of new shares for a capital increase, failure to obtain the competent authority's approval for a plan for capital increase or decrease or a capital increase application mentioned above, a change in the company name, dissolution or transfer of insurance contracts, a CPA issues an audit or review report containing an opinion other than an unqualified, the enterprise's assets are insufficient to satisfy its liabilities and any other occurrence of malpractice, litigation, or ineffective investment or business management likely to affect goodwill or financial soundness; and

- information relating to financing and management of funds.

# TAXATION

*The following is a general description of certain tax considerations relating to the Bonds and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in those jurisdictions or elsewhere. Prospective purchasers of the Bonds should consult their own tax advisers as to which jurisdictions' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them or any other persons involved in the offering and sale of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Bonds.*

## ROC

The following discussion is a summary of the material ROC tax considerations relevant to an investment decision by non-ROC Bondholders. The summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds to non-resident individuals ("**Non-ROC Individual Holders**") or non-resident entities ("**Non-ROC Entity Holders**", together with the Non-ROC Individual Holders, the "**Non-ROC Holder**") that hold such Bonds. A Non-ROC Individual Holder is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds and a Non-ROC Entity Holder is a corporation or a non-corporate body that is organised under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

### Interest Payments

Payments of interest and premium on the Bonds made by the Issuer will not be subject to ROC withholding tax. Payments of interest or premium (if any) on the Bonds made by the Guarantor under the Guarantee of the Bonds to a Non-ROC Holder will be subject to ROC withholding tax at a rate of 15 per cent. at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is resident.

### Capital Gains Tax

Capital gains derived from the sale of the Bonds will not be subject to ROC income tax.

### Stamp Duty

No ROC stamp duty will be chargeable upon the issue or transfer of a Bond.

### Tax Treaties

At present, the ROC has double tax treaties with Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Eswatini, France, Gambia, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Kiribati, Korea, Luxembourg, Malaysia, New Zealand, North Macedonia, Paraguay, Poland, Saudi Arabia, Senegal, Singapore, Slovakia, South Africa, Sweden, Switzerland, the Netherlands, the UK, Thailand, and Vietnam. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

### Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA makes ("**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the ROC) have entered into, or have agreed in substance to, intergovernmental agreements with the U.S. to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Bonds (as described under "*Terms and Conditions of the Bonds – Further Issues*") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

## SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore ("**MAS**") in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis, including amendments to the Income Tax (Qualifying Debt Securities) Regulations to include the conditions for the income tax and withholding tax exemptions under the qualifying debt securities ("**QDS**") scheme for early redemption fee (as defined in the Income Tax Act) and redemption premium (as such term has been amended by the Income Tax Act). These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any Bondholder or of any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. Prospective Bondholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Bonds, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in this Offering Circular accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.

**Interest and Other Payments**

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, the following payments are deemed to be derived from Singapore:

- any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

- any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The above withholding tax rates may be reduced by applicable tax treaties, subject to certain conditions.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from Singapore income tax, including interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium derived from debt securities, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the issue of the Bonds is jointly lead-managed by Citigroup Global Markets Limited, J.P. Morgan Securities Asia Private Limited and Morgan Stanley Asia (Singapore) Pte, and on the basis that more than half of them (i.e. J.P. Morgan Securities Asia Private Limited and Morgan Stanley Asia (Singapore) Pte) are Specified Licensed Entities (as defined below), and more than half of the Bonds issued are distributed by such Specified Licensed Entities, and the Bonds are issued as debt securities before 31 December 2028, the Bonds should be QDS for the purposes of the Income Tax Act to which the following treatment shall apply:

- subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, early redemption fee or redemption premium is derived from the Bonds by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Bonds using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Bonds derived by a Bondholder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore, or

(ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

- subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require), Qualifying Income from the Bonds derived by any company or body of persons (as defined in the Income Tax Act) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

- subject to:

  (i) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Bonds is not exempt from tax shall include such income in a return of income made under the Income Tax Act; and

  (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require,

  Qualifying Income derived from the Bonds is not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- if during the primary launch of the Bonds, the Bonds are issued to fewer than four persons and 50 per cent. or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Bonds would not qualify as QDS; and

- even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50 per cent. or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Bonds held by:

  (i) any related party of the Issuer; or

  (ii) any other person where the funds used by such person to acquire the Bonds are obtained, directly or indirectly, from any related party of the Issuer,

  shall not be eligible for the tax exemption or concessionary rate of tax as described above.

Pursuant to the Income Tax Act, the reference to the term "**Specified Licensed Entity**" above means:

(i) a bank or merchant bank licensed under the Banking Act 1970 of Singapore;

(ii) a finance company licensed under the Finance Companies Act 1967 of Singapore; or

(iii) a person who holds a capital markets services licence under the SFA to carry on a business in any of the following regulated activities: advising on corporate finance or dealing in capital markets products.

The terms "related party", "early redemption fee" and "redemption premium" are defined in the Income Tax Act as follows:

- "**related party**", in relation to a person ("*A*"), means any person (a) who directly or indirectly controls *A*; (b) who is being controlled directly or indirectly by *A*; or (c) who, together with *A*, is directly or indirectly under the control of a common person;

- "**early redemption fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities; and

- "**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities.

References to "related party", "early redemption fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the Income Tax Act.

Where interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) is derived from the Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the Income Tax Act (as mentioned above) shall not apply if such person acquires the Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore.

Notwithstanding that the Issuer is permitted to make payments of Qualifying Income in respect of the Bonds without deduction or withholding for tax under Section 45 or Section 45A of the Income Tax Act, any person whose interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the Income Tax Act.

**Capital Gains**

Any gains considered to be in the nature of capital arising from the sale of the Bonds will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Bonds which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. There are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains arising from the disposal of the Bonds may be construed to be of an income nature and subject to income tax, especially if they arise from activities which the Comptroller of Income Tax would regard as the carrying on of a trade or business in Singapore.

In addition, Bondholders who apply or are required to apply Singapore Financial Reporting Standard ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes" below.

**Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes**

Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 Financial Instruments".

Holders of the Bonds who may be subject to the tax treatment under Section 34AA of the Income Tax Act should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

**Estate Duty**

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers, pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Managers, and each of the Managers have agreed severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds indicated in the following table at an issue price of 99.717 per cent. of their principal amount in the amounts set forth opposite their names below:

| | Principal Amount of Bonds |
|---|---|
| Citigroup Global Markets Limited | U.S.$200,000,000 |
| J.P. Morgan Securities Asia Private Limited | U.S.$200,000,000 |
| Morgan Stanley Asia (Singapore) Pte | U.S.$200,000,000 |
| Total | U.S.$600,000,000 |

The Subscription Agreement provides that each of the Issuer and the Guarantor will indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer (or the Guarantor) has agreed to pay the Managers a combined management and underwriting commission in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

In connection with the issue of the Bonds, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and directives, over-allot the Bonds and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Guarantor.

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)**

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages. CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds. The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: investor.info.hk.bond.deals@jpmorgan.com, dcm.omnibus@citi.com and Omnibus_debt@morganstanley.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

## GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Managers, the Issuer or the Guarantor that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, the Guarantor and the Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager or such affiliate on behalf of the Issuer in such jurisdiction.

## UNITED STATES

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

## EUROPEAN ECONOMIC AREA

Each of the Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## UNITED KINGDOM

### Prohibition of Sales to UK Retail Investors

Each of the Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the UK domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the UK domestic law by virtue of the EUWA.

### Other regulatory restrictions

Each of the Managers has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the UK.

**HONG KONG**

Each of the Managers has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

**PRC**

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong Special Administrative Region or Macao Special Administrative Region or Taiwan), except as permitted by applicable laws of the PRC.

**SINGAPORE**

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

*Singapore SFA Product Classification:* In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**JAPAN**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

**ROC**

The Bonds may not be sold, offered or issued in the ROC unless they are made available outside the ROC for purchase by such investors outside the ROC so long as no public solicitation or other relevant activities take place in the ROC.

## SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN-IFRSS AND IFRSS

Our audited consolidated financial statements as of and for the years ended 31 December 2021 and 2022 and as of and for the years ended 31 December 2022 and 2023 have been prepared and presented in accordance with the Taiwan-IFRSs. Our unaudited consolidated interim financial statements as of and for the three months ended 31 March 2023, and 2024 have been prepared and presented in accordance with IAS34 "Interim Financial Reporting" endorsed by the FSC as well as "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises". Taiwan-IFRS and IFRS differ in certain significant respects. A brief description of certain significant differences between Taiwan-IFRS and IFRS is set forth below. The regulatory organisations that promulgate Taiwan-IFRS and IFRS have projects ongoing that could affect future comparisons such as the comparison below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan-IFRS and IFRS, including those specifically related to us or to the industries in which we operate. No attempt has been made to identify future differences between Taiwan-IFRS and IFRS as a result of prescribed changes in accounting standards, or disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in our financial statements or the notes thereto. Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences which are not in the following summary may have come to our attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on our financial statements. Our management has not quantified the effects of the differences between Taiwan-IFRS and IFRS on any of our financial results.

### Summary of Certain Material Differences

| Subject | Taiwan-IFRSs | IFRSs |
|---|---|---|
| IFRS 17 | The effective date of IFRS 17 in the ROC is 1 January 2026. | IFRS 17 was effective on 1 January 2023. |
| Measurement of loan loss | In addition to IFRS 9, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets are classified as normal assets ("**First Category**"), assets that require special attention ("**Second Category**"), assets that are substandard ("**Third Category**"), assets that are doubtful ("**Fourth Category**") and assets for which there is loss ("**Fifth Category**") based on the borrower's financial conditions and the delay for payment of principal and interests as well as the status of the loan collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories:<br><br>(i) The sum of 0.5 per cent. of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2 per cent. of the Second Category loan assets, 10 per cent. of the Third Category loan assets, as well as 50 per cent. and 100 per cent. of the Fourth and Fifth Category loan assets. | According to IFRS 9, an entity shall recognize a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables and loans).<br><br>An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.<br><br>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. |

| Subject | Taiwan-IFRSs | IFRSs |
|---|---|---|
| | (ii) 1 per cent. of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.<br><br>(iii) Total unsecured portion of non-performing loans and non-accrual loans.<br><br>Besides, pursuant to Jin Guan Bao Tsai No. 10402506096, Insurance Enterprise shall keep the ratio of the allowance for bad debt over the loans at 1.5 per cent. or above to strengthen its ability against loss exposure to specific loan assets. | |
| Tax on unappropriated earnings | The tax on unappropriated earnings is recorded in the year the shareholders approved the appropriation of earnings. | The tax on unappropriated earnings should be accrued during the period the earnings arise and adjusted to the extent of the appropriations approved by the shareholders in the following year. |
| Related party | An insurance enterprise shall fully disclose information on related party transactions in accordance with IAS 24, and in compliance with the following provisions:<br><br>1 The name and relationship of the related party shall be presented.<br><br>2 If the transaction amount or balance of any single related party reaches 10 per cent. or more of the insurance enterprise's total amount or balance of such transactions, the name of each such related party shall be individually presented.<br><br>Unless it can be established that no control, joint control, or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the footnotes in accordance with IAS 24:<br><br>1 An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act of the ROC, and any of its directors, supervisors, and managerial officers.<br><br>2 A company or institution governed by the same general management office as the insurance enterprise, and any of its directors, supervisors, and managerial officers.<br><br>3 A person holding the position of manager or higher in the general management office.<br><br>4 A company or institution shown as an affiliated enterprise in the insurance enterprise's public announcement or publications. | In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. There is no specific guidance as required under Taiwan-IFRS. |

| Subject | Taiwan-IFRSs | IFRSs |
|---|---|---|
| | 5 Another company or institution whose board chairman or president is the same person as, or is the spouse or a relative within the second degree of kinship of, the board chairman or president of the insurance enterprise. | |
| Reserve for foreign exchange valuation | Insurance enterprise shall provide reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises. | There is no requirement for such reserve under IFRS. |

# GENERAL INFORMATION

## 1. CLEARING SYSTEMS

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 285292034. The International Securities Identification Number for the Bonds is XS2852920342.

## 2. LEI NUMBER

The Issuer's LEI number is 254900XS5E0JG85JTY26.

## 3. AUTHORISATIONS

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the entry into, issue and performance of their respective obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the resolution of the board of directors of the Issuer dated 14 June 2024. The giving of the Guarantee of the Bonds was authorised by the resolution of the board of directors of the Guarantor dated 15 May 2024.

## 4. NO MATERIAL ADVERSE CHANGE

Since 31 December 2023, save as disclosed in this Offering Circular, there has been no material adverse change or development or event involving a prospective change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer, the Guarantor or their subsidiaries.

## 5. LITIGATION

From time to time, the Issuer, the Guarantor and their subsidiaries may be involved in litigation that arise during the ordinary course of business. However, none of the Issuer, the Guarantor or any of their subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial condition or profitability of the Issuer, the Guarantor or their subsidiaries.

## 6. AVAILABLE DOCUMENTS

Copies of the Trust Deed and Agency Agreement are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Trustee.

## 7. AUDITOR

Our audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 and as at and for the years ended 31 December 2022 and 2023, which are included elsewhere in this Offering Circular, have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC and are audited by Deloitte & Touche, as stated in its reports appearing herein.

Our condensed consolidated financial information as at and for the three months ended 31 March 2023 and 2024 are extracted from our unaudited but reviewed consolidated financial statements as at and for the three months ended 31 March 2023 and 2024. Our unaudited consolidated financial statements as at and for the three months ended 31 March 2023 and 2024 have been reviewed by

Deloitte & Touche, our independent auditor, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting".

## 8. LISTING OF BONDS

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 or its equivalent in foreign currencies, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Certificates in definitive form. In addition, in the event that the Global Certificate is exchanged for Certificates in definitive form, announcement of such exchange will be made by the Issuer through the SGX-ST and such an announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS



Note:

(1) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended 31 December 2022 and 2023. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

# Cathay Life Insurance 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 Life Insurance Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Cathay Life Insurance 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, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information.

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 Insurance Enterprises 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.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are as follows:

Valuation of Policy Reserve

The management of Cathay Life Insurance Co., Ltd. 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 23 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 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 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 the 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 on each individual insurance policy.

    d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the 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, the Company used the fair values assessed by external independent appraisers as reference. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 14 to the accompanying consolidated financial statements.

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

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.

2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by the management, including the appraisal methods, main parameters and discount rates to remove.

**Other Matter**

We have audited the financial statements of the Company as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

**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 Insurance Enterprises 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 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

<u>*Notice to Readers*</u>

*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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34) | $ 251,247,088 | 3 | $ 329,638,342 | 4 |
| RECEIVABLES (Notes 4, 5, 7 and 34) | 112,253,915 | 1 | 92,183,754 | 1 |
| CURRENT TAX ASSETS (Note 4) | 41,681 | - | 15,472 | - |
| INVESTMENTS | | | | |
| Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39) | 1,666,488,243 | 20 | 1,426,004,992 | 18 |
| Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39) | 568,986,970 | 7 | 442,472,396 | 5 |
| Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39) | 4,043,811,869 | 47 | 3,986,581,050 | 49 |
| Financial assets for hedging (Notes 4, 5 and 10) | 1,109 | - | 29,891 | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 30,874,304 | - | 29,483,762 | - |
| Investment property (Notes 4, 5, 14 and 34) | 528,633,384 | 6 | 520,893,328 | 6 |
| Investment property under construction (Notes 4, 14 and 34) | 8,983,487 | - | 5,747,767 | - |
| Prepayments for buildings and land - investments (Notes 4 and 14) | 4,188,723 | - | 1,501,343 | - |
| Loans (Notes 4, 5, 15 and 34) | 403,826,256 | 5 | 450,296,409 | 6 |
| Total investments | 7,255,794,345 | 85 | 6,863,010,938 | 84 |
| REINSURANCE ASSETS (Notes 4, 16 and 23) | 2,299,660 | - | 2,309,447 | - |
| PROPERTY AND EQUIPMENT (Notes 4 and 17) | 41,530,355 | 1 | 40,809,699 | - |
| RIGHT-OF-USE ASSETS (Notes 4, 18 and 34) | 2,177,022 | - | 2,268,417 | - |
| INTANGIBLE ASSETS (Notes 4 and 19) | 39,522,555 | - | 41,380,113 | 1 |
| DEFERRED TAX ASSETS (Notes 4 and 33) | 63,612,183 | 1 | 80,501,622 | 1 |
| OTHER ASSETS (Notes 20, 34 and 37) | 39,857,216 | - | 64,885,181 | 1 |
| SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35) | 727,665,599 | 9 | 655,426,996 | 8 |
| TOTAL | $ 8,536,001,619 | 100 | $ 8,172,429,981 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| PAYABLES (Notes 21 and 34) | $ 22,916,475 | - | $ 22,338,461 | - |
| CURRENT TAX LIABILITIES (Note 4) | 191,723 | - | 176,349 | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8) | 24,070,611 | - | 63,669,162 | 1 |
| FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10) | 2,038,001 | - | 3,716,091 | - |
| BONDS PAYABLE (Notes 22 and 34) | 114,841,430 | 2 | 80,000,000 | 1 |
| OTHER FINANCIAL LIABILITIES (Note 39) | 7,675,139 | - | 7,030,535 | - |
| INSURANCE LIABILITIES (Notes 4, 5 and 23) | | | | |
| Unearned premium reserve | 21,710,834 | 1 | 20,547,570 | - |
| Loss reserve | 13,310,838 | - | 12,760,061 | - |
| Policy reserve | 6,820,368,378 | 80 | 6,672,193,784 | 82 |
| Special reserve | 11,090,539 | - | 11,085,733 | - |
| Premium deficiency reserve | 6,770,608 | - | 8,130,466 | - |
| Other reserve | 1,834,253 | - | 1,845,253 | - |
| Total insurance liabilities | 6,875,085,450 | 81 | 6,726,562,867 | 82 |
| RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24) | 23,524,199 | - | 18,495,469 | - |
| RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25) | 20,773,326 | - | 49,503,457 | 1 |
| PROVISIONS (Notes 4 and 27) | 56,245 | - | 56,245 | - |
| LEASE LIABILITIES (Notes 4, 18 and 34) | 16,604,525 | - | 16,645,248 | - |
| DEFERRED TAX LIABILITIES (Notes 4 and 33) | 52,033,960 | 1 | 52,624,428 | 1 |
| OTHER LIABILITIES (Notes 28 and 34) | 20,649,931 | - | 10,395,966 | - |
| SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35) | 727,665,599 | 9 | 655,426,996 | 8 |
| Total liabilities | 7,908,126,614 | 93 | 7,706,641,274 | 94 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30) | | | | |
| Share capital | | | | |
| Ordinary shares | 63,515,274 | 1 | 63,515,274 | 1 |
| Capital surplus | 91,588,303 | 1 | 90,924,478 | 1 |
| Retained earnings | | | | |
| Legal reserve | 55,071,783 | 1 | 50,217,005 | 1 |
| Special reserve | 478,075,900 | 5 | 458,553,415 | 6 |
| Unappropriated earnings | 14,928,256 | - | 22,775,644 | - |
| Total retained earnings | 548,075,939 | 6 | 531,546,064 | 7 |
| Other equity | (84,760,761) | (1) | (229,169,011) | (3) |
| Total equity attributable to owners of the Company | 618,418,755 | 7 | 456,816,805 | 6 |
| NON-CONTROLLING INTERESTS (Notes 4 and 30) | 9,456,250 | - | 8,971,902 | - |
| Total equity | 627,875,005 | 7 | 465,788,707 | 6 |
| TOTAL | $ 8,536,001,619 | 100 | $ 8,172,429,981 | 100 |

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE | | | | |
| Retained earned premium (Notes 4, 26 and 34) | | | | |
| Written premium | $ 404,104,777 | 55 | $ 412,890,812 | 59 |
| Reinsurance premium | 121,264 | - | 127,412 | - |
| Premium income | 404,226,041 | 55 | 413,018,224 | 59 |
| Less: Reinsurance expense | (2,996,677) | - | (2,832,249) | (1) |
| Net changes in unearned premium reserve (Notes 4 and 23) | (1,111,785) | - | (990,281) | - |
| Total retained earned premium | 400,117,579 | 55 | 409,195,694 | 58 |
| Reinsurance commission income | 423,762 | - | 526,992 | - |
| Fee income (Notes 34 and 35) | 11,728,148 | 2 | 10,803,743 | 2 |
| Net investment incomes (losses) | | | | |
| Interest income (Notes 4, 32 and 34) | 196,876,566 | 27 | 179,315,471 | 26 |
| Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8) | 121,873,352 | 16 | (448,906,906) | (64) |
| Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13) | 3,094,909 | - | 10,493,286 | 2 |
| Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9) | 5,464,665 | 1 | 3,175,819 | - |
| Share of profit of subsidiaries and associates accounted for using the equity method (Notes 4 and 12) | 2,092,756 | - | 2,180,141 | - |
| Foreign exchange gain | 2,123,875 | - | 298,139,826 | 43 |
| Net changes in reserve for foreign exchange valuation (Notes 4 and 25) | 28,730,131 | 4 | (40,449,731) | (6) |
| Gain on investment property (Notes 4 and 34) | 12,846,320 | 2 | 14,513,530 | 2 |
| Expected credit loss on investments (Notes 4 and 32) | (926,121) | - | (3,931,883) | (1) |
| Other net investment (loss) gain | (240,105) | - | 3,948,408 | 1 |
| (Loss) gain on reclassification using overlay approach (Notes 4 and 8) | (118,647,734) | (16) | 252,818,402 | 36 |
| Other operating revenue (Note 34) | 10,536,667 | 1 | 8,726,100 | 1 |
| Separate account insurance product income (loss) (Notes 4 and 35) | 56,586,267 | 8 | (933,202) | - |
| Total operating revenue | 732,681,037 | 100 | 699,615,690 | 100 |

(Continued)

# CATHAY LIFE INSURANCE 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 | % |
| OPERATING COSTS | | | | |
| Retained claims payments (Notes 4 and 26) | | | | |
| Insurance claims payments | $ 431,190,640 | 59 | $ 400,212,621 | 57 |
| Less: Claims and payments recovered from reinsurers | (2,033,560) | - | (1,702,029) | - |
| Total retained claims payments | 429,157,080 | 59 | 398,510,592 | 57 |
| Net changes in other insurance liabilities (Notes 4, 5 and 23) | | | | |
| Net changes in loss reserve | 561,183 | - | 873,985 | - |
| Net changes in policy reserve | 147,151,444 | 20 | 188,414,362 | 27 |
| Net changes in special reserve | 4,806 | - | 674 | - |
| Net changes in premium deficiency reserve | (1,369,807) | - | (1,925,635) | - |
| Net changes in other reserve | (11,000) | - | (20,672) | - |
| Total net changes in other insurance liabilities | 146,336,626 | 20 | 187,342,714 | 27 |
| Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24) | 1,657,847 | - | 1,046,127 | - |
| Underwriting expenses (Note 32) | 14,987,647 | 2 | 15,076,322 | 2 |
| Commission expenses (Note 32) | 18,712,495 | 2 | 15,901,138 | 2 |
| Finance costs (Notes 22 and 34) | 4,828,236 | 1 | 3,817,461 | 1 |
| Other operating costs (Note 34) | 7,812,575 | 1 | 6,729,312 | 1 |
| Separate account insurance product expenses (Notes 4 and 35) | 56,586,267 | 8 | (933,202) | - |
| Total operating costs | 680,078,773 | 93 | 627,490,464 | 90 |
| OPERATING EXPENSES (Notes 32 and 34) | | | | |
| General expenses | 13,091,719 | 2 | 11,997,784 | 1 |
| Administrative expenses | 23,308,935 | 3 | 20,219,681 | 3 |
| Employee training expenses | 75,855 | - | 56,913 | - |
| (Reversal of) expected credit loss on non-investment (Notes 4 and 32) | (12,003) | - | 27,032 | - |
| Total operating expenses | 36,464,506 | 5 | 32,301,410 | 4 |
| OPERATING INCOME | 16,137,758 | 2 | 39,823,816 | 6 |
| NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34) | 2,753,295 | - | 1,858,515 | - |
| INCOME BEFORE INCOME TAX | 18,891,053 | 2 | 41,682,331 | 6 |
| INCOME TAX EXPENSE (Notes 4 and 33) | (2,124,645) | - | (7,513,152) | (1) |
| NET INCOME | 16,766,408 | 2 | 34,169,179 | 5 |

(Continued)

## CATHAY LIFE INSURANCE 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** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 30) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ 437,004 | - | $ 59,596 | - |
| Gain (loss) on equity instruments at fair value through other comprehensive income | 23,421,093 | 3 | (24,351,290) | (3) |
| Share of other comprehensive loss of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss | (620,009) | - | (804,397) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33) | 24,485 | - | 366,827 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | 97,255 | - | 3,441,271 | - |
| (Loss) gain on hedging instruments | (550,032) | - | 762,058 | - |
| Gain (loss) on debt instruments at fair value through other comprehensive income | 14,093,761 | 2 | (85,336,187) | (12) |
| Share of other comprehensive income of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss | 171,649 | - | 811,600 | - |
| Other comprehensive income (loss) reclassified using overlay approach | 118,647,734 | 16 | (252,818,402) | (36) |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33) | (10,876,955) | (1) | 33,620,687 | 5 |
| Total other comprehensive income (loss) to remove, net of income tax | 144,845,985 | 20 | (324,248,237) | (46) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | $ 161,612,393 | 22 | $(290,079,058) | (41) |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 16,343,087 | 2 | $ 33,667,168 | 5 |
| Non-controlling interests | 423,321 | - | 502,011 | - |
| | $ 16,766,408 | 2 | $ 34,169,179 | 5 |

(Continued)

## CATHAY LIFE INSURANCE 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** | **%** |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 160,916,050 | 22 | $(290,617,468) | (41) |
| Non-controlling interests | 696,343 | - | 538,410 | - |
| | $ 161,612,393 | 22 | $(290,079,058) | (41) |
| EARNINGS PER SHARE (Note 31) | | | | |
| Basic earnings per share | $ 2.57 | | $ 5.75 | |

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | | | | | |
| | Share Capital Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | Gain or (Loss) on Hedging Instruments | Remeasurement of Defined Benefit Plans | Property Revaluation Surplus | Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach | Other | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2022 | $ 58,515,274 | $ 60,594,868 | $ 27,491,929 | $ 390,287,210 | $ 111,938,770 | $ (15,347,517) | $ 38,259,385 | $ 335,851 | $ 1,336,456 | $ 402,058 | $ 63,853,017 | $ (3,224,389) | $ 734,442,912 | $ 7,689,899 | $ 742,132,811 |
| Appropriation of 2021 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 22,725,076 | - | (22,725,076) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 72,751,078 | (72,751,078) | - | - | - | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (22,445,733) | - | - | - | - | - | - | - | (22,445,733) | - | (22,445,733) |
| Reversal of special reserve | - | - | - | (5,983,117) | 5,983,117 | - | - | - | - | - | - | - | - | - | - |
| Provision of special reserve for catastrophic events and fluctuation of risks | - | - | - | 1,490,158 | (1,490,158) | - | - | - | - | - | - | - | - | - | - |
| Appropriation of special reserve for personal insures travel insurance | - | - | - | 8,086 | (8,086) | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | (104,150) | - | - | - | - | - | - | - | - | - | - | (104,150) | - | (104,150) |
| Recognition of share-based payments granted by the parent company | - | 433,760 | - | - | - | - | - | - | - | - | - | - | 433,760 | - | 433,760 |
| Changes in ownership interests in subsidiaries | - | - | - | - | (623,579) | - | - | - | - | - | - | 731,063 | 107,484 | (109,072) | (1,588) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 33,667,168 | - | - | - | - | - | - | - | 33,667,168 | 502,011 | 34,169,179 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | - | 3,982,322 | (94,367,977) | 614,414 | 128,444 | - | (234,641,839) | - | (324,284,636) | 36,399 | (324,248,237) |
| Total comprehensive income (loss) for year ended December 31, 2022 | - | - | - | - | 33,667,168 | 3,982,322 | (94,367,977) | 614,414 | 128,444 | - | (234,641,839) | - | (290,617,468) | 538,410 | (290,079,058) |
| Issuance of ordinary shares for cash | 5,000,000 | 30,000,000 | - | - | - | - | - | - | - | - | - | - | 35,000,000 | - | 35,000,000 |
| Disposals of equity instruments at fair value through other comprehensive loss | - | - | - | - | (8,769,701) | - | 8,769,701 | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 852,665 | 852,665 |
| BALANCE AT DECEMBER 31, 2022 | 63,515,274 | 90,924,478 | 50,217,005 | 458,553,415 | 22,775,644 | (11,365,195) | (47,338,891) | 950,265 | 1,464,900 | 402,058 | (170,788,822) | (2,493,326) | 456,816,805 | 8,971,902 | 465,788,707 |
| Appropriation of 2022 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 4,854,778 | - | (4,854,778) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 23,538,110 | (23,538,110) | - | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (5,617,244) | 5,617,244 | - | - | - | - | - | - | - | - | - | - |
| Provision of special reserve for catastrophic events and fluctuation of risks | - | - | - | 1,584,377 | (1,584,377) | - | - | - | - | - | - | - | - | - | - |
| Appropriation of special reserve for personal insures travel insurance | - | - | - | 17,242 | (17,242) | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | 657,911 | - | - | (74,792) | - | 74,792 | - | - | - | - | - | 657,911 | - | 657,911 |
| Recognition of share-based payments granted by the parent company | - | 5,914 | - | - | - | - | - | - | - | - | - | - | 5,914 | - | 5,914 |
| Changes in ownership interests in subsidiaries | - | - | - | - | (709,227) | - | - | - | - | - | - | 731,302 | 22,075 | (22,075) | - |
| Net profit for the year ended December 31, 2023 | - | - | - | - | 16,343,087 | - | - | - | - | - | - | - | 16,343,087 | 423,321 | 16,766,408 |
| Other comprehensive income for the year ended December 31, 2023, net of income tax | - | - | - | - | - | 375,650 | 34,239,756 | (439,766) | 225,943 | 3,706 | 110,167,674 | - | 144,572,963 | 273,022 | 144,845,985 |
| Total comprehensive income (loss) for year ended December 31, 2023 | - | - | - | - | 16,343,087 | 375,650 | 34,239,756 | (439,766) | 225,943 | 3,706 | 110,167,674 | - | 160,916,050 | 696,343 | 161,612,393 |
| Disposals of equity instruments at fair value through other comprehensive income | - | - | - | - | 970,807 | - | (970,807) | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (189,920) | (189,920) |
| BALANCE AT DECEMBER 31, 2023 | $ 63,515,274 | $ 91,588,303 | $ 55,071,783 | $ 478,075,900 | $ 14,928,256 | $ (10,989,545) | $ (13,995,150) | $ 510,499 | $ 1,690,843 | $ 405,764 | $ (60,621,148) | $ (1,762,024) | $ 618,418,755 | $ 9,456,250 | $ 627,875,005 |

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

# CATHAY LIFE INSURANCE 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 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 18,891,053 | $ 41,682,331 |
| Adjustments for: | | |
| Depreciation expenses | 2,365,958 | 1,620,985 |
| Amortization expenses | 2,428,751 | 2,382,435 |
| (Gain) loss on financial assets and liabilities at fair value through profit or loss | (106,859,204) | 466,406,599 |
| Realized (gain) loss on financial assets at fair value through other comprehensive income | (57,428) | 4,838,612 |
| Gain on derecognition of financial assets measured at amortized cost | (3,094,909) | (10,493,286) |
| Finance costs | 4,958,528 | 3,939,923 |
| Interest income | (196,876,566) | (179,315,471) |
| Dividend income | (20,421,385) | (25,514,124) |
| Net changes in insurance liabilities | 148,490,976 | 337,471,189 |
| Net changes in reserve for insurance contracts with the nature of financial products | 5,028,730 | 3,306,681 |
| Net changes in reserve for foreign exchange valuation | (28,730,131) | 40,449,731 |
| Expected credit loss on investments | 926,121 | 3,931,883 |
| (Reversal of) expected credit loss on non-investments | (12,003) | 27,032 |
| Share of profit of associates accounted for using the equity method | (2,092,756) | (2,180,141) |
| Loss (gain) on reclassification using overlay approach | 118,647,734 | (252,818,402) |
| Gain on disposal and retirement of property and equipment | (4,656) | (11,370) |
| Gain on disposal of subsidiary | (398) | - |
| Gain on disposal of investment property | (10,598) | (69) |
| Loss (gain) on disposal of investments accounted for using the equity method | 280,823 | (358,539) |
| Loss (gain) on changes in fair value of investment property | 227,669 | (1,911,295) |
| Compensation costs of share-based payments | 5,914 | 433,900 |
| Net changes in operating assets and liabilities | | |
| Decrease in financial assets at fair value through profit or loss | 72,709,620 | 106,891,331 |
| Increase in financial assets at fair value through other comprehensive income | (88,967,683) | (303,645,769) |
| Increase in financial assets measured at amortized cost | (54,340,325) | (234,672,170) |
| (Increase) decrease in financial assets for hedging | (508,973) | 1,208,290 |
| Decrease (increase) in notes receivable | 5,794 | (79,440) |
| Increase in other receivables | (14,228,670) | (3,958,974) |
| (Increase) decrease in prepaid expenses and other prepayments | (193,640) | 72,996 |
| Decrease (increase) in guarantee deposits paid | 27,186,981 | (28,465,090) |
| Decrease in reinsurance assets | 56,681 | 167,582 |
| (Increase) decrease in other assets | (3,106,400) | 197,329 |
| Decrease in financial liabilities at fair value through profit or loss | (247,037,215) | (316,688,841) |
| (Decrease) increase in financial liabilities for hedging | (1,690,367) | 3,719,654 |
| Increase in notes payable | 141,878 | 285,330 |
| Increase (decrease) in claims payable | 58,960 | (8,758) |
| Decrease in other payables | (1,057,477) | (1,641,452) |

(Continued)

# CATHAY LIFE INSURANCE 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 |
|---|---|---|
| Increase in due to reinsurers and ceding companies | $ 112,836 | $ 69,683 |
| Decrease in commissions payable | (32,497) | (320,140) |
| Increase in advance receipts | 29,193 | 89,391 |
| Increase (decrease) in guarantee deposits received | 12,054,525 | (6,480,245) |
| Increase (decrease) in deferred fee income | 354,315 | (532) |
| Decrease in other liabilities | (1,560,224) | (3,200,885) |
| Cash used in operations | (355,920,465) | (352,572,106) |
| Interest received | 193,619,216 | 173,208,368 |
| Dividends received | 21,204,563 | 26,394,740 |
| Interest paid | (3,244,971) | (3,197,078) |
| Income tax paid | (908,315) | (6,375,301) |
| Net cash used in operating activities | (145,249,972) | (162,541,377) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investments accounted for using the equity method | - | (2,308,500) |
| Proceeds from disposal of investments accounted for using the equity method | - | 595,743 |
| Acquisition of subsidiaries (net of cash acquired) | (238,286) | (415,958) |
| Disposal of subsidiary | 30,744 | - |
| Proceeds from return of capital on reduction of investments accounted for using the equity method | 10,729 | 170,887 |
| Acquisition of property and equipment | (2,549,560) | (2,257,603) |
| Proceeds from disposal of property and equipment | 21,440 | 193,102 |
| Acquisition of intangible assets | (247,380) | (282,633) |
| Proceeds from disposal of intangible assets | - | 40,988 |
| Decrease in loans | 46,765,677 | 30,212,489 |
| Acquisition of investment property | (12,380,488) | (8,201,702) |
| Proceeds from disposal of investment property | 134,892 | 91 |
| Net cash generated from investing activities | 31,547,768 | 17,746,904 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of the principal portion of lease liabilities | (1,009,473) | (848,984) |
| Increase (decrease) in other financial liabilities | 641,644 | (318,367) |
| Proceeds from issuance of bonds | 34,986,835 | - |
| Proceeds from issuance of ordinary shares | - | 35,000,000 |
| Cash dividends paid | - | (22,445,733) |
| Acquisition of additional interests in subsidiaries | (667,490) | (911,234) |
| Changes in non-controlling interests | (266,704) | (653,053) |
| Net cash generated from financing activities | 33,684,812 | 9,822,629 |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 1,626,138 | (1,145,283) |

(Continued)

# CATHAY LIFE INSURANCE 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** |
|---|---|---|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | $ (78,391,254) | $(136,117,127) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 329,638,342 | 465,755,469 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 251,247,088 | $ 329,638,342 |

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

## 1. GENERAL INFORMATION

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

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

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 a 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

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| 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 above 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

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to 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. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

Premium Allocation Approach (PAA)

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

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

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

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

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

1) The premiums received at initial recognition;

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

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

    a) Any asset for insurance acquisition cash flows; and

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

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

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

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

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

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

Refer to Note 11, Table 1 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, 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.

e. Foreign currencies

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

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

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

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

For the purpose of presenting the consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries or those that use currencies that are different from the Company's functional currency) that are prepared using functional currencies that 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; 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 entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

f. Investments in associates

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

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

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

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

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

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

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

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

g. Property and equipment

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

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

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

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

h. Investment properties

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

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

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

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

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

d) Offsetting of financial instruments

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

e) 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 the fair value through other comprehensive income measurement category and 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.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

5) Modification of financial instruments

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

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

m. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

n. Separate account insurance products

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

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

o. Insurance liabilities

1) The Company

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

a) Unearned premium reserve

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

b) Loss reserve

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

c) Policy reserve

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

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

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

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

d) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of Revenue and Expenses related to Participating/Nonparticipating Policy reported to the authority, the Company is required to set aside a special reserve for dividend participation based on income before tax and dividend. On the date of declaration, 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 IFRS Accounting Standards on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

e) Premium deficiency reserve

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

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

f) Other reserve

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

g) Liability adequacy reserve

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

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

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

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

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

p. Liability adequacy test

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

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

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

r. Reserve for foreign exchange valuation

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

s. Recognition of insurance premium income and expenses

1) The Company

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

In accordance with the related accounting laws and regulations issued by 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.

t. Classification of insurance products

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

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

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

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

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

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

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

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

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

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

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

u. Reinsurance

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

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

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

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

v. Provisions

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

w. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

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

x. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

y. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

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

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

2) Deferred tax

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

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

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

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

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

The Group has applied the exception from 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 Pillar Two income taxes.

3) Current and deferred taxes for the year

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

## 5. 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 COVID-19, the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions, and inflation and interest rate fluctuations when making its critical accounting estimates on the cash flow projection, discount rates and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

a. Estimated impairment of financial assets

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

b. Fair value measurements and valuation processes

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

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

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

c. Valuation of policy reserve

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.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cash on hand | $ 23,998 | $ 26,273 |
| Cash in banks | 191,933,478 | 186,815,799 |
| Time deposits | 40,495,815 | 100,502,553 |
| Cash equivalents | 18,793,797 | 42,293,717 |
| | $ 251,247,088 | $ 329,638,342 |

## 7. RECEIVABLES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Notes receivable | $ 329,420 | $ 335,214 |
| Other receivables | 114,469,303 | 93,065,026 |
| Overdue receivables | 5,482 | 16,132 |
| | 114,804,205 | 93,416,372 |
| Less: Loss allowance | (2,550,290) | (1,232,618) |
| | $ 112,253,915 | $ 92,183,754 |

The movements in the loss allowance are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 1,232,618 | $ 28,541 |
| Provision for the current year | 1,328,459 | 1,227,724 |
| Amounts written off | (10,812) | (23,671) |
| Foreign exchange differences | 25 | 24 |
| Ending balance | $ 2,550,290 | $ 1,232,618 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Domestic stocks | $ 325,006,747 | $ 252,882,746 |
| Beneficiary certificates | 790,838,598 | 682,930,329 |
| Financial debentures | 20,145,199 | 15,972,188 |
| Overseas stocks | 165,962,731 | 152,440,676 |
| Real estate investment trust | 12,859,458 | 17,729,274 |
| Overseas bonds | 285,645,501 | 268,598,676 |
| Structured time deposits | 14,172,336 | 13,981,139 |
| Derivative financial assets (not under hedge accounting) | | |
| Currency swap contracts (“SWAP”) | 31,901,044 | 13,459,047 |
| Foreign exchange forward contacts (“Forward”) | 19,946,181 | 8,003,557 |
| Options | 7,296 | - |
| Call warrants | 3,152 | 7,360 |
| | $ 1,666,488,243 | $ 1,426,004,992 |
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| SWAP | $ 17,540,858 | $ 34,041,420 |
| Forward | 5,375,521 | 21,339,449 |
| Cross currency swap contracts (“CCS”) | 1,154,232 | 8,288,293 |
| | $ 24,070,611 | $ 63,669,162 |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Financial assets mandatorily classified as at FVTPL | | |
| Domestic stocks | $ 325,006,747 | $ 252,882,746 |
| Beneficiary certificates | 773,033,686 | 641,371,929 |
| Financial debentures | 20,145,199 | 15,972,188 |
| Overseas stocks | 165,852,180 | 152,381,256 |
| Real estate investment trust | 12,859,458 | 17,729,274 |
| Overseas bonds | 284,895,978 | 267,877,938 |
| Structured time deposits | 14,172,336 | 13,981,139 |
| | $ 1,595,965,584 | $ 1,362,196,470 |

Reclassification 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 is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Gain (loss) due to application of IFRS 9 to profit or loss | $ 202,208,838 | $(187,694,370) |
| Gain if applying IAS 39 to profit or loss | (83,561,104) | (65,124,032) |
| Loss (gain) reclassified due to application of overlay approach | $ 118,647,734 | $(252,818,402) |

Due to the application of the overlay approach, the amounts of gain or loss on financial assets and liabilities at FVTPL for the years ended December 31, 2023 and 2022 had decreased from gain of $121,873,352 thousand to gain of $3,225,618 thousand, and decreased from loss of $448,906,906 thousand to loss of $196,088,504 thousand, respectively.

b. As of December 31, 2023 and 2022, structured notes which were accounted for as financial assets at FVTPL amounted to $163,109,892 thousand and $153,324,805 thousand, respectively.

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

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Investments in equity instruments at FVTOCI | | |
| Domestic stocks | $ 138,735,925 | $ 94,833,125 |
| Overseas stocks | 2,282,692 | 2,721,257 |
| | 141,018,617 | 97,554,382 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Investments in debt instruments at FVTOCI | | |
| Corporate bonds | $ 2,138,976 | $ 2,111,778 |
| Government bonds | 19,300,962 | 19,357,027 |
| Overseas bonds | 408,460,639 | 336,802,606 |
| Financial bonds | 1,528,871 | - |
| Less: Litigation deposits | (37,511) | (36,548) |
| Less: Deposits to Central Bank | (2,112,072) | (2,053,785) |
| Less: Derivative instrument collateral | (1,311,512) | (11,263,064) |
| | 427,968,353 | 344,918,014 |
| | $ 568,986,970 | $ 442,472,396 |

(Concluded)

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

b. Dividend income recognized relating to investments in equity instruments at FVTOCI held by the Group on the balance sheet date for the years ended December 31, 2023 and 2022 were $5,407,237 thousand and $8,014,431 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2023 and 2022 were $245,394 thousand and $3,597,209 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instruments at FVTOCI at fair values of $8,070,299 thousand and $77,394,663 thousand at the time of sale, and transferred unrealized gain of $970,807 thousand and loss of $8,769,701 thousand from other equity to retained earnings for the years ended December 31, 2023 and 2022, respectively.

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

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

f. Refer to Note 39 for information relating to the debt instruments at FVTOCI reclassified to financial assets measured at amortized cost.

## 10. HEDGING INSTRUMENTS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets for hedging | | |
| Interest rate swap contracts ("IRS") | $ 1,109 | $ 29,891 |
| Financial liabilities for hedging | | |
| Forward | $ 2,038,001 | $ 3,716,091 |

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

## 11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investors | Investees | Business | Ownership Interest (%) December 31 2023 | 2022 | Note |
|---|---|---|---|---|---|
| The Company | Cathay Lujiazui Life. | Life insurance | 50.00 | 50.00 | |
| The Company | Cathay Life (Vietnam) Co., Ltd. | Life insurance | 100.00 | 100.00 | |
| The Company | Lin Yuan (Shanghai) Real Estate. Co., Ltd. | Office leasing | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Conning Holdings Limited (“CHL”) | Holding company | 100.00 | 100.00 | Note 7 |
| The Company | Cathay Industrial Research and Design Center Co., Ltd. (“Cathay Industrial R&D Center”) | Real estate investment and management | 99.00 | 99.00 | |
| The Company | 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 | 82.85 | |
| CHL | Conning Japan Ltd. | Asset management services | 100.00 | 100.00 | |
| CHL | Global Evolution Holding ApS | Holding company | 77.89 | 69.19 | Note 1 |
| 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 management | 55.50 | - | Note 5 |
| Pearlmark | Pearlmark Real Estate Services, LLC | Real estate investment management | 100.00 | - | Note 5 |
| Pearlmark | PREP Investment Advisers, LLC | Real estate investment management | 100.00 | - | Note 5 |
| Pearlmark | PEP GP II, LLC | Real estate investment management | 52.00 | - | Note 5 |
| 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 6 |
| 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 3 |
| Cathay Power | Neo Cathay Power Corp. (“Neo Cathay Power”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| Cathay Power | Cathay Wind Power Holdings Co., Ltd. (“Cathay Wind Power Holdings”) | Energy technical services | 100.00 | - | Note 8 |
| Cathay Power | Cathay Wind Power Co., Ltd. (“Cathay Wind Power”) | Energy technical services | 100.00 | - | Note 9 |
| 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 3 |
| CM Energy | Tian Ji Energy Co., Ltd. (“Tian Ji Energy”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| CM Energy | Tian Ji Power Co., Ltd. (“Tian Ji Power”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| CM Energy | Chen Fong Power Co., Ltd. (“Chen Fong Power”) | Energy technical services and machinery manufacturing of power generation, transmission, and distribution | - | 100.00 | Note 4 |
| Hong Tai Energy | Hong Tai Power Co., Ltd. (“Hong Tai Power”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| Neo Cathy Power | Si Yi Co., Ltd. (“Si Yi”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| Neo Cathy Power | Da Li Energy Co., Ltd. (“Da Li”) | Energy technical services | 100.00 | 100.00 | Note 3 |
| Neo Cathy Power | Yong Han Co., Ltd. (“Yong Han”) | Energy technical services | 100.00 | 100.00 | Note 3 |

Note 1: On June 22, 2022, non-controlling interests executed the put options on the subsidiary’s shares such that 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 executed the put options on the subsidiary’s shares, and its ownership interest increased from 69.19% to 69.44% and from 69.44% to 69.85%, respectively. On September 12, 2023, non-controlling interests executed the put options on the subsidiary’s shares such that CHL acquired an additional 8.04% of equity shares, and its ownership interest increased from 69.85% to 77.89%.

Note 2: The Company originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using the equity method. On November 25, 2022, the Company acquired a further share of equity, which increased its ownership interest to 70%, and obtained control of Cathay Power and its subsidiaries. Refer to Note 43 for the description of the business combination.

Note 3: 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 the Company originally held, and obtained control of Neo Cathay Power, CM Energy and their subsidiaries.

Note 4: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for $31,000 thousand in cash. Refer to Note 43 for the description of the business combination. On May 2, 2023, CM Energy disposed of Chen Fong Power's shares. Refer to Note 44 for the description of the disposal of the subsidiaries.

Note 5: 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 43 for the description of the business combination.

Note 6: On March 15, 2023, Octagon Funds GP III LLC was established.

Note 7: On July 6, 2023, the Company's board of directors resolved to dispose of its 100% equity shares in CHL and subsidiary and exchanged for approximately 16.75% of equity shares in Generali Investments Holding S.p.A. However, the transaction is subject to approval from the domestic and international regulatory authorities.

Note 8: On December 28, 2023, Cathay Wind Power Holdings Co., Ltd. was established.

Note 9: On December 29, 2023, Cathay Wind Power Co., Ltd. was established.

b. Subsidiaries excluded from the consolidated financial statements

| | | | Ownership Interest (%) December 31 | | |
|---|---|---|---|---|---|
| Investors | Investees | Business | 2023 | 2022 | Note |
| The Company | Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting") | Securities investment consulting services | 100.00 | 100.00 | |

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

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Investments in unconsolidated subsidiaries | $ 696,540 | $ 687,870 |
| Investments in associates | 30,177,764 | 28,795,892 |
| | $ 30,874,304 | $ 29,483,762 |

Refer to Table 1 and Table 6 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cathay Securities Investment Consulting | $ 696,540 | $ 687,870 |

b. Investments in associates

Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| The Group' share of: | | |
| Net income | $ 1,890,456 | $ 1,965,622 |
| Other comprehensive (loss) income | (375,799) | 3,593 |
| Total comprehensive income for the period | $ 1,514,657 | $ 1,969,215 |

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

The investments in associates were not pledged as collateral.

## 13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Time deposits | $ 13,811,775 | $ 10,255,945 |
| Financial debentures | 19,445,871 | 21,954,705 |
| Corporate bonds | 19,948,861 | 23,298,196 |
| Government bonds | 25,793,052 | 33,612,054 |
| Overseas bonds | 3,975,209,682 | 3,911,600,937 |
| Asset-backed securities | 1,792,000 | 2,237,000 |
| Less: Litigation deposits | (1,497,930) | (1,527,314) |
| Less: Deposits to Central Bank | (7,162,898) | (6,331,720) |
| Less: Derivative collateral | (145,703) | (5,054,740) |
| Less: Loss allowance (Note) | (3,382,841) | (3,464,013) |
| | $ 4,043,811,869 | $ 3,986,581,050 |

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 the maturity due to increases in credit risk, which resulted in losses on disposal of $136,705 thousand and gains on disposal of $394,900 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 thousand, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of $3,449,701 thousand and $9,880,990 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in losses on disposal of $204,607 thousand and gains on disposal of $256,483 thousand, respectively.

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

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

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

| | Investment Property | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Total | Investment Property Under Construction | Prepayments for Buildings and Land - Investments |
| Balance at January 1, 2022 | $ 379,246,002 | $ 131,112,269 | $ 510,358,271 | $ 3,412,376 | $ 242,642 |
| Additions | 3,995,792 | - | 3,995,792 | 3,501,288 | 4,705,481 |
| Disposals | (22) | - | (22) | - | - |
| Reclassification | 3,563,570 | 1,169,176 | 4,732,746 | (1,168,388) | (3,454,682) |
| Gain on changes in fair value of investment property | 1,326,271 | 585,024 | 1,911,295 | - | - |
| Foreign exchange | (81,265) | (18,422) | (99,687) | 2,491 | 7,902 |
| Others | - | (5,067) | (5,067) | - | - |
| Balance at December 31, 2022 | $ 388,050,348 | $ 132,842,980 | $ 520,893,328 | $ 5,747,767 | $ 1,501,343 |
| Balance at January 1, 2023 | $ 388,050,348 | $ 132,842,980 | $ 520,893,328 | $ 5,747,767 | $ 1,501,343 |
| Additions | - | - | - | 7,797,704 | 4,582,784 |
| Disposals | (85,714) | (38,580) | (124,294) | - | - |
| Reclassification | 2,004,040 | 4,613,706 | 6,617,746 | (4,610,452) | (2,007,294) |
| Gain (loss) on changes in fair value of investment property | 1,626,017 | (1,853,686) | (227,669) | - | - |
| Foreign exchange | 608,561 | 865,712 | 1,474,273 | 48,468 | 111,890 |
| Balance at December 31, 2023 | $ 392,203,252 | $ 136,430,132 | $ 528,633,384 | $ 8,983,487 | $ 4,188,723 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental income from investment properties | $ 13,063,391 | $ 12,602,166 |
| Direct operating expenses of investment properties that generate rental income | (881,432) | (847,254) |
| Direct operating expenses of investment properties that do not generate rental income | (160,066) | (227,326) |
| | $ 12,021,893 | $ 11,527,586 |

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, investment properties of the Company amounted to $494,336,309 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group’s lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

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

d. The fair value of the Group's investment property has been carried out by the appraisers of the joint appraisal firms that meet the qualification requirements of real estate appraisers in the R.O.C., and the valuation dates were December 31, 2023 and 2022 respectively.

| | December 31 | |
|---|---|---|
| **Name of Appraiser Firms** | **2023** | **2022** |
| DTZ Real Estate Appraiser Firm | Chang-da, Yang;<br>Gen-yuan, Li;<br>Chia-ho, Tsai;<br>Chun-chun, Hu | Chang-da, Yang;<br>Gen-yuan, Li;<br>Chia-ho, Tsai;<br>Chun-chun, Hu |
| Savills plc Real Estate Appraiser Firm | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang;<br>Cheng-Yeh, Wu;<br>Shih-Yu, Yeh | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang |
| REPro KnightFrank Real Estate Appraiser Firm | Yu-hsiang, Tsai;<br>Hsiang-yi, Hsu | Yu-hsiang, Tsai;<br>Hsiang-yi, Hsu |
| V-LAND Real Estate Appraiser Firm | Xi-Zhong, Wang; | Xi-Zhong, Wang; |
| Shang-shang Real Estate Appraiser Firm | Hong-yuan, Wang;<br>Jian-Hao, Huang | Hong-yuan, Wang;<br>Jian-Hao, Huang |
| Sinyi Real Estate Appraiser Firm | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang |
| Elite Real Estate Appraiser Firm | Yu-lin, Chen;<br>Yi-huei Luo;<br>Siou-ying, Jhan | Yu-lin, Chen;<br>Yi-huei Luo |
| CBRE Real Estate Appraiser Firm | Fu-xue, Shi | Fu-xue, Shi;<br>Chih-wei, Li |
| China Credit Information Service Ltd. | Zhi-Hao, Wu;<br>Wei-Ru, Li | Zhi-Hao, Wu;<br>Wei-Ru, Li |
| LinkU Real Estate Appraisal and Consulting Services | Lin-Yu, Lian | Lin-Yu, Lian;<br>Sheng-Feng, Lai |
| Colliers International Group Inc. | Feng-Ru, Ke;<br>Jian-Huei Gu | Feng-Ru, Ke |

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

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

The main inputs used are as follows:

| | 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 disposed of in the future, to decide the direct capitalization rate and discount rate. The discount rates for the properties acquired after May 11, 2020 had been determined in accordance with the amendment to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Beginning balance | $ 496,638,049 | $ 487,338,266 |
| Amount recognized in profit or loss | | |
| (Loss) gain from investment property | (227,669) | 1,911,295 |
| Amount recognized in other comprehensive loss | | |
| Exchange differences resulting from translation of the financial statements of foreign operations | 1,474,273 | (99,687) |
| Additions | - | 3,995,792 |
| Disposals | (124,294) | - |
| Transfers from investment property under construction | 1,237,309 | 1,168,449 |
| Transfers from prepayments for buildings and land | 3,254 | 727 |
| Transfers from investment property measured at cost | - | 2,218,659 |
| Transfers from property and equipment | - | 109,615 |
| Others | - | (5,067) |
| Ending balance | $ 499,000,922 | $ 496,638,049 |

The above amounts did not include those measured at cost.

e. Refer to Table 5 for the acquisition of individual real estate at costs or price of at least NT$100 million or 20% of the paid-in capital.

## 15. LOANS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Life insurance policy loans (a) | $ 159,276,467 | $ 156,111,633 |
| Premium loans (b) | 14,315,810 | 13,930,759 |
| Secured loans (c) | 232,364,383 | 282,671,605 |
| Non-accrual receivables | 1,919,816 | 1,930,779 |
| | 407,876,476 | 454,644,776 |
| Less: Loss allowance | (4,050,220) | (4,348,367) |
| | $ 403,826,256 | $ 450,296,409 |

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

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

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. Refer to Note 39 for related information of loss allowance for the years ended December 31, 2023 and 2022.

## 16. REINSURANCE ASSETS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Due from reinsurers and ceding companies | $ 592,591 | $ 610,530 |
| Reinsurance reserve assets | | |
| Ceded unearned premium reserve | 1,241,869 | 1,180,752 |
| Ceded loss reserve | 117,196 | 122,896 |
| Ceded policy reserve | 348,004 | 387,605 |
| Non-accrual receivables | - | 22,951 |
| | 2,299,660 | 2,324,734 |
| Less: Loss allowance | - | (15,287) |
| | $ 2,299,660 | $ 2,309,447 |

**CNY Co-reinsurance Business**

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

a. Purpose, rationalization and expected benefit

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

b. Claims recovered from reinsurers and reinsurance commission income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Claims recovered from reinsurers | $ 27,651 | $ 30,223 |
| Reinsurance commission income | 1,770 | 1,866 |

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

Net income from reinsurance of $6,942 thousand was recognized for the year ended December 31, 2023 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission income of $1,770 thousand + Claims recovered from reinsurers of $27,651 thousand - Net changes in reinsurance reserve assets of $16,338 thousand - Foreign exchange loss of $6,141 thousand.

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

e. Accounting treatment for ceded CNY co-reinsurance business

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

f. Other notes designated by authorities: None.

## 17. PROPERTY AND EQUIPMENT

| | Land | Buildings and Construction | Computer Equipment | Leasehold Improvement | Transportation Equipment | Other Equipment | Construction in Progress and Prepayment for Real Estate Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2022 | $ 18,447,500 | $ 21,009,718 | $ 4,239,087 | $ 640,785 | $ 11,225 | $ 4,034,000 | $ 1,188,173 | $ 49,570,488 |
| Acquisitions through business combinations (Note 43) | 8,010 | - | - | - | - | 10,179,365 | 1,306,878 | 11,494,253 |
| Additions | 16 | - | 778,269 | 12,434 | - | 576,170 | 890,714 | 2,257,603 |
| Disposals | (45,421 ) | (257,992 ) | (136,478 ) | - | - | (223,473 ) | (3 ) | (663,367 ) |
| Reclassification | 40,797 | 1,328,586 | (353,125 ) | - | - | 333,464 | (1,558,953 ) | (209,231 ) |
| Foreign exchange | - | 10,765 | 119,030 | 32,721 | 61 | 8,953 | - | 171,530 |
| Balance at December 31, 2022 | $ 18,450,902 | $ 22,091,077 | $ 4,646,783 | $ 685,940 | $ 11,286 | $ 14,908,479 | $ 1,826,809 | $ 62,621,276 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2022 | $ 103,134 | $ 12,737,922 | $ 2,815,378 | $ 403,797 | $ 10,061 | $ 3,571,849 | $ - | $ 19,642,141 |
| Acquisitions through business combinations (Note 43) | - | - | - | - | - | 1,633,713 | - | 1,633,713 |
| Depreciation expenses | - | 385,610 | 286,469 | 55,178 | 256 | 240,921 | - | 968,434 |
| Disposals | (4,866 ) | (146,242 ) | (107,257 ) | - | - | (223,270 ) | - | (481,635 ) |
| Reclassification | - | - | (17,107 ) | - | - | 17,107 | - | - |
| Foreign exchange | - | 2,688 | 26,042 | 15,627 | 45 | 4,522 | - | 48,924 |
| Balance at December 31, 2022 | $ 98,268 | $ 12,979,978 | $ 3,003,525 | $ 474,602 | $ 10,362 | $ 5,244,842 | $ - | $ 21,811,577 |
| Carrying amount at December 31, 2022 | $ 18,352,634 | $ 9,111,099 | $ 1,643,258 | $ 211,338 | $ 924 | $ 9,663,637 | $ 1,826,809 | $ 40,809,699 |

(Continued)

| | Land | Buildings and Construction | Computer Equipment | Leasehold Improvement | Transportation Equipment | Other Equipment | Construction in Progress and Prepayment for Real Estate Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2023 | $ 18,450,902 | $ 22,091,077 | $ 4,646,783 | $ 685,940 | $ 11,286 | $ 14,908,479 | $ 1,826,809 | $ 62,621,276 |
| Acquisitions through business combinations (Note 43) | - | - | 6,946 | - | - | 1,077 | - | 8,023 |
| Additions | - | - | 619,899 | 28,643 | 1,237 | 902,924 | 996,857 | 2,549,560 |
| Disposals | (2,980 ) | (14,697 ) | (106,788 ) | (30,001 ) | (1,221 ) | (19,015 ) | (127,418 ) | (302,120 ) |
| Disposal of subsidiary (Note 44) | - | - | - | - | - | - | (1,097 ) | (1,097 ) |
| Reclassification | - | 45,933 | - | - | - | 1,730,075 | (1,776,008 ) | - |
| Foreign exchange | - | (11,716 ) | (4,115 ) | (4,512 ) | (66 ) | 843 | - | (19,566 ) |
| Balance at December 31, 2023 | $ 18,447,922 | $ 22,110,597 | $ 5,162,725 | $ 680,070 | $ 11,236 | $ 17,524,383 | $ 919,143 | $ 64,856,076 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2023 | $ 98,268 | $ 12,979,978 | $ 3,003,525 | $ 474,602 | $ 10,362 | $ 5,244,842 | $ - | $ 21,811,577 |
| Acquisitions through business combinations (Note 43) | - | - | 5,618 | - | - | 1,043 | - | 6,661 |
| Depreciation expense | - | 391,955 | 419,027 | 49,314 | 255 | 813,539 | - | 1,674,090 |
| Disposals | - | (8,664 ) | (103,531 ) | (30,001 ) | (1,098 ) | (14,624 ) | - | (157,918 ) |
| Foreign exchange | - | (1,398 ) | (3,654 ) | (4,131 ) | (40 ) | 534 | - | (8,689 ) |
| Balance at December 31, 2023 | $ 98,268 | $ 13,361,871 | $ 3,320,985 | $ 489,784 | $ 9,479 | $ 6,045,334 | $ - | $ 23,325,721 |
| Carrying amount at December 31, 2023 | $ 18,349,654 | $ 8,748,726 | $ 1,841,740 | $ 190,286 | $ 1,757 | $ 11,479,049 | $ 919,143 | $ 41,530,355 |

(Concluded)

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

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

b. Property and equipment pledged as collateral are set out in Note 37.

## 18. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Land | $ 258,198 | $ 175,445 |
| Buildings | 1,887,440 | 2,060,486 |
| Office equipment | 18,548 | 14,619 |
| Transportation equipment | 12,836 | 17,867 |
| | $ 2,177,022 | $ 2,268,417 |
| Right-of-use assets presented as investment properties | $ 13,127,027 | $ 13,499,663 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Additions to right-of-use assets | $ 655,760 | $ 474,515 |
| Acquisitions through business combinations (Note 43) | $ - | $ 639,514 |
| Depreciation expense for right-of-use assets | | |
| Land | $ 14,623 | $ 1,629 |
| Buildings | 660,742 | 632,565 |
| Office equipment | 8,517 | 9,693 |
| Transportation equipment | 7,986 | 8,664 |
| | $ 691,868 | $ 652,551 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | $ 16,604,525 | $ 16,645,248 |

Range of discount rates for lease liabilities is as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Land | 1.24%-2.63% | 1.24%-2.63% |
| Buildings | 1.11%-8.57% | 1.11%-8.57% |
| Office equipment | 4.67%-4.76% | 4.67%-4.76% |
| Transportation equipment | 2.49%-3.66% | 2.49%-3.66% |
| Investment property - right of superficies | 2.82%-4.24% | 2.82%-4.24% |

## 19. INTANGIBLE ASSETS

| | Computer Software | Franchises | Trademarks | Customer Relationships | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2022 | $ 2,808,262 | $ 37,659,600 | $ 363,265 | $ 5,406,299 | $ 13,324,628 | $ 193,138 | $ 59,755,192 |
| Acquisitions through business combinations (Note 43) | 4,589 | - | - | - | 519,580 | - | 524,169 |
| Additions - acquired separately | 282,633 | - | - | - | - | - | 282,633 |
| Disposals | (64,341) | - | - | - | - | - | (64,341) |
| Foreign exchange | 8,252 | - | 39,593 | 589,246 | 1,134,003 | 21,050 | 1,792,144 |
| Balance at December 31, 2022 | $ 3,039,395 | $ 37,659,600 | $ 402,858 | $ 5,995,545 | $ 14,978,211 | $ 214,188 | $ 62,289,797 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2022 | $ 2,274,212 | $ 13,515,990 | $ - | $ 2,279,391 | $ - | $ 193,138 | $ 18,262,731 |
| Acquisitions through business combinations (Note 43) | 790 | - | - | - | - | - | 790 |
| Amortizations | 217,796 | 1,788,416 | - | 376,223 | - | - | 2,382,435 |
| Disposals | (23,353) | - | - | - | - | - | (23,353) |
| Foreign exchange | 6,801 | - | - | 259,230 | - | 21,050 | 287,081 |
| Balance at December 31, 2022 | $ 2,476,246 | $ 15,304,406 | $ - | $ 2,914,844 | $ - | $ 214,188 | $ 20,909,684 |
| Carrying amount at December 31, 2022 | $ 563,149 | $ 22,355,194 | $ 402,858 | $ 3,080,701 | $ 14,978,211 | $ - | $ 41,380,113 |

(Continued)

| | Computer Software | Franchises | Trademarks | Customer Relationships | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2023 | $ 3,039,395 | $ 37,659,600 | $ 402,858 | $ 5,995,545 | $ 14,978,211 | $ 214,188 | $ 62,289,797 |
| Acquisitions through business combinations (Note 43) | - | - | 62,126 | 95,930 | 145,689 | - | 303,745 |
| Additions - acquired separately | 244,336 | - | - | - | - | 3,044 | 247,380 |
| Disposal of subsidiary (Note 44) | - | - | - | - | (961) | - | (961) |
| Foreign exchange | (5,431) | - | 928 | 6,157 | 11,492 | 189 | 13,335 |
| Balance at December 31, 2023 | $ 3,278,300 | $ 37,659,600 | $ 465,912 | $ 6,097,632 | $ 15,134,431 | $ 217,421 | $ 62,853,296 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2023 | $ 2,476,246 | $ 15,304,406 | $ - | $ 2,914,844 | $ - | $ 214,188 | $ 20,909,684 |
| Amortizations | 241,256 | 1,788,416 | - | 399,079 | - | - | 2,428,751 |
| Foreign exchange | (4,775) | - | - | (3,108) | - | 189 | (7,694) |
| Balance at December 31, 2023 | $ 2,712,727 | $ 17,092,822 | $ - | $ 3,310,815 | $ - | $ 214,377 | $ 23,330,741 |
| Carrying amount at December 31, 2023 | $ 565,573 | $ 20,566,778 | $ 465,912 | $ 2,786,817 | $ 15,134,431 | $ 3,044 | $ 39,522,555 |

(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 | 3-6 years |

b. The Group recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. on July 1, 2015; (2) 100% interest in Conning Holdings Limited by the Company 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; (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% by the Company on November 25, 2022;(6) Chen Fong Power through CM Energy, a 70% owned subsidiary of the Group on December 28, 2022. (7) 55.5% interest in Pearlmark Real Estate LLC (through Conning & Company, a 100% owned subsidiary of the Group) on March 28, 2023. As of December 31, 2023 and 2022, the carrying amounts of goodwill were $15,134,431 thousand and $14,978,211 thousand, respectively.

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

## 20. OTHER ASSETS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Insurance Industry Stability Fund (a) | $ 14,258,549 | $ 13,670,579 |
| Less: Reserve for Insurance Industry Stability Fund (a) | (14,258,549) | (13,670,579) |
| Guarantee deposits paid (b) | 26,082,321 | 54,815,576 |
| Deferred acquisition costs (c) | 289,733 | 1,263 |
| Prepayments | 985,406 | 995,564 |
| Net defined benefit assets (Note 29) | 8,446,927 | 7,841,970 |
| Others | 4,052,829 | 1,230,808 |
| | $ 39,857,216 | $ 64,885,181 |

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

b. Guarantee deposits paid are comprised of:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Insurance operation guarantee deposit | $ 11,893,967 | $ 11,051,421 |
| Deposit for futures and options trading | 5,511,189 | 7,737,937 |
| Deposit for derivatives trading | 6,753,349 | 33,927,663 |
| Other guarantee deposits | 1,923,816 | 2,098,555 |
| | $ 26,082,321 | $ 54,815,576 |

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

c. Deferred acquisition costs

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 1,263 | $ 1,563 |
| Additions | 294,846 | - |
| Amortization | (6,376) | (300) |
| Ending balance | $ 289,733 | $ 1,263 |

## 21. PAYABLES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Notes payable | $ 1,463,909 | $ 1,322,031 |
| Claims payable | 1,062,040 | 1,003,080 |
| Commissions payable | 2,761,531 | 2,794,028 |
| Due to reinsurers and ceding companies | 1,289,508 | 1,176,672 |
| Other payables | 16,339,487 | 16,042,650 |
| | $ 22,916,475 | $ 22,338,461 |

## 22. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| First perpetual non-cumulative subordinated corporate bonds of 2016 (a) | $ 35,000,000 | $ 35,000,000 |
| First perpetual cumulative subordinated corporate bonds of 2017 (b) | 35,000,000 | 35,000,000 |
| First perpetual cumulative subordinated corporate bonds of 2019 (c) | 10,000,000 | 10,000,000 |
| First unsecured cumulative subordinated corporate bonds of 2023 (d) | 25,100,000 | - |
| Second USD-denominated unsecured cumulative subordinated corporate bonds of 2023 (e) | 3,473,055 | - |
| Third USD-denominated unsecured cumulative subordinated corporate bonds of 2023 (f) | 768,375 | - |
| Fourth unsecured cumulative subordinated corporate bonds of 2023 (g) | 5,500,000 | - |
| | $ 114,841,430 | $ 80,000,000 |

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

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

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

3) Years to maturity: Perpetual.

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

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

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

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense of $1,259,821 thousand and $1,260,000 thousand was recorded as finance costs for the years ended December 31, 2023 and 2022, respectively.

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

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

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

3) Years to maturity: Perpetual.

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

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $1,152,970 thousand and $1,155,000 thousand was recorded as finance costs for the years ended December 31, 2023 and 2022, respectively.

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

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

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

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3%.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $299,580 thousand and $300,000 thousand was recorded as finance costs for the years ended December 31, 2023 and 2022, respectively.

d. Pursuant to Order No. Securities-TPEx-Bond-11200070741 of the Taipei Exchange, the Company issued first unsecured cumulative subordinated corporate bonds on August 1, 2023. Key terms and conditions are as follows:

1) Issue amount: $25,100,000 thousand, which is divided into Note A of $17,600,000 thousand and Note B of $7,500,000 thousand by issue terms.

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

3) Years to maturity: Note A is 10 years, and Note B is 15 years.

4) Coupon rate: Fixed rate of 3.70% for Note A and 3.85% for Note B.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $392,924 thousand was recorded as finance costs for the year ended December 31, 2023.

e. Pursuant to Order No. Securities-TPEx-Bond-11200073801 of the Taipei Exchange, the Company issued second USD-denominated unsecured cumulative subordinated corporate bonds on August 7, 2023. Key terms and conditions are as follows:

1) Issue amount: US$113,000 thousand.

2) Principal amount and issue price: The face value is US$100 thousand each and is issued at par.

3) Years to maturity: 10 years.

4) Coupon rate: Fixed rate of 6.1%.

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

6) Right of early redemption: None.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $87,406 thousand was recorded as finance costs for the year ended December 31, 2023.

f. Pursuant to Order No. Securities-TPEx-Bond-11200097881 of the Taipei Exchange, the Company issued third USD-denominated unsecured cumulative subordinated corporate bonds on October 4, 2023. Key terms and conditions are as follows:

1) Issue amount: US$25,000 thousand.

2) Principal amount and issue price: The face value is US$100 thousand each and is issued at par.

3) Years to maturity: 10 years.

4) Coupon rate: Fixed rate of 6.1%.

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

6) Right of early redemption: None.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $11,587 thousand was recorded as finance costs for the year ended December 31, 2023.

g. Pursuant to Order No. Securities-TPEx-Bond-11200099051 of the Taipei Exchange, the Company issued fourth USD-denominated unsecured cumulative subordinated corporate bonds on October 12, 2023. Key terms and conditions are as follows:

1) Issue amount: $5,500,000 thousand, which is divided into Note A of $2,500,000 thousand and Note B of $3,000,000 thousand by issue terms.

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

3) Years to maturity: 10 years.

4) Coupon rate: Fixed rate of 3.70% for Note A and 3.85% for Note B.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $46,032 thousand was recorded as finance costs for the year ended December 31, 2023.

## 23. INSURANCE LIABILITIES

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

a. The Company

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 79,580 | $ - | $ 79,580 | $ 79,271 | $ - | $ 79,271 |
| Individual injury insurance | 8,230,736 | - | 8,230,736 | 7,803,429 | - | 7,803,429 |
| Individual health insurance | 11,752,319 | - | 11,752,319 | 11,100,338 | - | 11,100,338 |
| Group insurance | 1,049,514 | - | 1,049,514 | 954,483 | - | 954,483 |
| Investment-linked insurance | 126,000 | - | 126,000 | 125,502 | - | 125,502 |
| | 21,238,149 | - | 21,238,149 | 20,063,023 | - | 20,063,023 |
| Less ceded unearned premium reserve: | | | | | | |
| Individual life insurance | 917,216 | - | 917,216 | 906,602 | - | 906,602 |
| Individual injury insurance | 22,636 | - | 22,636 | 20,883 | - | 20,883 |
| Individual health insurance | 302,017 | - | 302,017 | 253,267 | - | 253,267 |
| | 1,241,869 | - | 1,241,869 | 1,180,752 | - | 1,180,752 |
| | $ 19,996,280 | $ - | $ 19,996,280 | $ 18,882,271 | $ - | $ 18,882,271 |

The changes in unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 20,063,023 | $ - | $ 20,063,023 | $ 19,034,590 | $ - | $ 19,034,590 |
| Provision | 21,238,149 | - | 21,238,149 | 20,062,971 | - | 20,062,971 |
| Recovery | (20,063,023) | - | (20,063,023) | (19,034,590) | - | (19,034,590) |
| Foreign exchange | - | - | - | 52 | - | 52 |
| Ending balance | 21,238,149 | - | 21,238,149 | 20,063,023 | - | 20,063,023 |
| Less ceded unearned premium reserve: | | | | | | |
| Beginning balance | 1,180,752 | - | 1,180,752 | 1,131,321 | - | 1,131,321 |
| Increase | 61,117 | - | 61,117 | 49,431 | - | 49,431 |
| Ending balance | 1,241,869 | - | 1,241,869 | 1,180,752 | - | 1,180,752 |
| Net ending balance | $ 19,996,280 | $ - | $ 19,996,280 | $ 18,882,271 | $ - | $ 18,882,271 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | |
| Filed but not paid | $ 3,612,703 | $ 10,835 | $ 3,623,538 | $ 3,632,013 | $ 56,967 | $ 3,688,980 |
| Not yet filed | 23,952 | - | 23,952 | 64,860 | - | 64,860 |
| Individual injury insurance | | | | | | |
| Filed but not paid | 79,315 | - | 79,315 | 97,805 | - | 97,805 |
| Not yet filed | 2,385,053 | - | 2,385,053 | 2,169,522 | - | 2,169,522 |
| Individual health insurance | | | | | | |
| Filed but not paid | 898,217 | - | 898,217 | 1,168,438 | - | 1,168,438 |
| Not yet filed | 4,457,349 | - | 4,457,349 | 3,764,126 | - | 3,764,126 |
| Group insurance | | | | | | |
| Filed but not paid | 66,110 | - | 66,110 | 60,563 | - | 60,563 |
| Not yet filed | 969,275 | - | 969,275 | 973,994 | - | 973,994 |
| Investment-linked insurance | | | | | | |
| Filed but not paid | 196,654 | - | 196,654 | 196,278 | - | 196,278 |
| Not yet filed | 584 | - | 584 | 1,954 | - | 1,954 |
| | 12,689,212 | 10,835 | 12,700,047 | 12,129,553 | 56,967 | 12,186,520 |
| Less ceded loss reserve | | | | | | |
| Individual life insurance | 102,672 | - | 102,672 | 102,962 | - | 102,962 |
| Individual health insurance | 4,565 | - | 4,565 | 11,306 | - | 11,306 |
| | 107,237 | - | 107,237 | 114,268 | - | 114,268 |
| | $ 12,581,975 | $ 10,835 | $ 12,592,810 | $ 12,015,285 | $ 56,967 | $ 12,072,252 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 12,129,553 | $ 56,967 | $ 12,186,520 | $ 11,147,615 | $ 31,747 | $ 11,179,362 |
| Provision | 12,682,082 | 10,835 | 12,692,917 | 12,091,353 | 56,967 | 12,148,320 |
| Recovery | (12,129,553) | (56,967) | (12,186,520) | (11,147,615) | (31,747) | (11,179,362) |
| Foreign exchange | 7,130 | - | 7,130 | 38,200 | - | 38,200 |
| Ending balance | 12,689,212 | 10,835 | 12,700,047 | 12,129,553 | 56,967 | 12,186,520 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 114,268 | - | 114,268 | 39,602 | - | 39,602 |
| Increase | - | - | - | 74,666 | - | 74,666 |
| Decrease | (7,031) | - | (7,031) | - | - | - |
| Ending balance | 107,237 | - | 107,237 | 114,268 | - | 114,268 |
| Net ending balance | $ 12,581,975 | $ 10,835 | $ 12,592,810 | $ 12,015,285 | $ 56,967 | $ 12,072,252 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance (Note 1) | $ 5,710,437,275 | $ 2,393 | $ 5,710,439,668 | $ 5,651,086,978 | $ 2,609 | $ 5,651,089,587 |
| Injury insurance | 7,656,551 | - | 7,656,551 | 7,566,436 | - | 7,566,436 |
| Health insurance | 1,008,730,124 | - | 1,008,730,124 | 936,818,624 | - | 936,818,624 |
| Annuity insurance | 1,052,875 | 5,624,513 | 6,677,388 | 1,080,857 | 7,771,653 | 8,852,510 |
| Investment-linked insurance | 989,369 | - | 989,369 | 841,041 | - | 841,041 |
| Total (Note 2) | 6,728,866,194 | 5,626,906 | 6,734,493,100 | 6,597,393,936 | 7,774,262 | 6,605,168,198 |
| Less ceded policy reserve | | | | | | |
| Life insurance | 339,816 | - | 339,816 | 362,295 | - | 362,295 |
| | $ 6,728,526,378 | $ 5,626,906 | $ 6,734,153,284 | $ 6,597,031,641 | $ 7,774,262 | $ 6,604,805,903 |

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to $6,734,996,167 thousand and $6,605,655,261 thousand as of December 31, 2023 and 2022, respectively.

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 6,597,393,936 | $ 7,774,262 | $ 6,605,168,198 | $ 6,273,750,350 | $ 10,400,305 | $ 6,284,150,655 |
| Provision | 476,622,432 | 77,676 | 476,700,108 | 499,690,507 | 80,917 | 499,771,424 |
| Recovery | (347,888,550) | (2,225,036) | (350,113,586) | (323,509,524) | (2,707,015) | (326,216,539) |
| Foreign exchange | 2,738,376 | 4 | 2,738,380 | 147,462,603 | 55 | 147,462,658 |
| Ending balance | 6,728,866,194 | 5,626,906 | 6,734,493,100 | 6,597,393,936 | 7,774,262 | 6,605,168,198 |
| Less ceded policy reserve | | | | | | |
| Beginning balance | 362,295 | - | 362,295 | 374,908 | - | 374,908 |
| Decrease | (16,338) | - | (16,338) | (17,953) | - | (17,953) |
| Foreign exchange | (6,141) | - | (6,141) | 5,340 | - | 5,340 |
| Ending balance | 339,816 | - | 339,816 | 362,295 | - | 362,295 |
| Net ending balance | $ 6,728,526,378 | $ 5,626,906 | $ 6,734,153,284 | $ 6,597,031,641 | $ 7,774,262 | $ 6,604,805,903 |

4) Special reserve

| | December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Participating policies dividends reserve | $ 7,215 | $ - | $ - | $ 7,215 | $ (13,396) | $ - | $ - | $ (13,396) |
| Dividend risk reserve | - | - | - | - | 15,805 | - | - | 15,805 |
| Special reserve for revaluation increments of property | - | - | 11,083,324 | 11,083,324 | - | - | 11,083,324 | 11,083,324 |
| | $ 7,215 | $ - | $ 11,083,324 | $ 11,090,539 | $ 2,409 | $ - | $ 11,083,324 | $ 11,085,733 |

The changes of special reserve are summarized below:

| | For the Year Ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Beginning balance | $ 2,409 | $ - | $ 11,083,324 | $ 11,085,733 | $ 1,735 | $ - | $ 11,083,324 | $ 11,085,059 |
| Provision for participating policies dividends reserve | 30,827 | - | - | 30,827 | 39,305 | - | - | 39,305 |
| Recovery of participating policies dividends reserve | (10,216) | - | - | (10,216) | (10,847) | - | - | (10,847) |
| Recovery of dividend risk reserve | (15,805) | - | - | (15,805) | (27,784) | - | - | (27,784) |
| Ending balance | $ 7,215 | $ - | $ 11,083,324 | $ 11,090,539 | $ 2,409 | $ - | $ 11,083,324 | $ 11,085,733 |

5) Premium deficiency reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 5,148,053 | $ - | $ 5,148,053 | $ 6,802,796 | $ - | $ 6,802,796 |
| Individual injury insurance | 3,975 | - | 3,975 | 4,495 | - | 4,495 |
| Individual health insurance | 1,546,245 | - | 1,546,245 | 1,323,134 | - | 1,323,134 |
| Group insurance | 72,335 | - | 72,335 | 41 | - | 41 |
| | $ 6,770,608 | $ - | $ 6,770,608 | $ 8,130,466 | $ - | $ 8,130,466 |

The changes of premium deficiency reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 8,130,466 | $ - | $ 8,130,466 | $ 9,808,215 | $ - | $ 9,808,215 |
| Provision | 247,695 | - | 247,695 | 90,249 | - | 90,249 |
| Recovery | (1,617,502) | - | (1,617,502) | (2,015,884) | - | (2,015,884) |
| Foreign exchange | 9,949 | - | 9,949 | 247,886 | - | 247,886 |
| Ending balance | $ 6,770,608 | $ - | $ 6,770,608 | $ 8,130,466 | $ - | $ 8,130,466 |

6) Other reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Other | $ 1,834,253 | $ - | $ 1,834,253 | $ 1,845,253 | $ - | $ 1,845,253 |

The changes of other reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 1,845,253 | $ - | $ 1,845,253 | $ 1,865,925 | $ - | $ 1,865,925 |
| Recovery | (11,000) | - | (11,000) | (20,672) | - | (20,672) |
| Ending balance | $ 1,834,253 | $ - | $ 1,834,253 | $ 1,845,253 | $ - | $ 1,845,253 |

7) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2023 | 2022 |
| Unearned premium reserve | $ 21,238,149 | $ 20,063,023 |
| Policy reserve | 6,734,996,167 | 6,605,655,261 |
| Premium deficiency reserve | 6,770,608 | 8,130,466 |
| Other reserve | 1,834,253 | 1,845,253 |
| Book value of insurance liabilities | $ 6,764,839,177 | $ 6,635,694,003 |
| Estimated present value of cash flows | $ 6,250,314,949 | $ 5,623,410,666 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| 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 | Under assets allocation plan on September 30, 2023, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2022, with neutral assumption for discount rates after 30 years | Under assets allocation plan on September 30, 2022, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 30 years. |

b. Cathay Lujiazui Life

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

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 4,137 | $ - | $ 4,137 | $ 4,290 | $ - | $ 4,290 |
| Individual health insurance | 39,916 | - | 39,916 | 54,256 | - | 54,256 |
| Group insurance | 366,515 | - | 366,515 | 360,274 | - | 360,274 |
| | $ 410,568 | $ - | $ 410,568 | $ 418,820 | $ - | $ 418,820 |

The changes of unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 418,820 | $ - | $ 418,820 | $ 399,789 | $ - | $ 399,789 |
| Provision | 631,211 | - | 631,211 | 696,546 | - | 696,546 |
| Recovery | (631,532) | - | (631,532) | (684,571) | - | (684,571) |
| Foreign exchange | (7,931) | - | (7,931) | 7,056 | - | 7,056 |
| Ending balance | $ 410,568 | $ - | $ 410,568 | $ 418,820 | $ - | $ 418,820 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | |
| Filed but not paid | $ - | $ - | $ - | $ 806 | $ - | $ 806 |
| Not yet filed | - | - | - | 43,055 | - | 43,055 |
| Individual injury insurance | | | | | | |
| Filed but not paid | - | - | - | 117 | - | 117 |
| Not yet filed | 4,349 | - | 4,349 | 3,638 | - | 3,638 |
| Individual health insurance | | | | | | |
| Filed but not paid | 160 | - | 160 | 5,365 | - | 5,365 |
| Not yet filed | 18,771 | - | 18,771 | 305,738 | - | 305,738 |
| Group insurance | | | | | | |
| Filed but not paid | 12,788 | - | 12,788 | 4,548 | - | 4,548 |
| Not yet filed | 520,760 | - | 520,760 | 154,092 | - | 154,092 |
| | 556,828 | - | 556,828 | 517,359 | - | 517,359 |
| Less ceded loss reserve | | | | | | |
| Individual injury insurance | 226 | - | 226 | 35 | - | 35 |
| Individual health insurance | 4,834 | - | 4,834 | 4,323 | - | 4,323 |
| Group insurance | 4,899 | - | 4,899 | 4,270 | - | 4,270 |
| | 9,959 | - | 9,959 | 8,628 | - | 8,628 |
| | $ 546,869 | $ - | $ 546,869 | $ 508,731 | $ - | $ 508,731 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 517,359 | $ - | $ 517,359 | $ 531,501 | $ - | $ 531,501 |
| Provision | 1,874,745 | - | 1,874,745 | 1,868,988 | - | 1,868,988 |
| Recovery | (1,824,742) | - | (1,824,742) | (1,892,600) | - | (1,892,600) |
| Foreign exchange | (10,534) | - | (10,534) | 9,470 | - | 9,470 |
| Ending balance | 556,828 | - | 556,828 | 517,359 | - | 517,359 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 8,628 | - | 8,628 | 11,895 | - | 11,895 |
| Increase | 44,243 | - | 44,243 | 40,146 | - | 40,146 |
| Decrease | (42,727) | - | (42,727) | (43,632) | - | (43,632) |
| Foreign exchange | (185) | - | (185) | 219 | - | 219 |
| Ending balance | 9,959 | - | 9,959 | 8,628 | - | 8,628 |
| Net ending balance | $ 546,869 | $ - | $ 546,869 | $ 508,731 | $ - | $ 508,731 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 64,680,315 | $ - | $ 64,680,315 | $ 48,821,991 | $ - | $ 48,821,991 |
| Health insurance | 7,577,114 | - | 7,577,114 | 6,050,882 | - | 6,050,882 |
| Investment-linked insurance | 641 | - | 641 | 729 | - | 729 |
| | 72,258,070 | - | 72,258,070 | 54,873,602 | - | 54,873,602 |
| Less ceded loss reserve | | | | | | |
| Individual life insurance | 2,240 | - | 2,240 | 5,410 | - | 5,410 |
| Health insurance | 5,948 | - | 5,948 | 19,900 | - | 19,900 |
| | 8,188 | - | 8,188 | 25,310 | - | 25,310 |
| | $ 72,249,882 | $ - | $ 72,249,882 | $ 54,848,292 | $ - | $ 54,848,292 |

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 54,873,602 | $ - | $ 54,873,602 | $ 41,188,616 | $ - | $ 41,188,616 |
| Provision | 23,488,990 | - | 23,488,990 | 15,996,085 | - | 15,996,085 |
| Recovery | (4,775,450) | - | (4,775,450) | (2,969,487) | - | (2,969,487) |
| Reclassification | (15,580) | - | (15,580) | (41,413) | - | (41,413) |
| Foreign exchange | (1,313,492) | - | (1,313,492) | 699,801 | - | 699,801 |
| Ending balance | 72,258,070 | - | 72,258,070 | 54,873,602 | - | 54,873,602 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 25,310 | - | 25,310 | 20,207 | - | 20,207 |
| Increase | 31,557 | - | 31,557 | 96,506 | - | 96,506 |
| Decrease | (48,447) | - | (48,447) | (91,749) | - | (91,749) |
| Foreign exchange | (232) | - | (232) | 346 | - | 346 |
| Ending balance | 8,188 | - | 8,188 | 25,310 | - | 25,310 |
| Ending balance | $ 72,249,882 | $ - | $ 72,249,882 | $ 54,848,292 | $ - | $ 54,848,292 |

4) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2023 | 2022 |
| Unearned premium reserve | $ 410,568 | $ 418,820 |
| Policy reserve | 72,258,070 | 54,873,602 |
| Book value of insurance liabilities | $ 72,668,638 | $ 55,292,422 |
| Estimated present value of cash flows | $ 58,134,910 | $ 44,233,938 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| 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 best estimated scenario investment return based on actuary report of 2022, with neutral assumption for discount rates after 40 years | Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 40 years. |

c. Cathay Life (Vietnam)

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

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 14,021 | $ - | $ 14,021 | $ 16,851 | $ - | $ 16,851 |
| Individual health insurance | 48,096 | - | 48,096 | 48,876 | - | 48,876 |
| | $ 62,117 | $ - | $ 62,117 | $ 65,727 | $ - | $ 65,727 |

The changes of unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 65,727 | $ - | $ 65,727 | $ 61,852 | $ - | $ 61,852 |
| Recovery | (1,903) | - | (1,903) | (644) | - | (644) |
| Foreign exchange | (1,707) | - | (1,707) | 4,519 | - | 4,519 |
| Ending balance | $ 62,117 | $ - | $ 62,117 | $ 65,727 | $ - | $ 65,727 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | |
| Filed but not paid | $ 6,378 | $ - | $ 6,378 | $ 7,744 | $ - | $ 7,744 |
| Individual injury insurance | | | | | | |
| Filed but not paid | 1,660 | - | 1,660 | 2,024 | - | 2,024 |
| Not yet filed | 2,974 | - | 2,974 | 3,528 | - | 3,528 |
| Individual health insurance | | | | | | |
| Filed but not paid | 15,650 | - | 15,650 | 11,585 | - | 11,585 |
| Not yet filed | 16,432 | - | 16,432 | 16,883 | - | 16,883 |
| Investment-linked insurance | | | | | | |
| Filed but not paid | 10,869 | - | 10,869 | 14,418 | - | 14,418 |
| | $ 53,963 | $ - | $ 53,963 | $ 56,182 | $ - | $ 56,182 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 56,182 | $ - | $ 56,182 | $ 52,518 | $ - | $ 52,518 |
| Recovery | (732) | - | (732) | (181) | - | (181) |
| Foreign exchange | (1,487) | - | (1,487) | 3,845 | - | 3,845 |
| Ending balance | $ 53,963 | $ - | $ 53,963 | $ 56,182 | $ - | $ 56,182 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 11,224,655 | $ - | $ 11,224,655 | $ 10,265,046 | $ - | $ 10,265,046 |
| Investment-linked insurance | 1,889,486 | - | 1,889,486 | 1,399,875 | - | 1,399,875 |
| | $ 13,114,141 | $ - | $ 13,114,141 | $ 11,664,921 | $ - | $ 11,664,921 |

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 11,664,921 | $ - | $ 11,664,921 | $ 9,134,177 | $ - | $ 9,134,177 |
| Provision | 1,818,154 | - | 1,818,154 | 1,819,683 | - | 1,819,683 |
| Foreign exchange | (368,934) | - | (368,934) | 711,061 | - | 711,061 |
| Ending balance | $ 13,114,141 | $ - | $ 13,114,141 | $ 11,664,921 | $ - | $ 11,664,921 |

4) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2023 | 2022 |
| Unearned premium reserve | $ 62,117 | $ 65,727 |
| Policy reserve | 13,114,141 | 11,664,921 |
| Book value of insurance liabilities | $ 13,176,258 | $ 11,730,648 |
| Estimated present value of cash flows | $ 6,590,822 | $ 5,334,677 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| 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 Vietnam government bond rates in secondary market 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. |

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

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of December 31, 2023 and 2022, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Life insurance | $ 68,168 | $ 70,368 |
| Investment-linked insurance | 1,084,937 | 1,125,751 |
| | $ 1,153,105 | $ 1,196,119 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 1,196,119 | $ 1,165,040 |
| Net provision of statutory reserve | 849,683 | 390,550 |
| Claims and payments | (891,959) | (391,986) |
| Foreign exchange | (738) | 32,515 |
| Ending balance | $ 1,153,105 | $ 1,196,119 |

b. Cathay Lujiazui Life

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Life insurance | $ 22,371,094 | $ 17,299,350 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 17,299,350 | $ 14,023,748 |
| Premiums received | 7,920,719 | 4,919,957 |
| Claims and payments | (3,249,125) | (2,541,393) |
| Net provision of statutory reserve | 808,164 | 655,577 |
| Foreign exchange | (408,014) | 241,461 |
| Ending balance | $ 22,371,094 | $ 17,299,350 |

## 25. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedging strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

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

c. Effects due to reserve for foreign exchange valuation

| Items | For the Year Ended December 31, 2023 Inapplicable Amount (1) | Applicable Amount (2) | Effects (2)-(1) |
|---|---|---|---|
| Net income attributable to owners of the Company | $ (6,641,018) | $ 16,343,087 | $ 22,984,105 |
| (Loss) earnings per share | (1.05) | 2.57 | 3.62 |
| Reserve for foreign exchange valuation | - | 20,773,326 | 20,773,326 |
| Equity attributable to owners of the Company | 631,434,519 | 618,418,755 | (13,015,764) |

| Items | For the Year Ended December 31, 2022 Inapplicable Amount (1) | Applicable Amount (2) | Effects (2)-(1) |
|---|---|---|---|
| Net income attributable to owners of the Company | $ 66,026,953 | $ 33,667,168 | $ (32,359,785) |
| Earnings per share | 11.27 | 5.75 | (5.52) |
| Reserve for foreign exchange valuation | - | 49,503,457 | 49,503,457 |
| Equity attributable to owners of the Company | 492,816,674 | 456,816,805 | (35,999,869) |

## 26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 373,570,678 | $ 81,764 | $ 373,652,442 | $ 391,971,337 | $ 85,176 | $ 392,056,513 |
| Reinsurance premium | 121,264 | - | 121,264 | 127,412 | - | 127,412 |
| Premium income | 373,691,942 | 81,764 | 373,773,706 | 392,098,749 | 85,176 | 392,183,925 |
| Less: Reinsurance expenses | (2,815,511) | - | (2,815,511) | (2,605,069) | - | (2,605,069) |
| Net changes in unearned premium reserve | (1,114,009) | - | (1,114,009) | (978,950) | - | (978,950) |
| Retained earned premium | $ 369,762,422 | $ 81,764 | $ 369,844,186 | $ 388,514,730 | $ 85,176 | $ 388,599,906 |

2) Cathay Lujiazui Life

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 26,662,671 | $ - | $ 26,662,671 | $ 17,260,974 | $ - | $ 17,260,974 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 26,662,671 | - | 26,662,671 | 17,260,974 | - | 17,260,974 |
| Less: Reinsurance expenses | (104,573) | - | (104,573) | (159,791) | - | (159,791) |
| Net changes in unearned premium reserve | 321 | - | 321 | (11,975) | - | (11,975) |
| Retained earned premium | $ 26,558,419 | $ - | $ 26,558,419 | $ 17,089,208 | $ - | $ 17,089,208 |

3) Cathay Life (Vietnam)

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 3,790,097 | $ - | $ 3,790,097 | $ 3,573,325 | $ - | $ 3,573,325 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 3,790,097 | - | 3,790,097 | 3,573,325 | - | 3,573,325 |
| Less: Reinsurance expenses | (76,593) | - | (76,593) | (67,389) | - | (67,389) |
| Net changes in unearned premium reserve | 1,903 | - | 1,903 | 644 | - | 644 |
| Retained earned premium | $ 3,715,407 | $ - | $ 3,715,407 | $ 3,506,580 | $ - | $ 3,506,580 |

b. Retained claim payments

1) The Company

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 424,355,105 | $ 2,335,059 | $ 426,690,164 | $ 394,439,145 | $ 2,797,673 | $ 397,236,818 |
| Reinsurance claim payments | 75,083 | - | 75,083 | 123,146 | - | 123,146 |
| Insurance claim payments | 424,430,188 | 2,335,059 | 426,765,247 | 394,562,291 | 2,797,673 | 397,359,964 |
| Less: Claims recovered from reinsures | (1,939,372) | - | (1,939,372) | (1,558,859) | - | (1,558,859) |
| Retained claim payments | $ 422,490,816 | $ 2,335,059 | $ 424,825,875 | $ 393,003,432 | $ 2,797,673 | $ 395,801,105 |

2) Cathay Lujiazui Life

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 3,674,692 | $ - | $ 3,674,692 | $ 2,392,883 | $ - | $ 2,392,883 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 3,674,692 | - | 3,674,692 | 2,392,883 | - | 2,392,883 |
| Less: Claims recovered from reinsures | (94,188) | - | (94,188) | (143,170) | - | (143,170) |
| Retained claim payments | $ 3,580,504 | $ - | $ 3,580,504 | $ 2,249,713 | $ - | $ 2,249,713 |

3) Cathay Life (Vietnam)

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 750,701 | $ - | $ 750,701 | $ 459,774 | $ - | $ 459,774 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 750,701 | - | 750,701 | 459,774 | - | 459,774 |
| Less: Claims recovered from reinsures | - | - | - | - | - | - |
| Retained claim payments | $ 750,701 | $ - | $ 750,701 | $ 459,774 | $ - | $ 459,774 |

## 27. PROVISIONS

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 56,245 | $ 56,245 |
| Change in the year | - | - |
| Ending balance | $ 56,245 | $ 56,245 |

## 28. OTHER LIABILITIES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Advance receipts | $ 499,920 | $ 470,727 |
| Deferred fee income | 357,180 | 2,865 |
| Guarantee deposits received | 15,864,062 | 3,809,537 |
| Others (Note) | 3,928,769 | 6,112,837 |
| | $ 20,649,931 | $ 10,395,966 |

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to $1,510,416 thousand and $2,087,103 thousand as of December 31, 2023 and 2022, respectively.

Deferred fee income

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 2,865 | $ 3,397 |
| Increase | 355,767 | - |
| Amortization | (8,000) | (610) |
| Foreign exchange | 6,548 | 78 |
| Ending balance | $ 357,180 | $ 2,865 |

## 29. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is 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:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Present value of defined benefit obligation | $ 10,721,337 | $ 10,719,245 |
| Fair value of plan assets | (19,168,264) | (18,561,215) |
| Net defined benefit assets | $ (8,446,927) | $ (7,841,970) |

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

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|---|---|---|
| Balance at January 1, 2022 | $ 12,232,321 | $ (19,930,312) | $ (7,697,991) |
| Service cost | | | |
| Current service cost | 243,630 | - | 243,630 |
| Interest expense (income) | 77,320 | (129,544) | (52,224) |
| Recognized in profit or loss | 320,950 | (129,544) | 191,406 |
| Return on plan assets (excluding amounts included in net interest) | - | 688,569 | 688,569 |
| Actuarial gain | | | |
| Changes in financial assumptions | (393,611) | - | (393,611) |
| Experience adjustments | (354,554) | - | (354,554) |
| Recognized in other comprehensive (income) loss | (748,165) | 688,569 | (59,596) |
| Contributions from the employer | - | (275,789) | (275,789) |
| Benefits paid | (1,085,861) | 1,085,861 | - |
| Balance at December 31, 2022 | 10,719,245 | (18,561,215) | (7,841,970) |
| Service cost | | | |
| Current service cost | 221,846 | - | 221,846 |
| Interest expense (income) | 122,480 | (219,032) | (96,552) |
| Recognized in profit or loss | 344,326 | (219,032) | 125,294 |
| Return on plan assets (excluding amounts included in net interest) | - | (1,258,038) | (1,258,038) |
| Actuarial loss | | | |
| Changes in financial assumptions | 20,585 | - | 20,585 |
| Experience adjustments | 800,449 | - | 800,449 |
| Recognized in other comprehensive loss (income) | 821,034 | (1,258,038) | (437,004) |
| Contributions from the employer | - | (293,247) | (293,247) |
| Benefits paid | (1,163,268) | 1,163,268 | - |
| Balance at December 31, 2023 | $ 10,721,337 | $ (19,168,264) | $ (8,446,927) |

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 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 and operation are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.

2) Interest rate: A decrease in 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 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 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:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate | 1.17% | 1.20% |
| Expected rate of salary increase | 1.50% | 1.50% |

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:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate(s) | | |
| Increase 0.25% | $ (171,541) | $ (182,227) |
| Decrease 0.25% | $ 171,541 | $ 182,227 |
| Expected rate(s) of salary increase | | |
| Increase 0.5% | $ 343,083 | $ 364,454 |
| Decrease 0.5% | $ (321,640) | $ (353,735) |

The above sensitivity analysis 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.

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Expected contributions to the plans for the next year | $ 292,740 | $ 276,783 |
| Average duration of the defined benefit obligation | 6.4 years | 6.8 years |

## 30. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Number of shares authorized (in thousands) | 10,000,000 | 10,000,000 |
| Shares authorized | $ 100,000,000 | $ 100,000,000 |
| Number of shares issued and fully paid (in thousands) | 6,351,527 | 6,351,527 |
| Shares issued | $ 63,515,274 | $ 63,515,274 |

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

On October 20, 2022, the Company's board of directors (on behalf of the shareholders' meeting) resolved to issue 500,000 thousand ordinary shares with a par of $10; on December 23, 2022, the Company's board of directors resolved to issue the shares for a consideration of $70 per share which increased the share capital issued and fully paid to $63,515,274 thousand. The above transaction was approved by the FSC on December 15, 2022, and the subscription base date was determined by the board of directors to be December 28, 2022.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Additional paid-in capital | $ 89,550,000 | $ 89,550,000 |
| Differences between share price and book value from acquisition or disposal of subsidiaries | 29,142 | 29,142 |
| Changes in amount of associates accounted for using the equity method | 1,386,888 | 728,977 |
| Share-based payments granted by the parent company to the Company's employees | 622,273 | 616,359 |
| | $ 91,588,303 | $ 90,924,478 |

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

On November 18, 2022, Cathay Financial Holdings, board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries subscribing. In December 2022 and February 2023, the Company recognized salary expenses and a capital surplus of $433,760 thousand and $5,914 thousand, respectively, for share-based payments at the fair value of the options at the grant date.

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

c. Retained earnings and dividends policy

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

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

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

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

The appropriations of earnings for 2022 and 2021 had been approved by the board of directors (on behalf of the shareholders' meeting) on April 27, 2023 and May 13, 2022, respectively. The appropriations and dividends per share were as follows:

| | **Appropriation of Earnings For the Year Ended December 31** | |
|---|---|---|
| | **2022** | **2021** |
| Legal reserve | $ 4,854,778 | $ 22,725,076 |
| Special reserve | 25,036,354 | 74,437,689 |
| Cash dividends | - | 22,445,733 |
| Cash dividends per share (NT$) | - | 3.84 |

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on March 5, 2024, were as follows:

| | **Appropriation of Earnings** |
|---|---|
| Legal reserve | $ 3,305,975 |
| Special reserve | 24,224,528 |

In addition, special reserve of $5,488,104 thousand to offset a deficit was proposed by the Company's board of directors on the same day.

The appropriation of earnings and the special reserve to offset a deficit for 2023 will be resolved by the Company's board of directors (on behalf of the shareholders' meeting) on April 30, 2024.

d. Special reserves

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Special reserve for catastrophic events and fluctuation of risks (1) | $ 14,412,891 | $ 14,043,862 |
| Special reserve for the foreign exchange valuation reserve (2) | 38,731,694 | 36,304,306 |
| Special reserve appropriated at the first-time adoption of IFRS Accounting Standards (3) | 47,327,860 | 47,327,860 |
| Special reserve for investment properties at fair value model in subsequent measurement (4) | 149,796,291 | 149,344,667 |
| Special reserve for gains or losses on disposal of immature debt instruments (5) | 99,537,427 | 103,261,225 |
| Others (6) | 128,269,737 | 108,271,495 |
| | $ 478,075,900 | $ 458,553,415 |

1) Special reserve for catastrophic events and fluctuation of risks

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

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

a) Special reserve for catastrophic events

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

b) Special reserve for fluctuation of risks

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

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

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

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

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

| | **December 31, 2023** | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial Instruments with Discretionary Participation Features** | **Total** |
| Life insurance | $ 83,364 | $ - | $ 83,364 |
| Injury insurance | 4,978,800 | - | 4,978,800 |
| Health insurance | 6,064,993 | - | 6,064,993 |
| Group insurance | 3,285,734 | - | 3,285,734 |
| | $ 14,412,891 | $ - | $ 14,412,891 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | $ 82,281 | $ - | $ 82,281 |
| Injury insurance | 4,888,144 | - | 4,888,144 |
| Health insurance | 5,865,714 | - | 5,865,714 |
| Group insurance | 3,207,723 | - | 3,207,723 |
| | $ 14,043,862 | $ - | $ 14,043,862 |

2) Special reserve for foreign exchange valuation reserve

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

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

3) Special reserve appropriated at the first-time adoption of IFRS Accounting Standards

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

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

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

In accordance with Jin Guan Bao Tsai No. 10904917647, the Company set aside special reserve based on net after-tax effect for the first-time adoption of fair value model in subsequent measurement and the accumulated net after-tax gain on subsequent fair value measurements.

The aforementioned special reserve can only be used to compensate the deficit of insurance liabilities of the insurance contract in accordance with IFRS 17 “Insurance Contracts,” the fair value assessment of insurance contract liabilities in the life insurance industry and other assessment methods specified by the FSC.

When the Company disposes of the investment properties, if the special reserve under the aforementioned regulations is used to replenish the insurance contract liabilities, the percentage of the original special reserve may be reversed with the approval of the FSC. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

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

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

a) Financial assets not measured at fair value

b) Financial assets measured at FVTOCI

c) Financial assets measured at FVTPL using overlay approach

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

The changes in the accumulated balance of gains or losses on disposals of debt instruments are as follows:

| | **For the Year Ended December 31, 2023** |
|---|---|
| Accumulated balance at the end of the previous year | $ 99,537,427 |
| Realized capital gain of $2,751,025 thousand, net of income tax of $550,205 thousand | 2,200,820 |
| Net amortization for the current year | (5,507,656) |
| Accumulated balance at the end of the year | $ 96,230,591 |

As of December 31, 2023, the Company set aside a special reserve of $99,537,427 thousand in accordance with the regulation. In 2024, the board of directors (on behalf of the shareholders' meeting) will resolve to set aside a special reserve of $3,306,836 thousand according to the changes in the current year; the accumulated balance of the special reserve will be $96,230,591 thousand.

According to the regulation, the amortization table at the end of the previous year and the additions in the current year are as follows:

| Year | Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Previous Year (1) | Gains or Losses on Disposal (Recovery) After Tax in the Current Year (2) | Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Current Year (1)+(2) |
|---|---|---|---|
| 2023 | $ 5,552,125 | $ (44,469) | $ 5,507,656 |
| 2024 | 5,403,597 | (33,340) | 5,370,257 |
| 2025 | 5,194,215 | (3,493) | 5,190,722 |
| 2026 | 4,991,465 | 35,173 | 5,026,638 |
| 2027 | 4,958,026 | 61,687 | 5,019,713 |
| 2028 | 4,832,817 | 83,976 | 4,916,793 |
| 2029 | 4,621,436 | 97,863 | 4,719,299 |
| 2030 | 4,370,284 | 113,482 | 4,483,766 |
| 2031 | 4,243,022 | 137,561 | 4,380,583 |
| 2032 | 4,192,185 | 151,329 | 4,343,514 |
| 2033 to 2042 | 36,585,112 | 1,213,378 | 37,798,490 |
| 2043 to 2052 | 13,283,602 | 375,767 | 13,659,369 |
| 2053 to 2123 | 1,309,541 | 11,906 | 1,321,447 |
| Total (Note) | $ 99,537,427 | $ 2,200,820 | $ 96,230,591 |

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2023.

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

e. Other equity

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ (11,365,195) | $ (15,347,517) |
| Recognized for the year | 237,019 | 3,224,922 |
| Share of associates accounted for using the equity method | 183,054 | 921,077 |
| Tax effects | (44,423) | (163,677) |
| Other comprehensive income recognized for the year | 375,650 | 3,982,322 |
| Ending balance | $ (10,989,545) | $ (11,365,195) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ (47,338,891) | $ 38,259,385 |
| Recognized for the year | 37,572,282 | (114,526,089) |
| Share of associates accounted for using the equity method | (480,314) | (1,013,717) |
| Reclassification adjustment | | |
| Disposal of investments in debt instruments | (57,428) | 4,838,612 |
| Tax effects | (2,794,784) | 16,333,217 |
| Other comprehensive loss (income) recognized for the year | 34,239,756 | (94,367,977) |
| Changes in associates accounted for using the equity method | 74,792 | - |
| Cumulative unrealized (income) loss of equity instruments transferred to retained earnings due to disposal | (970,807) | 8,769,701 |
| Ending balance | $ (13,995,150) | $ (47,338,891) |

3) Gain on hedging instruments

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 950,265 | $ 335,851 |
| Recognized for the year | (1,330,627) | 276,963 |
| Reclassification adjustment | | |
| 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 | (439,766) | 614,414 |
| Ending balance | $ 510,499 | $ 950,265 |

4) Remeasurement of defined benefit plans

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 1,464,900 | $ 1,336,456 |
| Recognized for the year (Note 29) | 437,004 | 59,596 |
| Share of associates accounted for using the equity method | (154,806) | 99,843 |
| Tax effects | (56,255) | (30,995) |
| Other comprehensive income recognized for the year | 225,943 | 128,444 |
| Ending balance | $ 1,690,843 | $ 1,464,900 |

5) Property revaluation surplus

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 402,058 | $ 402,058 |
| Recognized for the year | 3,706 | - |
| Ending balance | $ 405,764 | $ 402,058 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $(170,788,822) | $ 63,853,017 |
| Recognized for the year | 157,410,791 | (230,979,027) |
| Reclassification adjustment | | |
| Disposal of investments in financial instruments | (39,175,843) | (21,659,425) |
| Tax effects | (8,067,274) | 17,996,613 |
| Other comprehensive income (loss) recognized for the year | 110,167,674 | (234,641,839) |
| Ending balance | $ (60,621,148) | $(170,788,822) |

7) Other equity - other

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

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 8,971,902 | $ 7,689,899 |
| Net income attributed to non-controlling interests | | |
| Net profit for the year | 423,321 | 502,011 |
| Other comprehensive income (loss) for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | (139,764) | 216,349 |
| Other comprehensive income (loss) reclassified using overlay approach | 412,786 | (179,950) |
| Acquisition of non-controlling interests in subsidiaries (Note 43) | 76,784 | 1,505,676 |
| Actual acquisition of interests in subsidiaries | (22,075) | (109,072) |
| Others | (266,704) | (653,011) |
| Ending balance | $ 9,456,250 | $ 8,971,902 |

## 31. EARNINGS PER SHARE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Basic earnings per share | $ 2.57 | $ 5.75 |

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

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Earnings used in the computation of basic earnings per share | $ 16,343,087 | $ 33,667,168 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 6,351,527 | 5,857,007 |

If reserve for foreign exchange valuation was not applicable, basic earnings per share would be $(1.05) and $11.27 for the years ended December 31, 2023 and 2022, respectively.

## 32. NET PROFIT FOR THE YEAR

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets at FVTOCI | $ 18,347,543 | $ 41,853,280 |
| Financial assets measured at amortized cost | 156,044,737 | 119,126,159 |
| Loans | 14,288,265 | 14,279,421 |
| Others | 8,196,021 | 4,056,611 |
| | $ 196,876,566 | $ 179,315,471 |

b. Expected credit impairment losses and gains on reversal

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Operating revenues - expected credit impairment losses and gains on reversal from investments | | |
| Debt instrument investments at FVTOCI | $ (25,395) | $ (728,807) |
| Financial assets measured at amortized cost | 128,926 | (2,644,185) |
| Interest receivables | (1,325,175) | (1,215,462) |
| Loans | 295,523 | 656,571 |
| | (926,121) | (3,931,883) |
| Operating expenses - expected credit impairment losses from non-investments | | |
| Receivables | (3,284) | (11,745) |
| Reinsurance assets | 15,287 | (15,287) |
| | 12,003 | (27,032) |
| | $ (914,118) | $ (3,958,915) |

c. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term benefits | | |
| Salaries | $ 36,579,225 | $ 34,032,544 |
| Labor and health insurance expenses | 3,076,661 | 3,009,287 |
| Post-employment benefits | | |
| Defined contribution plans | 1,076,834 | 1,076,901 |
| Defined benefit plans (Note 29) | 125,294 | 191,406 |
| Remuneration of directors | 131,856 | 138,870 |
| Other employee benefits | 825,228 | 780,469 |
| | $ 41,815,098 | $ 39,229,477 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 26,092,620 | $ 26,412,718 |
| Operating expenses | 15,722,478 | 12,816,759 |
| | $ 41,815,098 | $ 39,229,477 |

For the years ended December 31, 2023 and 2022, the average numbers of the Group’s employees were 37,841 and 39,083, respectively. Both including 25 non-executive directors.

For the years ended December 31, 2023 and 2022, the average employee benefits expense of the Group was $1,087 thousand and $984 thousand, respectively, and the average salary expense was $954 thousand and $857 thousand, respectively; the average employee salary increased by 11%.

d. Compensation of employees and remuneration of directors and supervisors

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

In compliance with the Company's Articles of Incorporation, the Company accrued compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2023 and 2022, respectively, as follows:

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Compensation of employees | $ 1,805 | $ 4,053 |
| Remuneration of directors and supervisors | 5,400 | 5,400 |

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

The compensation and remuneration of directors and supervisors for the years ended 2022 and 2021, which were resolved by the board of directors on March 9, 2023 and March 11, 2022, respectively, are as follows:

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2022** | **2021** |
| Compensation of employees | $ 4,053 | $ 12,462 |
| Remuneration of directors and supervisors | 5,400 | 5,400 |

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

e. Depreciation and amortization

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Property and equipment | $ 1,674,090 | $ 968,434 |
| Right-of-use assets | 691,868 | 652,551 |
| Intangible assets | 2,428,751 | 2,382,435 |
| | $ 4,794,709 | $ 4,003,420 |
| An analysis of depreciation by function | | |
| Operating expenses | $ 2,365,958 | $ 1,620,985 |
| An analysis of amortization by function | | |
| Operating expenses | $ 2,428,751 | $ 2,382,435 |

f. Non-operating income and expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Gain on disposal of property and equipment | $ 4,656 | $ 11,370 |
| Others | 2,748,639 | 1,847,145 |
| | $ 2,753,295 | $ 1,858,515 |

## 33. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | $ (3,057,658) | $ (2,880,146) |
| Adjustments for prior years | (37,019) | 116,779 |
| Deferred tax | | |
| In respect of the current year | 5,201,010 | 10,042,589 |
| Adjustments for prior years | (207,487) | 349 |
| Other | | |
| Tax effect under integrated income tax system | 225,799 | 233,581 |
| Income tax expense recognized in profit or loss | $ 2,124,645 | $ 7,513,152 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit before tax | $ 18,891,053 | $ 41,682,331 |
| Income tax expense calculated at the statutory rate | $ 3,778,210 | $ 8,336,466 |
| Tax-exempt income | (7,345,417) | (7,991,109) |
| Nondeductible expenses (benefits) in determining taxable income | 295,191 | (2,822) |
| Cash dividends | 3,109,575 | 4,008,576 |
| Effect of income tax on deferred tax assets | 153,022 | 257,818 |
| Withholding tax on foreign investments | 1,631,027 | 1,283,249 |
| Land value increment tax | 799,995 | 1,168,038 |
| Corporate income tax in China | 577 | 549 |
| Investment loss | - | (29,329) |
| Effect of different tax rates of entities in the Group operating in other jurisdictions | (170,241) | 100,929 |
| Tax effect under integrated income tax system | 225,799 | 233,581 |
| Unrealized loss carryforwards | (108,587) | 30,078 |
| Adjustments for prior years' tax | (244,506) | 117,128 |
| Income tax expense recognized in profit or loss | $ 2,124,645 | $ 7,513,152 |

Foreign withholding taxes in the amounts of $1,631,821 thousand and $1,284,013 thousand were recognized in current tax expense for the years ended December 31, 2023 and 2022, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Current tax | | |
| Derecognition of equity instruments at FVTOCI | $ 44,660 | $ 324,681 |
| Deferred tax | | |
| Derecognition of equity instruments at FVTOCI | (44,660) | (324,681) |
| Capital surplus | (162,964) | 30,088 |
| Total income tax recognized directly in equity | $ (162,964) | $ 30,088 |

c. Income tax recognized in other comprehensive (loss) income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Deferred tax | | |
| Recognized in other comprehensive (loss) income | | |
| Exchange differences on translation of the financial statements of foreign operations | $ (44,423) | $ (163,677) |
| Gains (losses) on hedging instruments | 110,266 | (147,644) |
| Unrealized gains on equity instruments at FVTOCI | 87,690 | 312,032 |
| Unrealized (losses) gains on debt instruments at FVTOCI | (2,875,524) | 15,931,536 |
| Remeasurement of defined benefit plans | (87,401) | (11,919) |
| Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method | 24,196 | 70,573 |
| Other comprehensive income reclassified using overlay approach | (8,067,274) | 17,996,613 |
| Total income tax recognized in other comprehensive (loss) income | $ (10,852,470) | $ 33,987,514 |

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

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Foreign Exchange | Other | Closing Balance |
|---|---|---|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | | | | |
| Temporary differences | | | | | | | |
| Property and equipment | $ 244,805 | $ (10,448) | $ - | $ - | $ - | $ - | $ 234,357 |
| Investment property | (33,140,209) | (1,587,560) | - | - | 10,994 | - | (34,716,775) |
| Financial assets at FVTPL | (4,733,984) | (5,656,306) | 2,715 | - | (255,422) | - | (10,642,997) |
| Financial assets at FVTPL applying overlay approach | 14,752,947 | (12,082) | (9,593,568) | - | - | - | 5,147,297 |
| Equity instruments at FVTOCI | (87,433) | - | 92,038 | - | - | - | 4,605 |
| Debt instruments at FVTOCI | 11,595,087 | 78,440 | (2,875,524) | - | - | - | 8,798,003 |
| Financial assets for hedging | (3,838) | 249 | 3,369 | - | - | - | (220) |
| Financial assets measured at amortized cost | 823,851 | 166,835 | - | - | - | - | 990,686 |
| Financial liabilities at FVTPL | 12,714,956 | (7,919,710) | - | - | - | - | 4,795,246 |
| Financial liabilities for hedging | 743,218 | (439,800) | 104,182 | - | - | - | 407,600 |
| Rent leveling | (153,422) | 4,097 | - | - | - | - | (149,325) |
| Other payables | 129,333 | 152,186 | - | - | (1,026) | - | 280,493 |
| Defined benefit assets | (1,568,394) | (33,591) | (87,401) | - | - | - | (1,689,386) |
| Investments accounted for using the equity method | (567,827) | (202,316) | (20,227) | (162,964) | 559 | - | (952,775) |
| Deferred revenue | 103,440 | (6,989) | - | - | (188) | - | 96,263 |
| Lease liabilities | 250,488 | 90,972 | - | - | - | - | 341,460 |
| Goodwill and franchises | 17,532 | (48,097) | - | - | - | - | (30,565) |
| Unrealized foreign exchange losses (gains) | (11,687,349) | 7,159,522 | 1,521,946 | (44,660) | - | - | (3,050,541) |
| Allowance for doubtful account | 205,989 | (45,501) | - | - | - | - | 160,488 |
| Other | (765,778) | (20,061) | - | - | (240) | - | (786,079) |
| Unused tax losses | 39,003,782 | 3,336,637 | - | - | (31) | - | 42,340,388 |
| Net deferred tax assets (liabilities) | $ 27,877,194 | $ (4,993,523) | $ (10,852,470) | $ (207,624) | $ (245,354) | $ - | $ 11,578,223 |
| Deferred tax assets | $ 80,501,622 | | | | | | $ 63,612,183 |
| Deferred tax liabilities | $ 52,624,428 | | | | | | $ 52,033,960 |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Foreign Exchange | Other | Closing Balance |
|---|---|---|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | | | | |
| Temporary differences | | | | | | | |
| Property and equipment | $ 255,610 | $ (10,805) | $ - | $ - | $ - | $ - | $ 244,805 |
| Investment property | (30,936,281) | (2,185,433) | - | - | (18,495) | - | (33,140,209) |
| Financial assets at FVTPL | (3,524,090) | (1,200,948) | - | - | (8,946) | - | (4,733,984) |
| Financial assets at FVTPL applying overlay approach | (12,495,467) | (58,205) | 25,428,273 | - | - | 1,878,346 | 14,752,947 |
| Equity instruments at FVTOCI | (164,914) | - | 415,878 | (338,397) | - | - | (87,433) |
| Debt instruments at FVTOCI | (4,552,720) | 216,271 | 15,931,536 | - | - | - | 11,595,087 |
| Financial assets for hedging | (100,129) | 31,530 | 64,761 | - | - | - | (3,838) |
| Financial assets measured at amortized cost | 141,079 | 682,772 | - | - | - | - | 823,851 |
| Financial liabilities at FVTPL | 585,060 | 12,129,896 | - | - | - | - | 12,714,956 |
| Financial liabilities for hedging | 47 | 955,440 | (212,269) | - | - | - | 743,218 |
| Rent leveling | (140,975) | (12,447) | - | - | - | - | (153,422) |
| Other payables | 158,733 | (44,422) | (136) | - | 15,158 | - | 129,333 |
| Defined benefit assets | (1,539,597) | (16,878) | (11,919) | - | - | - | (1,568,394) |
| Investments accounted for using the equity method | 2,148,829 | (765,447) | (93,104) | 30,088 | (9,847) | (1,878,346) | (567,827) |
| Deferred revenue | 102,391 | (10,536) | - | - | 11,585 | - | 103,440 |
| Lease liabilities | 150,943 | 99,545 | - | - | - | - | 250,488 |
| Goodwill and franchises | 65,629 | (48,097) | - | - | - | - | 17,532 |
| Unrealized foreign exchange losses (gains) | 54,647,115 | (58,812,674) | (7,535,506) | 13,716 | - | - | (11,687,349) |
| Allowance for doubtful account | 224,092 | (18,103) | - | - | - | - | 205,989 |
| Other | (741,143) | 48,971 | - | - | (73,606) | - | (765,778) |
| Unused tax losses | 25,753 | 38,976,632 | - | - | 1,397 | - | 39,003,782 |
| Net deferred tax assets (liabilities) | $ 4,309,965 | $ (10,042,938) | $ 33,987,514 | $ (294,593) | $ (82,754) | $ - | $ 27,877,194 |
| Deferred tax assets | $ 58,628,168 | | | | | | $ 80,501,622 |
| Deferred tax liabilities | $ 54,318,203 | | | | | | $ 52,624,428 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Loss carryforwards | | |
| Expiry in 2027 | $ - | $ 343 |
| Expiry in 2029 | 240 | 339 |
| Expiry in 2030 | 5,955 | 7,087 |
| Expiry in 2031 | 1,997 | 2,752 |
| Expiry in 2032 | 11,856 | 13,211 |
| Expiry in 2033 | 7,114 | - |
| | $ 27,162 | $ 23,732 |

f. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

| Unused Amount | Expiry Year |
|---|---|
| $ 105,087 | 2024 |
| 240 | 2029 |
| 5,955 | 2030 |
| 97,334 | 2031 |
| 195,902,986 | 2032 |
| 15,644,663 | 2033 |
| $ 211,756,265 | |

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 tax returns through 2017 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2015, 2016 and 2017 tax returns and applied for an administrative remedy.

i. Pillar Two income taxes

The countries where the Company's subsidiaries are domiciled have enacted legislation effective January 1, 2024 for the Pillar II Income Tax Act. The aforementioned countries of incorporation include Vietnam, the United Kingdom, Germany, Japan, Denmark and Luxembourg. As the Act has not yet become effective as of the end of the reporting period, there is no related current income tax impact on the consolidated company.

## 34. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Cathay Financial Holdings | The Company's parent company |
| Cathay Securities Investment Consulting | Subsidiary |
| Cathay Lujiazui Life | Subsidiary |
| Cathay Life (Vietnam) | Subsidiary |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Subsidiary |
| Cathay Woolgate Exchange Holding 1 Limited | Subsidiary |
| Cathay Woolgate Exchange Holding 2 Limited | Subsidiary |
| Cathay Walbrook Holding 1 Limited | Subsidiary |
| Cathay Walbrook Holding 2 Limited | Subsidiary |
| CHL | Subsidiary |
| Cathay Industrial Research and Design Center Co., Ltd. | Subsidiary |
| Global Evolution Holding ApS | Subsidiary |
| 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 Cathay Power | Subsidiary (Note 1) |
| CM Energy | Subsidiary (Note 1) |
| Shu Guang Energy | Subsidiary (Note 2) |
| Si Yi | Subsidiary (Note 2) |
| Da Li Energy | 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 | Subsidiary |
| Cathay Wind Power Holdings | Subsidiary |
| Chen Fong Power | Subsidiary from December 2022 to April 2023 |
| 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. | Subsidiary of associate |

(Continued)

| Related Party Name | Related Party Category |
|---|---|
| ThinkPower Information Co., Ltd. | Subsidiary of associate |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | Subsidiary of associate |
| Hong-Sui Co., Ltd. | Subsidiary of associate |
| Cathay United Bank Co., Ltd. | Fellow subsidiary |
| Cathay Century Insurance Co., Ltd. | Fellow subsidiary |
| Cathay Securities Corporation | Fellow subsidiary |
| Cathay Securities Investment Trust Co., Ltd. | Fellow subsidiary |
| Cathay Venture Inc. | Fellow subsidiary |
| Cathay Insurance (Vietnam) Co., Ltd. | Subsidiary of fellow subsidiary |
| Indovina Bank Limited | Subsidiary of fellow subsidiary |
| Cathay Futures Co., Ltd. | Subsidiary of fellow subsidiary |
| Funds managed by Cathay Securities Investment Trust Co., Ltd. | Other related party |
| Private Equity Fund managed by Cathay Private Equity | Other related party |
| Funds managed by Global Evolution Holdings ApS | Other related party |
| Funds managed by Octagon Credit Investors, LLC | Other related party |
| Bonds managed by Octagon Credit Investors, LLC | Other related party |
| Ally Logistic Property Co., Ltd. | Other related party |
| Cathay Real Estate Development Co., Ltd. | Other related party |
| Cathay Healthcare Management Co., Ltd. | Other related party |
| Cathay Medical Care Corp. | Other related party |
| Cathay Hospitality Management Co., Ltd. | Other related party |
| San Ching Engineering Co., Ltd. | Other related party |
| Cathay Hospitality Consulting Co., Ltd. | Other related party |
| Cymlin Co., Ltd. | Other related party |
| Cymder Co., Ltd. | Other related party |
| Cymbal Medical Network Co., Ltd. | Other related party |
| Hsin Chung Co., Ltd. | Other related party |
| Yi Ru Capital Co., Ltd. | Other related party |
| CDIB & PARTNERS Investment Holding Corporation | Other related party |
| Daiwa - Cathay Capital Markets Co., Ltd. | Other related party |
| Liang-Ting Co., Ltd. | Other related party |
| Srisawad Corporation Public Company Limited | Other related party |
| Cathay United Bank Foundation | Other related party |
| Cathay Real Estate Employee's Welfare Committee | Other related party |
| Financial Information Service Co., Ltd. | Other related party |
| Cathay Private Equity Smart Tech Limited Partnership | Other related party |
| Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship) | Other related party |

(Concluded)

Note 1: Associate before November 2022.

Note 2: Subsidiary of associate before November 2022.

b. Significant transactions with related parties:

1) Property transactions

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

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

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Name | Items | Amount | Items | Amount |
| Associate | | | | |
| Lin Yuan Property Management Co., Ltd. | Dun-Nan Xin-Yi Building etc. | $ 14,750 | Chu-nan Building, etc. | $ 4,973 |
| PSS Co., Ltd. | Taoyuan Ba-de Landmark etc. | 2,543 | Taoyuan Qing-Pu Information Center, etc. | 8,222 |
| | | 17,293 | | 13,195 |
| 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. | 1,188,027 | Yangmei Erchongxi Warehousing, etc. | 832,026 |
| | | 4,771,520 | | 2,586,247 |
| | | $ 4,788,813 | | $ 2,599,442 |

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

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

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

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 156,008 | $ 147,136 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 10,119 | 10,118 |
| Associate and its subsidiary | | |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | 63,458 | 44,340 |
| Hong-Sui Co., Ltd. | 32,065 | 28,436 |
| Symphox Information Co., Ltd. | 31,805 | 33,540 |
| Lin Yuan Property Management Co., Ltd. | 23,914 | 20,712 |
| CMG International Two Co., Ltd. | 3,312 | 3,013 |
| | 154,554 | 130,041 |
| Fellow subsidiary and its subsidiary | | |
| Cathay United Bank Co., Ltd. | 746,898 | 738,149 |
| Cathay Century Insurance Co., Ltd. | 135,043 | 128,757 |
| Cathay Securities Co., Ltd. | 62,963 | 61,519 |
| Cathay Securities Investment Trust Co., Ltd. | 59,180 | 59,069 |
| Cathay Venture Inc. | 9,140 | 8,108 |
| Cathay Futures Co., Ltd. | 7,399 | 7,292 |
| | 1,020,623 | 1,002,894 |
| 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 |
| Cathay Real Estate Development Co., Ltd. | 18,213 | 17,696 |
| Cymlin Co., Ltd. | 8,570 | 8,570 |
| 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 |
| Hsin Chung Co., Ltd. | - | 7,527 |
| | 1,535,077 | 1,670,331 |
| | $ 2,876,381 | $ 2,960,520 |

| Name | Guarantee Deposits Received December 31 2023 | 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 39,455 | $ 33,709 |
| Associate and its subsidiary | | |
| Yua-Yang Marketing (Taiwan) Co., Ltd. | 9,178 | 5,370 |
| Symphox Information Co., Ltd. | 7,723 | 11,708 |
| Lin Yuan Property Management Co., Ltd. | 5,454 | 1,905 |
| Hong-Sui Co., Ltd. | 4,260 | 4,740 |
| | 26,615 | 23,723 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 196,542 | 191,579 |
| Cathay Century Insurance Co., Ltd. | 35,818 | 33,772 |
| Cathay Securities Corporation | 17,673 | 14,719 |
| Cathay Securities Investment Trust Co., Ltd. | 13,293 | 13,293 |
| | 263,326 | 253,363 |
| 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 |
| Cathay Real Estate Development Co., Ltd. | 4,264 | 4,086 |
| Cymlin Co., Ltd. | 4,081 | 4,081 |
| Hsin Chung Co., Ltd. | - | 3,072 |
| | 746,057 | 679,024 |
| | $ 1,075,453 | $ 989,819 |

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 | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ - | $ 61,248 |
| Other related party | | |
| Yi Ru Capital Co., Ltd. | 5,035 | - |
| | $ 5,035 | $ 61,248 |

ii. Lease liabilities

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 7,084 | $ 38,541 |

iii. Lease expense

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Real Estate Development Co., Ltd. | $ 4,942 | $ - |

iv. Guarantee deposits paid

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 7,283 | $ 7,694 |

d) Acquisition of equipment from related parties - computer equipment and software

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Subsidiary of associate | | |
| ThinkPower Information Co., Ltd. | $ 12,349 | $ 33,840 |

e) Sale of equipment to related parties - computer equipment and software

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ - | $ 66,111 |

2) Acquisition of financial assets

For the year ended December 31, 2022

| Related Party Category/Name | Name of Securities | Number of Shares | Purchase Price |
|---|---|---|---|
| Others | | | |
| San Ching Engineering Co., Ltd. | Cathay Power Inc. | 78,998,400 | $ 982,162 |

3) Disposal of financial assets

For the year ended December 31, 2022

| Related Party Category/Name | Line Item | Underlying Assets | Proceeds | Gain on Disposal |
|---|---|---|---|---|
| Fellow subsidiary | | | | |
| Cathay Venture Inc. | Financial asset at FVTOCI | Ordinary shares | $ 483,478 | $ 42,342 |
| | Financial asset at FVTPL | Private equity fund | 479,700 | 89,700 |
| | | | $ 963,178 | $ 132,042 |

4) Shares transactions

a) Issuance of shares for cash by the Company

| Name | Nature of Transaction | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Parent company | | | |
| Cathay Financial Holdings | Ordinary shares | $ - | $ 35,000,000 |

b) Acquisition of shares issued by the 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 |
| | | $ - | $ 2,308,500 |

c) Balance of shares issued by the 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 | 146,500 | 143,800 |
| | | $ 4,494,430 | $ 4,603,663 |

Refer to Note 12, Table 1 and Table 6 for the balance of investment in associates.

5) Cash in banks

| Name | Nature of Transaction | December 31 2023 | December 31 2022 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Cathay United Bank Co., Ltd. | Time deposit | $ 2,032,367 | $ 1,867,186 |
| | Demand deposit | 34,479,507 | 43,913,419 |
| | Checking deposit | 202,681 | 197,778 |
| | Security deposit | 144,600 | 1,409,644 |
| | | 36,859,155 | 47,388,027 |
| Subsidiary of fellow subsidiary | | | |
| Indovina Bank Limited | Time deposit | 2,623,130 | 3,045,564 |
| | Demand deposit | 17,070 | 17,002 |
| | | 2,640,200 | 3,062,566 |
| | | $ 39,499,355 | $ 50,450,593 |

For the years ended December 31, 2023 and 2022, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to $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.

6) Loans

| Name | For the Year Ended December 31, 2023 Maximum Balance | Rate | Ending Balance |
|---|---|---|---|
| Other related party | $ 881,898 | 1.57%-8.19% | $ 818,385 |

| Name | For the Year Ended December 31, 2022 Maximum Balance | Rate | Ending Balance |
|---|---|---|---|
| Other related party | $ 929,925 | 1.25%-5.34% | $ 859,415 |

For the years ended December 31, 2023 and 2022, the interest income earned from above loans to other related party amounted to $17,971 thousand and $13,240 thousand, respectively.

7) Balance of bonds managed by related parties

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

8) Balance of funds managed by related parties

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

9) Balance of discretionary management investments

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 258,244,838 | $ 202,504,395 |

10) Other receivables

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings (Note) | $ 18,321,042 | $ 14,465,582 |
| Fellow subsidiary and its subsidiary | | |
| Indovina Bank Limited | 116,324 | 111,737 |
| Cathay United Bank Co., Ltd. | 83,429 | 57,872 |
| Cathay Century Insurance Co., Ltd. | 80,749 | 131,089 |
| Cathay Securities Investment Trust Co., Ltd. | 37,459 | 32,547 |
| Cathay Insurance (Vietnam) Co., Ltd. | 5,038 | 2,367 |
| Cathay Venture Inc. | - | 961,728 |
| | 322,999 | 1,297,340 |
| | $ 18,644,041 | $ 15,762,922 |

Note: Income tax refundable under the integrated income tax system.

11) Guarantee deposits paid (for future transactions)

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Subsidiary of fellow subsidiary | | |
| Cathay Futures Co., Ltd. | $ 2,307,880 | $ 3,390,281 |

For the years ended December 31, 2023 and 2022, the interest income earned from the above guarantee deposits paid in Cathay Futures Co., Ltd. amounted to $12,215 thousand and $2,266 thousand, respectively.

12) Guarantee deposits received

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Associate | | |
| Lin Yuan Property Management Co., Ltd. | $ 5,000 | $ 5,000 |
| 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 |
| | $ 3,699,416 | $ 3,102,251 |

13) Other payables

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings (Note) | $ 70,810 | $ 70,989 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 25,650 | 25,883 |
| Associate | | |
| Symphox Information Co., Ltd. | 3,232 | 6,296 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 249,593 | 303,859 |
| Cathay Century Insurance Co., Ltd | 8,011 | 1,517 |
| Cathay Securities Investment Trust Co., Ltd. | 13,953 | 12,549 |
| | 271,557 | 317,925 |
| | $ 371,249 | $ 421,093 |

Note: The payables are comprised of remuneration of directors and supervisors and accrued interests of bonds payable.

14) Bonds payable

| Name | December 31 2023 | December 31 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 35,000,000 | $ 35,000,000 |

15) Premium income

| Name | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 8,775 | $ 6,924 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 134,354 | 141,978 |
| Cathay Century Insurance Co., Ltd. | 27,634 | 29,481 |
| Cathay Securities Corporation | 17,785 | 17,542 |
| Cathay Securities Investment Trust Co., Ltd. | 5,028 | 4,913 |
| | 184,801 | 193,914 |
| Associate | | |
| Lin Yuan Property Management Co., Ltd. | 5,732 | 3,738 |
| Other related party | | |
| Cathay Medical Care Corp. | 58,402 | 55,580 |
| San Ching Engineering Co., Ltd. | 4,848 | 4,075 |
| Financial Information Service Co., Ltd. | 3,313 | 2,781 |
| Cathay Healthcare Management Co., Ltd. | 3,208 | 3,387 |
| Cathay Real Estate Employee's Welfare Committee | 3,023 | 3,662 |
| Others | 120,671 | 142,617 |
| | 193,465 | 212,102 |
| | $ 392,773 | $ 416,678 |

16) Fee income

| Name | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 70,291 | $ 66,090 |

17) Insurance expenses

| Name | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Century Insurance Co., Ltd. | $ 151,941 | $ 115,000 |

18) Other operating revenue

| Name | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 59,113 | $ 116,085 |

19) Other operating costs

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 958,622 | $ 944,171 |
| Cathay Securities Investment Trust Co., Ltd. | 170,105 | 421,067 |
| | 1,128,727 | 1,365,238 |
| Other related party | | |
| Cathay Private Equity Smart Tech Limited Partnership | 3,234 | - |
| | $ 1,131,961 | $ 1,365,238 |

20) Finance costs

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 1,259,821 | $ 1,260,000 |

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

21) Operating expenses

| Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 8,228 | $ 5,710 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 108,969 | 115,398 |
| Associate and its subsidiary | | |
| Lin Yuan Property Management Co., Ltd. | 1,003,519 | 918,299 |
| Symphox Information Co., Ltd. | 185,369 | 180,457 |
| Seaward Card Co., Ltd. | 76,408 | 71,142 |
| ThinkPower Information Co., Ltd. | 37,724 | 56,957 |
| | 1,303,020 | 1,226,855 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 5,983,988 | 5,914,610 |
| Cathay Securities Corporation | 7,402 | - |
| | 5,991,390 | 5,914,610 |
| Other related party | | |
| Cathay Healthcare Management Co., Ltd. | 5,361 | 4,844 |
| San Ching Engineering Co., Ltd. | 4,600 | 4,833 |
| Cathay Real Estate Development Co., Ltd. | 4,105 | 4,129 |
| Cathay Medical Care Corp. | 1,256 | 9,319 |
| | 15,322 | 23,125 |
| | $ 7,426,929 | $ 7,285,698 |

22) Non-operating income

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Parent company | | |
| Cathay Financial Holdings | $ 23,505 | $ 11,657 |
| Fellow subsidiary and its subsidiary | | |
| Cathay Century Insurance Co., Ltd. | 881,722 | 733,711 |
| Cathay Securities Corporation | 232,721 | 86,054 |
| Cathay United Bank Co., Ltd. | 199,645 | 218,851 |
| Cathay Securities Investment Trust Co., Ltd. | 39,503 | 33,036 |
| Cathay Futures Co., Ltd. | 12,644 | 2,742 |
| Cathay Insurance (Vietnam) Co., Ltd. | 9,172 | 8,705 |
| | 1,375,407 | 1,083,099 |
| Other related party | | |
| Cathay Hospitality Consulting Co., Ltd. | 6,918 | 6,875 |
| Cathay Healthcare Management Co., Ltd. | 5,965 | 5,851 |
| Cathay Medical Care Corp. | 3,145 | 3,145 |
| | 16,028 | 15,871 |
| | $ 1,414,940 | $ 1,110,627 |

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

23) Others

As of December 31, 2023 and 2022, the nominal amounts of the derivative instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

| Name | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| SWAP | US$ 1,390,000 | US$ 4,340,000 |
| CCS | US$ - | US$ 50,000 |

c. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 169,823 | $ 236,035 |
| Post-employment benefits | 2,781 | 2,842 |
| | $ 172,604 | $ 238,877 |

Key management personnel include the chairman, directors, president, managing senior executive vice president and senior executive vice president.

## 35. SEPARATE ACCOUNT INSURANCE PRODUCTS

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Separate account insurance product assets | | |
| Cash in bank | $ 1,038,043 | $ 1,635,905 |
| Financial assets at FVTPL | 723,320,173 | 649,304,281 |
| Other receivables | 3,215,773 | 4,379,432 |
| | $ 727,573,989 | $ 655,319,618 |
| Separate account insurance product liabilities | | |
| Other payables | $ 919,721 | $ 599,679 |
| Reserve for separate account - insurance contracts | 271,247,558 | 257,742,323 |
| Reserve for separate account - investment contracts | 455,406,710 | 396,977,616 |
| | $ 727,573,989 | $ 655,319,618 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Separate account insurance product income | | |
| 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 and losses | 93,475 | 21,663,542 |
| | $ 56,592,102 | $ (926,698) |
| Separate account insurance product expenses | | |
| Claims and payments | $ 16,172,776 | $ 30,923,295 |
| Cash surrender value | 23,186,757 | 17,155,544 |
| Provision (recovery) of separate account reserve | 13,234,106 | (53,344,604) |
| Administrative expenses | 4,158,524 | 4,496,727 |
| Non-operating income and expenses | (160,061) | (157,660) |
| | $ 56,592,102 | $ (926,698) |

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

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Separate account insurance product assets | | |
| Cash in bank | $ 10,410 | $ 4,944 |
| Financial assets at FVTPL | 81,187 | 102,417 |
| Other | 13 | 17 |
| | $ 91,610 | $ 107,378 |
| Separate account insurance product liabilities | | |
| Reserve for separate account | $ 91,610 | $ 107,378 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Separate account insurance product income | | |
| Premium income | $ 51 | $ 52 |
| Losses from financial assets at FVTPL | (5,912) | (6,586) |
| Interest income | 26 | 30 |
| | $ (5,835) | $ (6,504) |
| Separate account insurance product expenses | | |
| Cash surrender value | $ 6,776 | $ 117 |
| Recovery of separate account reserve | (13,900) | (8,032) |
| Others | 1,289 | 1,411 |
| | $ (5,835) | $ (6,504) |

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

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

## 37. PLEDGED ASSETS

a. The Company

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Guarantee deposits paid - government bonds | $ 10,118,406 | $ 9,257,450 |
| Guarantee deposits paid - time deposits | 705,331 | 705,252 |
| Guarantee deposits paid - others | 28,113 | 42,400 |
| | $ 10,851,850 | $ 10,005,102 |

b. Cathay Lujiazui Life

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Guarantee deposits paid - time deposits | CNY 600,000 | CNY 600,000 |

c. Cathay Life (Vietnam)

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Guarantee deposits paid - time deposits | VND 15,000,000 | VND 12,000,000 |

d. Cathay Power

The following assets have been provided as collateral for loans and guarantees:

| **Item of Asset** | **December 31, 2023** | **December 31, 2022** | **Use of Guarantee** |
|---|---|---|---|
| Demand deposits | $ 419,275 | $ 333,803 | Reserve accounts |
| Time deposits | 181,765 | 192,434 | Performance securities |
| Other equipments | 8,448,391 | 7,707,466 | Pledge for borrowings |
| | $ 9,049,431 | $ 8,233,703 | |

## 38. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

b. As of December 31, 2023, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT$196,015 thousand, US$3,564,748 thousand, EUR411,705 thousand and GBP1,518 thousand.

c. As of December 31, 2023 and 2022, the Company has entered into irrevocable corporate finance and consumer lending loans with the amounts were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| NTD | $ 8,048,035 | $ 11,025,641 |

## 39. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

b. Financial instruments not measured at fair value

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

December 31, 2023

| | Carrying Amount | Fair Values | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 4,052,617,724 | $ 23,509,067 | $ 3,321,343,148 | $ - | $ 3,344,852,215 |

December 31, 2022

| | Carrying Amount | Fair Values | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 3,999,494,070 | $ 16,759,166 | $ 3,180,937,193 | $ - | $ 3,197,696,359 |

Note: Including those serving as refundable deposits.

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

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

1) Fair value hierarchy

| Items | December 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Non-derivative instruments | | | | | | | | |
| Assets | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | |
| Stocks | $ 490,969,478 | $ 487,974,435 | $ 376,902 | $ 2,618,141 | $ 405,323,422 | $ 401,237,827 | $ 568,290 | $ 3,517,305 |
| Bonds | 305,790,700 | 2,624,811 | 295,080,986 | 8,084,903 | 284,570,864 | 29,599,270 | 252,328,931 | 2,642,663 |
| Other | 817,870,392 | 577,691,951 | 36,628,039 | 203,550,402 | 714,640,742 | 491,981,343 | 19,959,144 | 202,700,255 |
| Financial assets at FVTOCI | | | | | | | | |
| Stocks | 141,018,617 | 139,045,718 | - | 1,972,899 | 97,554,382 | 95,915,184 | - | 1,639,198 |
| Bonds (Note) | 431,429,448 | 47,321,270 | 384,108,178 | - | 358,271,411 | 20,408,431 | 337,862,980 | - |
| Derivative instruments | | | | | | | | |
| Assets | | | | | | | | |
| Financial assets at FVTPL | 51,857,673 | 10,448 | 51,847,225 | - | 21,469,964 | 7,360 | 21,462,604 | - |
| Financial assets for hedging | 1,109 | - | 1,109 | - | 29,891 | - | 29,891 | - |
| Liabilities | | | | | | | | |
| Financial liabilities at FVTPL | 24,070,611 | - | 24,070,611 | - | 63,669,162 | - | 63,669,162 | - |
| 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 years ended December 31, 2023 and 2022, the equity investments at FVTPL of $308,578 thousand and $43,424 thousand were transferred from Level 2 to Level 1 due to available market quotes.

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

| | For the Year Ended December 31, 2023 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 208,860,223 | $ 1,639,198 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 6,388,471 | - |
| Gains reclassified using the overlay approach | 1,312,482 | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | (224,177) | 4 |
| Other comprehensive loss reclassified using the overlay approach | (1,312,482) | - |
| Gains on equity instruments at FVTOCI | - | 338,708 |
| Purchases | 37,115,495 | - |
| Disposals | (37,214,728) | (5,011) |
| Transfers in of Level 3 | 4,188 | - |
| Transfers out of Level 3 | (676,026) | - |
| Ending balance | $ 214,253,446 | $ 1,972,899 |

| | For the Year Ended December 31, 2022 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 192,296,192 | $ 2,764,822 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 19,945,808 | - |
| Losses reclassified using the overlay approach | (5,573,263) | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | 224,764 | 549 |
| Other comprehensive income reclassified using the overlay approach | 5,573,263 | - |
| Losses on equity instruments at FVTOCI | - | (410,156) |
| Purchases | 43,118,634 | - |
| Disposals | (46,563,042) | (716,017) |
| Transfers in of Level 3 | 280,635 | - |
| Transfers out of Level 3 | (442,768) | - |
| Ending balance | $ 208,860,223 | $ 1,639,198 |

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2023 and 2022, unrealized losses of $1,174,066 thousand and gains of $87,082 thousand were related to financial assets held at the end of the year, 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 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| **Items** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Interval (Weighted-average)** | **Relationship Between Inputs and Fair Value** |
| Financial assets at FVTPL and financial assets at FVTOCI | Equity approach | Discount for lack of liquidity | 0%-3% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Market approach | Discount for lack of liquidity | 12%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity and 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 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| **Items** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Interval (Weighted-average)** | **Relationship Between Inputs and Fair Value** |
| Financial assets at FVTPL and financial assets at FVTOCI | Equity approach | Discount for lack of liquidity | 0%-3% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Market approach | Discount for lack of liquidity | 3%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity and 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 |

4) Valuation process for Level 3 fair value measurement

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

d. Categories of financial instruments

| Items | December 31 2023 | December 31 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at FVTPL | $ 1,666,488,243 | $ 1,426,004,992 |
| Financial assets at FVTOCI | 568,986,970 | 442,472,396 |
| Measured at amortized cost | | |
| Cash and cash equivalents (Note 1) | 251,223,090 | 329,612,069 |
| Receivables (Note 2) | 93,932,873 | 77,718,172 |
| Financial assets measured at amortized cost | 4,043,811,869 | 3,986,581,050 |
| Loans | 403,826,256 | 450,296,409 |
| Guarantee deposits paid | 26,082,321 | 54,815,576 |
| Financial assets for hedging | 1,109 | 29,891 |
| Financial liabilities | | |
| Financial liabilities at FVTPL | 24,070,611 | 63,669,162 |
| Financial liabilities at amortized cost | | |
| Payables | 22,916,475 | 22,338,461 |
| Bonds payable | 114,841,430 | 80,000,000 |
| Other financial liabilities | 7,675,139 | 7,030,535 |
| Lease liabilities | 16,604,525 | 16,645,248 |
| Guarantee deposits received | 15,864,062 | 3,809,537 |
| Financial liabilities for hedging | 2,038,001 | 3,716,091 |

Note 1: Cash on hand was excluded.

Note 2: Income tax receivables under the integrated tax system were excluded.

e. Financial risk management objectives and policies

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

1) Market risk

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

The Group continuously 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, the Group adopts the one-week VaR at 99% confidence levels to measure market risk.

b) Stress testing

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

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

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

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

ii) Hypothetical scenario

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

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

**Table of Stress Testing**

| | | **For the Year Ended December 31** | |
|---|---|---|---|
| **Risk Factor** | **Variable (+/-)** | **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 reserves for foreign exchange fluctuations was not considered 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, the Company's 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 comparison period was revised accordingly.

c) Sensitivity analysis

**Summary of Sensitivity Analysis**

| | For the Year Ended December 31, 2023 | | |
|---|---|---|---|
| **Risk Factor** | **Variable (+/-)** | **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 1 bp | - | (1,192,970) |
| | Upward parallel shift of the yield curve (CNY) by 1 bp | - | (1,686) |
| | Upward parallel shift of the yield curve (EUR) by 1 bp | - | (8,951) |
| | Upward parallel shift of the yield curve (GBP) by 1 bp | - | (3,466) |
| | Upward parallel shift of the yield curve (NTD) by 1 bp | - | (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 1 bp | (385) | (940,470) |
| | Upward parallel shift of the yield curve (CNY) by 1 bp | - | (1,639) |
| | Upward parallel shift of the yield curve (EUR) by 1 bp | - | (3,654) |
| | Upward parallel shift of the yield curve (GBP) by 1 bp | - | (3,028) |
| | Upward parallel shift of the yield curve (NTD) by 1 bp | - | (67,856) |
| Equity price risk | Increase in equity price by 1% | 107,336 | 7,003,900 |

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

Note 2: Effects of hedging were considered.

Note 3: Provision or reversal of reserves 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 not 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, the Company's 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 2022, the major investment of New Taiwan dollar Bond-linked ETF are foreign bonds, the Company adjusted the sensitivity disclosure of interest rate and its disclosure for a 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 the Company may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.

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

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

b) Concentration of credit risk

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

| | 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 measured at amortized cost | 121,449,268 | 234,471,649 | 609,316,281 | 2,045,910,809 | 1,019,543,754 | 4,030,691,761 |
| | $ 359,039,435 | $ 286,956,138 | $ 762,428,257 | $ 2,435,151,940 | $ 1,147,810,655 | $ 4,991,386,425 |
| Proportion | 7.2% | 5.7% | 15.3% | 48.8% | 23.0% | 100% |

| Financial Assets | December 31, 2022 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 measured at amortized cost | 129,720,872 | 229,815,612 | 607,127,824 | 1,999,938,066 | 1,010,414,398 | 3,977,016,772 |
| | $ 418,202,609 | $ 270,914,069 | $ 748,279,728 | $ 2,318,078,447 | $ 1,141,046,117 | $ 4,896,520,970 |
| Proportion | 8.5% | 5.5% | 15.3% | 47.4% | 23.3% | 100% |

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

| Location of Collateral | December 31, 2023 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 | 502,771 | 14,812 | 21,525 | 1,380,708 | 1,919,816 |
| | $ 149,816,460 | $ 35,344,531 | $ 47,481,750 | $ 1,641,458 | $ 234,284,199 |
| Proportion | 63.9% | 15.1% | 20.3% | 0.7% | 100% |

| Location of Collateral | December 31, 2022 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 | 520,568 | 12,562 | 18,155 | 1,379,494 | 1,930,779 |
| | $ 183,833,289 | $ 42,199,055 | $ 55,930,721 | $ 2,639,319 | $ 284,602,384 |
| Proportion | 64.6% | 14.8% | 19.7% | 0.9% | 100% |

iii. Categories for credit risk quality

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

vi. Measurement of expected credit loss

i) The methodology and assumptions applied

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

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

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

ii) Forward-looking information considerations

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

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

i) Financial assets of the Company

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 417,136,556 | $ 8,174 | $ - | $ - | $ - | $ 417,144,730 |
| Financial assets measured 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 measured at amortized cost | 8,276,741 | 1,491,789 | 18,770,769 | - | (1,953,995) | 26,585,304 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 334,627,073 | $ - | $ - | $ - | $ - | $ 334,627,073 |
| Financial assets measured 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 measured 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 the Company

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Stage 3 Lifetime Expected Credit Losses | Stage 3 Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 228,911,070 | $ 351,261 | $ 5,021,868 | $ - | $ (1,277,067 ) | $ (2,773,153 ) | $ 230,233,979 |

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Stage 3 Lifetime Expected Credit Losses | Stage 3 Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 277,691,739 | $ 1,306,065 | $ 5,604,580 | $ - | $ (1,200,475 ) | $ (3,147,892 ) | $ 280,254,017 |

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

| | | Lifetime Expected Credit Losses | | | |
|---|---|---|---|---|---|
| | 12-month Expected Credit Losses | Collectively Assessed | Not Purchased or Originated Credit-impaired Financial Assets | Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 |
| January 1, 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 | $ 150,965 | $ 55,541 | $ 924,816 | $ - | $ 1,131,322 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 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 | $ 144,268 | $ 33,000 | $ 917,054 | $ - | $ 1,094,322 |

ii) Financial assets measured at amortized cost

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 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 | $ 1,453,074 | $ 122,532 | $ 1,807,235 | $ - | $ 3,382,841 |

| | | Lifetime Expected Credit Losses | | | |
|---|---|---|---|---|---|
| | 12-month Expected Credit Losses | Collectively Assessed | Not Purchased or Originated Credit-impaired Financial Assets | Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 |
| January 1, 2022 | $ 627,027 | $ 117,199 | $ - | $ - | $ 744,226 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| Transferred to lifetime expected credit losses | (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 | 60,208 | 2,420 | 197,128 | - | 259,756 |
| December 31, 2022 | $ 1,489,750 | $ 215,409 | $ 1,758,854 | $ - | $ 3,464,013 |

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, the Company 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-impaired event.

iii) Secured loans and non-accrual receivables

| | | Lifetime Expected Credit Losses | | | | | |
|---|---|---|---|---|---|---|---|
| | 12-month Expected Credit Losses | Collectively Assessed | Not Purchased or Originated Credit-impaired Financial Assets | Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 | Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
| 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 | (66,914 ) | 2,807 | 258,821 | - | 194,714 | - | 194,714 |
| December 31, 2023 | $ 45,765 | $ 5,416 | $ 1,225,886 | $ - | $ 1,277,067 | $ 2,773,153 | $ 4,050,220 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment Charged in Accordance with IFRS 9 | Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
|---|---|---|---|---|---|---|---|
| January 1, 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 | $ 125,823 | $ 5,008 | $ 1,069,644 | $ - | $ 1,200,475 | $ 3,147,892 | $ 4,348,367 |

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

ix. Exposure to credit risk and loss allowance of receivables

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

| | Aging of Receivables Recognized: Not Yet Due/within 1 Month | Aging of Receivables Recognized: 1-3 Months | Aging of Receivables Recognized: 3-6 Months | Aging of Receivables Recognized: Over 6 Months | Total |
|---|---|---|---|---|---|
| December 31, 2023 | | | | | |
| 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 | Aging of Receivables Recognized: 1-3 Months | Aging of Receivables Recognized: 3-6 Months | Aging of Receivables Recognized: Over 6 Months | Total |
|---|---|---|---|---|---|
| December 31, 2022 | | | | | |
| 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:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ 1,292 | $ 1,031 |
| Provision for the year | 59 | 261 |
| Ending balance | $ 1,351 | $ 1,292 |

3) Liquidity risk analysis

a) Sources of liquidity risk

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

b) Liquidity risk management

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

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

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

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

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Less than 6 Months | Due in 6-12 Months | Due in 1-2 Years | Due in 2-5 Years | Over 5 Years |
| Non-derivative financial liabilities | | | | | |
| 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 |
| Derivative financial liabilities | | | | | |
| 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 |
| Non-derivative financial liabilities | | | | | |
| 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 |
| Derivative financial liabilities | | | | | |
| 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 interval (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.

f. Hedge accounting disclosures

Cash flow hedges

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

1) Hedging instruments

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument - Assets | Carrying Amount of the Hedging Instrument - Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| 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 - Assets | Carrying Amount of the Hedging Instrument - Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| IRS | $ 4,000,000 | $ 19,193 | $ - | Financial assets for hedging | $ (31,937) |
| IRS | 729,315 | 10,698 | - | Financial assets for hedging | 24,519 |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| December 31, 2023 | | | | | |
| 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 |
| December 31, 2022 | | | | | |
| IRS | | | | | |
| Nominal principal | $ - | $ - | $ 1,729,315 | $ 3,000,000 | $ - |
| Average fixed rate | - | - | 1.7%-2.5% | 1.7% | - |

3) Hedged items

| | For the Year Ended December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year | Cash Flow Hedge Reserve | Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ 8,387 | $ 1,109 | N/A | $ (8,387 ) | $ - | $ - | $ (9,697 ) | Finance costs |
| Payables | 12,277 | - | N/A | (12,277 ) | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | $ - | N/A | N/A | N/A | - | Finance costs |
| Expected Investment | (2,150 ) | 896 | N/A | 896 | - | - | - | Finance costs |

| | For the Year Ended December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year | Cash Flow Hedge Reserve | Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ 31,937 | $ 19,193 | N/A | $ (31,937 ) | $ - | $ - | $ (39,176 ) | Finance costs |
| Payables | (24,519 ) | 10,698 | N/A | 24,519 | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | $ - | N/A | N/A | N/A | 260 | Finance costs |

4) 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 | | |
| Changes in the values of the hedging instruments recognized in other comprehensive | (19,768) | (7,442) |
| Amount reclassified from cash flow hedge reserve to profit or loss | (9,697) | (38,916) |
| Tax effect | 6,153 | 14,039 |
| Ending balance | $ (4,513) | $ 18,799 |

Fair value hedges

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

1) Hedging instruments

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| | | 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 Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| | | Assets | Liabilities | | |
| Forward | $ 49,153,550 | $ - | $ 3,716,091 | Financial liabilities for hedging | $ (4,208,300) |

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

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| December 31, 2023 | | | | | |
| Forward | | | | | |
| Nominal principal | $ - | $ 13,643,800 | $ - | $ 13,959,300 | $ - |
| Exchange rate (USD/TWD) | - | 27.2876 | - | 27.9502 | - |

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| December 31, 2022 | | | | | |
| Forward | | | | | |
| Nominal principal | $ - | $ - | $ - | $ 49,153,550 | $ - |
| Exchange rate (USD/TWD) | - | - | - | 27.2701 | - |

3) Hedged items

| | For the Year Ended December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Overseas bonds | $27,603,100 | $- | $ 1,108,966 | $ - | Financial assets at amortized cost | $ 1,108,966 | $ - | $ - |

| | For the Year Ended December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Overseas bonds | $ 49,153,550 | $ - | $ 4,208,300 | $ - | Financial assets at amortized cost | $ 4,208,300 | $ - | $ - |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Foreign currency basis-related period | | |
| Beginning balance | $ 931,466 | $ 284,733 |
| Gross amount recognized in other comprehensive income | | |
| Changes in the values of the hedging instruments recognized in other comprehensive (loss) income | (1,310,859) | 284,405 |
| Amount reclassified to profit or loss | 790,292 | 524,011 |
| Tax effects | 104,113 | (161,683) |
| Ending balance | $ 515,012 | $ 931,466 |

g. Offsetting of financial assets and financial liabilities

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

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

December 31, 2023

| Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | |
| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Financial Instruments | Cash Collateral Received | Net Amount (e)=(c)-(d) |
| Derivative financial instruments | $ 51,848,334 | $ - | $ 51,848,334 | $ 24,226,850 | $ 12,973,500 | $ 14,647,984 |

| Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | |
| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b) | Financial Instruments | Cash Collateral Paid | Net Amount (e)=(c)-(d) |
| Derivative financial instruments | $ 26,108,612 | $ - | $ 26,108,612 | $ 24,226,850 | $ 1,409,662 | $ 472,100 |

December 31, 2022

| Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | |
| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Financial Instruments | Cash Collateral Received | Net Amount (e)=(c)-(d) |
| Derivative financial instruments | $ 21,481,797 | $ - | $ 21,481,797 | $ 17,230,342 | $ 2,081,387 | $ 2,170,068 |

| Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | |
| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b) | Financial Instruments | Cash Collateral Paid | Net Amount (e)=(c)-(d) |
| Derivative financial instruments | $ 67,385,253 | $ - | $ 67,385,253 | $ 17,230,342 | $ 31,313,555 | $ 18,841,356 |

h. Other financial liabilities

| Item | December 31 2023 | December 31 2022 |
|---|---|---|
| Secured borrowings | | |
| Bank loans | $ 7,512,773 | $ 6,905,210 |
| Unsecured borrowings | | |
| Bank loans | 162,366 | 125,325 |
| | $ 7,675,139 | $ 7,030,535 |
| Borrowing rate | 2.00%-2.74% | 1.98%-3.08% |

The amount of capitalized borrowing costs was $24,515 thousand in 2023, and the rate for the amount of borrowing costs that meet the capitalized conditions was determined to be 2.08% to 2.75%.

The secured borrowings of Cathay Power and its subsidiaries were secured by time deposits, NTD demand deposits and other equipment. Refer to Note 37.

Neo Cathay Power and its subsidiaries entered into a syndicated loan agreement with First Commercial Bank. According to the loan agreement, Si Yi, Da Li Energy and Yong Han are obligated to maintain the financial ratios in the annual audited financial statements and the tangible equity (total equity - intangible assets) should not be negative within the contract period.

As a joint guarantor, Neo Cathay Power Corp. is required to maintain the following financial ratios and requirements in its annual audited consolidated financial statements:

1) The current ratio (current assets/current liabilities) should not be lower than 100%.

2) The debt ratio (total liabilities/tangible equity) should not exceed 350%.

3) The principal and interest coverage ratio [(profit before income tax + Interest expense + Depreciation + Amortization)/(Bank Loan repayments within 1 year under the agreement + Interest expense)] should not be lower than 110%.

4) The tangible equity (total equity - intangible asset) should not be lower than 1.3 billion.

As of December 31, 2023, Neo Cathay Power Corp. and its subsidiaries met the aforementioned financial ratios and requirements.

i. Reclassification

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 after late August to late September in 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 an extreme level as defined by the International Insurance Capital Standards (ICS). The Company'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 the Company's solvency and stable operation. The aforementioned adjustments indicate that the Company'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, the Company reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1.

Due to the change in business model, the Company 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, respectively. If the financial assets had not been reclassified as of October 1, 2022, other equity would have decreased by $172,456,898 thousand and $205,982,811 thousand as of December 31, 2023 and 2022, respectively. Fair value gain, after tax, recognized in other comprehensive income amounted to $33,525,913 thousand and $36,664,361 thousand for the year ended December 31, 2023 and from October 1, 2022 to December 31, 2022, respectively.

## 40. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

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

2) Framework, organizational structure and responsibilities of risk management

a) The board of directors

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

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

iii. The board of directors should review 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.

b) Risk management committee

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

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

c) Chief risk officer

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

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

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

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

d) Risk management department

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

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

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

ii) Propose the risk limits based on risk appetite.

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

iv) Regularly present risk management reports.

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

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) Business units

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

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

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

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

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

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

v) Assist to collect data related to operational risk.

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

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

f) Audit department

The department is responsible 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 the Company.

g) Subsidiary

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

3) Range and nature of risk assessment or risk reporting

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

a) Market risk

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

b) Credit risk

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

c) Country risk

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

d) Liquidity risk

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

e) Operational risk

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

f) Insurance risk

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

g) Asset and liability matching risk

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

h) Capital adequacy

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

i) Risk of information security

The risk of information security refers to the damage resulted from the confidentiality, completeness and availability of information assets, or damage caused by stealing, tampering, damaging, losing or leaking information asset. The Company has a security management policy to reduce the impact of information security incidents and report to the Board regularly on the overall implementation of information security and the trend of information security risks.

j) 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. The Company has a personal data management policy to reduce the impact of information security incidents and personal data damages.

k) Emerging risks

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

l) 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 changes, including transformation risk (a wide range of risks resulting from the trend of 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). The Company has established related management measures as a response.

m) Reputation risks

Reputation risks refer to risks caused by misconduct or negative reports from the media, leading to the damage to brands and shareholders' equity and potentially having adverse effects on the Company's reputation. The Company has reputation risk management policies, assesses the risk, takes relevant measures, and implements procedures such as stakeholder communication as a response.

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

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

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

ii. Establish methods to evaluate insurance risks.

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

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

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

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

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

iii. The Company has set up insurance contract approval procedures for high-value policies to enhance risk management over high-value policies and avoid adverse selection and moral hazard.

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

a) Insurance risk assessment covers the following risks:

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

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

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

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

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

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

b) The scope of management of insurance risk

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

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

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

iv. Determine methods to measure insurance risks.

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

vi. Other insurance risk management issues.

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

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

7) Asset/liability management

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

b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management division of the Cathay Financial Holdings.

c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management department of the Company and the risk management division of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio and net worth ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and net worth ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.

ii. Regularly provide the analysis report to the risk management committee.

iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and the net worth ratio.

iv. Regularly review the RBC ratio, the net worth ratio and related control standards to ensure solid capital adequacy management.

b) Exception management process

When the RBC ratio or the net worth ratio exceeds the internal risk control criteria or other exceptions occur, the Company is required to notify the risk management department, the finance department and the risk management division of Cathay Financial Holdings and submit the capital adequacy or the net worth ratio analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, individual 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 the Company's investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to "Guidelines for sovereign risk management", "Guidelines for securities investment risk limit" and "Guidelines for credit and investment risk management on conglomerate and other juristic person institute".

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

| For the 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 |

b) 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 |

c) 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 the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.

ii. As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii. Sensitivity test

i) Life table/morbidity is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

2 × (Net incomes or losses on investment - Finance costs)/(The beginning balance of available funds + The ending balance of available funds - Net incomes or losses on investment + Finance costs)

2) Concentration of insurance risks

The Company’s insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, the Company performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, the Company considers unexpected human and natural disasters in each year to estimate the reasonable maximum amount of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

3) Claim development trend

a) The Company

i. Direct business development trend

| Accident Year | Development Year | | | | | | | Claims Not Yet Filed | Reserve for Claims Not Yet Filed |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| 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: Inwards reinsurance 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 |
| Loss reserve balance less ceded loss reserve | $ 12,592,810 |

In accordance with Jin Guan Bao Shou No. 10402133590 issued on December 22, 2015 by the FSC, reserves for claims not yet filed are provided as claims filed and adjusted for related expenses. Regarding the reserve for products of statutory infectious disease, monthly loss triangle estimations 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 the loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to the Company may be delayed in certain cases, and estimates of the payments for cases not yet filed 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 on 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 and 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.

b) 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: Expected claims filed but not yet paid | (242,122) |
| Reserve for claims not yet filed | 543,880 |
| Add: Claims filed but not yet paid | 12,948 |
| Loss reserve balance | $ 556,828 |

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 |
| Loss reserve balance less ceded loss reserve | $ 546,869 |

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

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

c) Cathay Life (Vietnam)

i. Direct business development trend

| Accident Year | Development Year | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 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.

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company's reinsurers are above a certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

**Unit: In 100 of Millions of NTD**

| | Insurance Contracts and Financial Instruments with Discretionary Participation Features | | |
|---|---|---|---|
| | **Within 1 Year** | **1 to 5 Years** | **Over 5 Years** |
| December 31, 2023 | $ 310 | $ 4,869 | $ 188,818 |
| December 31, 2022 | 329 | 4,805 | 182,307 |

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

## 41. SEGMENT INFORMATION

The Group's life insurance business is operated in accordance with the Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate the resources to the Group as a whole, the Group is considered as a single operating segment.

## 42. CAPITAL MANAGEMENT

a. Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

b. Management policies

In order for sufficient capital to assume all types of risks, the Company applies the RBC ratio and the net worth ratio as the management indicator for capital adequacy. The Company calculates the RBC ratio and net worth ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as a reference for business objectives and asset allocation.

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is divided into Tier 1 Unlimited capital, Tier 1 Limited capital and Tier 2 capital, which includes:

a) Items covered by Article 2 of Regulations Governing Capital Adequacy of Insurance Companies.

b) According to Regulations Governing Capital Adequacy of Insurance Companies, the adjustment items specified in the total capital approved by the authorities for the insurance industry's calculation and calculation formula of the relevant reports and filling manuals of owned capital and risk-based capital.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

a) Asset risk.

b) Insurance risk.

c) Interest rate risk.

d) Other risk.

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement the management of RBC, the RBC ratio and the net worth ratio are inspected periodically. In accordance with the cash flow of current contracts and assets, the future target of new contracts, and the assumptions of best estimates, the Company estimates the RBC ratio and the net worth ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, and the net worth ratios are above 3% as of the semi-period of 2023 and the end of 2023, which complies with the regulations.

## 43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|---|---|---|---|---|
| Cathay Power and its subsidiaries | Energy technical services | November 25, 2022 | 70.0 | $ 982,162 |
| Chen Fong Power | Energy technical services and power of machinery manufacturing generation, transmission, and distribution | December 28, 2022 | 100.0 | $ 31,000 |
| Pearlmark and its subsidiaries | Real estate investment and operation management | March 28, 2023 | 55.5 | $ 241,453 |

The Company originally held 45% equity shares of Cathay Power, which were recognized as investments accounted for using equity method. On November 25, 2022, the Company 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

| | Cathay Power and its Subsidiaries | Chen Fong Power | Pearlmark and its Subsidiaries |
|---|---|---|---|
| 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 | - | - |
| Others | 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) | - | - |
| Others | (83,534) | - | (43,646) |
| | $ 4,209,919 | $ 30,039 | $ 172,548 |

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

| | Cathay Power and its Subsidiaries | Chen Fong Power | Pearlmark and its Subsidiaries |
|---|---|---|---|
| Consideration transferred | $ 982,162 | $ 31,000 | $ 241,453 |
| Add: Non-controlling interests | 1,505,676 | - | 76,784 |
| Add: Fair value of the equity previously held by the Group as of the date of acquisition | 2,240,700 | - | - |
| | 4,728,538 | 31,000 | 318,237 |
| Less: Fair value of identifiable net assets acquired | (4,209,919) | (30,039) | (172,548) |
| Goodwill recognized on acquisition | $ 518,619 | $ 961 | $ 145,689 |

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

| | Cathay Power and its Subsidiaries | Chen Fong Power | Pearlmark and its Subsidiaries |
|---|---|---|---|
| Consideration paid in cash | $ 982,162 | $ 31,000 | $ 241,453 |
| Less: Cash and cash equivalent balances acquired | (583,406) | (13,798) | (3,167) |
| | $ 398,756 | $ 17,202 | $ 238,286 |

f. Impact of acquisitions on the results of the Group

The acquisition dates of the financial performances of acquirees, which are included in the consolidated financial statements, do not have a significant impact to the Group.

## 44. DISPOSAL OF SUBSIDIARIES

On May 2, 2023, CM Energy signed an agreement to dispose of Chen Fong Power and lost control of the subsidiary.

a. Consideration received from disposals

| | Chen Fong Power |
|---|---|
| Cash and cash equivalents | $ 31,000 |

b. Analysis of assets and liabilities on the date control was lost

| | Chen Fong Power |
|---|---|
| Assets | |
| Cash | $ 256 |
| Property, plant and equipment | 1,097 |
| Goodwill | 961 |
| Guarantee deposits paid | 62,979 |
| Other | 35,845 |
| Liabilities | |
| Payables | (70,536) |
| Net assets disposed of | $ 30,602 |

c. Gain on disposal of subsidiary

| | Chen Fong Power |
|---|---|
| Consideration received | $ 31,000 |
| Net assets disposed of | (30,602) |
| Gain on disposals | $ 398 |

d. Net cash inflow on disposals of subsidiary

| | Chen Fong Power |
|---|---|
| Consideration received in cash | $ 31,000 |
| Less: Cash balances disposed of | (256) |
| | $ 30,744 |

## 45. OTHERS

a. Impact of the COVID-19

The Group has evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

The significant financial assets and liabilities denominated in foreign currencies of the entities in the Group aggregated by the foreign currencies other than functional currency and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 152,040,867 | 30.735000 | $ 4,672,976,040 |
| AUD | 5,861,414 | 21.002762 | 123,105,884 |
| Non-monetary items | | | |
| USD | 10,326,279 | 30.735000 | 317,378,179 |
| Investments accounted for using the equity method | | | |
| CNY | 454,279 | 4.333800 | 1,968,756 |
| PHP | 33,651,324 | 0.554900 | 18,673,120 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 806,164 | 30.735000 | 24,777,439 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign Currency | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 147,644,015 | 30.708000 | $ 4,533,852,419 |
| AUD | 6,072,463 | 20.827701 | 126,475,448 |
| Non-monetary items | | | |
| USD | 10,495,246 | 30.708000 | 322,288,021 |
| Investments accounted for using the equity method | | | |
| CNY | 456,178 | 4.417500 | 2,015,164 |
| PHP | 30,799,990 | 0.551200 | 16,976,954 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 1,089,939 | 30.708000 | 33,469,844 |

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

c. Total amount of assets and liabilities expected to recover or settle within/over 12 months

| | December 31, 2023 | | |
|---|---|---|---|
| Items | Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
| Cash and cash equivalents | $ 251,247,088 | $ - | $ 251,247,088 |
| Receivables | 109,709,182 | 2,544,733 | 112,253,915 |
| Current tax assets | 41,681 | - | 41,681 |
| Investments | | | |
| Financial assets at FVTPL | 91,715,743 | 1,574,772,500 | 1,666,488,243 |
| Financial assets at FVTOCI | 8,793,267 | 560,193,703 | 568,986,970 |
| Financial assets measured at amortized cost | 36,864,349 | 4,006,947,520 | 4,043,811,869 |
| Financial assets for hedging | 1,109 | - | 1,109 |
| Investments accounted for using the equity method | - | 30,874,304 | 30,874,304 |
| Investment property | - | 528,633,384 | 528,633,384 |
| Investment property under construction | - | 8,983,487 | 8,983,487 |
| Prepayments for buildings and land - investments | - | 4,188,723 | 4,188,723 |
| Loans | 7,080,803 | 396,745,453 | 403,826,256 |
| Total investments | 144,455,271 | 7,111,339,074 | 7,255,794,345 |

(Continued)

| Items | December 31, 2023 Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
|---|---|---|---|
| Reinsurance assets | $ 592,591 | $ 1,707,069 | $ 2,299,660 |
| Property and equipment | - | 41,530,355 | 41,530,355 |
| Right-of-use assets | - | 2,177,022 | 2,177,022 |
| Intangible assets | - | 39,522,555 | 39,522,555 |
| Deferred tax assets | - | 63,612,183 | 63,612,183 |
| Other assets | 8,977,263 | 30,879,953 | 39,857,216 |
| Separate account insurance product assets | 4,264,239 | 723,401,360 | 727,665,599 |
| Total assets | $ 519,287,315 | $ 8,016,714,304 | $ 8,536,001,619 |
| Payables | $ 21,415,771 | $ 1,500,704 | $ 22,916,475 |
| Current tax liabilities | 191,723 | - | 191,723 |
| Financial liabilities at FVTPL | 24,060,833 | 9,778 | 24,070,611 |
| Financial liabilities for hedging | 1,526,348 | 511,653 | 2,038,001 |
| Bonds payable | - | 114,841,430 | 114,841,430 |
| Other financial liabilities | 2,014,370 | 5,660,769 | 7,675,139 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 21,710,834 | 21,710,834 |
| Loss reserve | - | 13,310,838 | 13,310,838 |
| Policy reserve | - | 6,820,368,378 | 6,820,368,378 |
| Special reserve | - | 11,090,539 | 11,090,539 |
| Premium deficiency reserve | - | 6,770,608 | 6,770,608 |
| Other reserve | - | 1,834,253 | 1,834,253 |
| Total insurance liabilities | - | 6,875,085,450 | 6,875,085,450 |
| Reserve for insurance contracts with the nature of financial products | - | 23,524,199 | 23,524,199 |
| Reserve for foreign exchange valuation | - | 20,773,326 | 20,773,326 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 822,544 | 15,781,981 | 16,604,525 |
| Deferred tax liabilities | - | 52,033,960 | 52,033,960 |
| Other liabilities | 2,088,410 | 18,561,521 | 20,649,931 |
| Separate account insurance product liabilities | 919,721 | 726,745,878 | 727,665,599 |
| Total liabilities | $ 53,039,720 | $ 7,855,086,894 | $ 7,908,126,614 |

| Items | December 31, 2022 Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 329,638,342 | $ - | $ 329,638,342 |
| Receivables | 90,957,799 | 1,225,955 | 92,183,754 |
| Current tax assets | 15,472 | - | 15,472 |
| Investments | | | |
| Financial assets at FVTPL | 53,903,448 | 1,372,101,544 | 1,426,004,992 |
| Financial assets at FVTOCI | 4,500,902 | 437,971,494 | 442,472,396 |
| Financial assets measured at amortized cost | 27,594,862 | 3,958,986,188 | 3,986,581,050 |
| Financial assets for hedging | 3,217 | 26,674 | 29,891 |
| Investments accounted for using the equity method | - | 29,483,762 | 29,483,762 |
| Investment property | - | 520,893,328 | 520,893,328 |
| Investment property under construction | - | 5,747,767 | 5,747,767 |
| Prepayments for buildings and land - investments | - | 1,501,343 | 1,501,343 |
| Loans | 8,277,624 | 442,018,785 | 450,296,409 |
| Total investments | 94,280,053 | 6,768,730,885 | 6,863,010,938 |
| Reinsurance assets | 625,858 | 1,683,589 | 2,309,447 |
| Property and equipment | - | 40,809,699 | 40,809,699 |
| Right-of-use assets | - | 2,268,417 | 2,268,417 |
| Intangible assets | - | 41,380,113 | 41,380,113 |
| Deferred tax assets | - | 80,501,622 | 80,501,622 |
| Other assets | 8,277,668 | 56,607,513 | 64,885,181 |
| Separate account insurance product assets | 6,036,900 | 649,390,096 | 655,426,996 |
| Total assets | $ 529,832,092 | $ 7,642,597,889 | $ 8,172,429,981 |
| Payables | $ 21,048,349 | $ 1,290,112 | $ 22,338,461 |
| Current tax liabilities | 176,349 | - | 176,349 |
| Financial liabilities at FVTPL | 62,823,518 | 845,644 | 63,669,162 |
| Financial liabilities for hedging | 2,379,095 | 1,336,996 | 3,716,091 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Other financial liabilities | 1,064,232 | 5,966,303 | 7,030,535 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 20,547,570 | 20,547,570 |
| Loss reserve | - | 12,760,061 | 12,760,061 |
| Policy reserve | - | 6,672,193,784 | 6,672,193,784 |
| Special reserve | - | 11,085,733 | 11,085,733 |
| Premium deficiency reserve | - | 8,130,466 | 8,130,466 |
| Other reserve | - | 1,845,253 | 1,845,253 |
| Total insurance liabilities | - | 6,726,562,867 | 6,726,562,867 |

(Continued)

| Items | December 31, 2022 Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
|---|---|---|---|
| Reserve for insurance contracts with the nature of financial products | $ - | $ 18,495,469 | $ 18,495,469 |
| Reserve for foreign exchange valuation | - | 49,503,457 | 49,503,457 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 909,648 | 15,735,600 | 16,645,248 |
| Deferred tax liabilities | - | 52,624,428 | 52,624,428 |
| Other liabilities | 2,626,729 | 7,769,237 | 10,395,966 |
| Separate account insurance product liabilities | 570,928 | 654,856,068 | 655,426,996 |
| Total liabilities | $ 91,598,848 | $ 7,615,042,426 | $ 7,706,641,274 |

(Concluded)

d. Information on discretionary investments

1) As of December 31, 2023 and 2022, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

| Items | December 31 2023 | 2022 |
|---|---|---|
| Domestic stocks | $ 174,433,694 | $ 142,343,483 |
| Overseas stocks | 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 | 47 | 217,004 |
| | $ 258,244,838 | $ 202,504,395 |

The carrying amounts of the financial assets operated discretionarily by securities investment trust enterprises are equal to their fair values.

2) As of December 31, 2023 and 2022, the discretionary investment limits are as follows (in thousands of each currency):

| | December 31 2023 | 2022 |
|---|---|---|
| Monetary items | | |
| NTD | $ 122,948,000 | $ 43,079,839 |
| USD | 375,400 | 396,300 |

e. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of December 31, 2023 and 2022, the Group 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

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

| **Types of Structured Entity** | **Nature and Purpose** | **Interests Owned** |
|---|---|---|
| Private equity fund | Investment in private equity funds issued by external third parties to receive returns | Investment in units or limited partnership interests issued by the funds |
| Securitization vehicle | Investment in securitization vehicle to receive returns | Investment in asset-backed securities issued by the entities |

b) As of December 31, 2023 and 2022, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

| | **December 31, 2023** | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 203,524,086 | $ 25,601,733 |
| Financial assets at FVTOCI | - | 43,354,338 |
| Financial assets measured at amortized cost | - | 167,183,734 |
| | $ 203,524,086 | $ 236,139,805 |

| | **December 31, 2022** | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 202,700,255 | $ 30,603,875 |
| Financial assets at FVTOCI | - | 36,131,806 |
| Financial assets measured at amortized cost | - | 160,118,682 |
| | $ 202,700,255 | $ 226,854,363 |

## 46. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

| No. | Description | Explanation |
|---|---|---|
| 1 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 5 |
| 2 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | N/A |
| 3 | Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital. | Note 34 |
| 4 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 8 |
| 5 | Trading in derivative instruments. | Notes 8, 10 and 39 |

b. Information of investees

| No. | Description | Explanation |
|---|---|---|
| 1 | Information on investee, including name, location and etc. | Table 1 |
| 2 | Financing provided to others. | Table 2 |
| 3 | Endorsements/guarantees provided. | Table 3 |
| 4 | Marketable securities held. | Table 4 |
| 5 | Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital. | N/A |
| 6 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | N/A |
| 7 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | N/A |
| 8 | Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital | Note 34 |
| 9 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 8 |
| 10 | Trading in derivative instruments. | N/A |

c. Information on investments in Mainland China

| No. | Description | Explanation |
|---|---|---|
| 1 | Name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed. | Table 6 |
| 2 | Significant transactions, with investees in mainland China, either directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses. | N/A |
| 3 | Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages. | N/A |
| 4 | The amount of property transactions and the amount of the resulting gains or losses. | N/A |
| 5 | The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds. | N/A |
| 6 | Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. | N/A |

d. The important intercompany transactions among the Group are disclosed in Table 7 following the notes to the consolidated financial statements.

e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A.

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

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Cathay Life Insurance Co., Ltd. | Conning Holdings Limited | UK | Holding company | $ 15,723,539 | $ 15,723,539 | 2,029 | 100.00 | $ 17,452,952 | $ 289,720 | $ 64,754 | Subsidiary (Note 2) |
| | Cathay Life Insurance (Vietnam) Co., Ltd. | Vietnam | Life insurance | 20,370,930 | 20,370,930 | - | 100.00 | 25,540,176 | 1,616,686 | 1,616,686 | Subsidiary (Note 2) |
| | Cathay Woolgate Exchange Holding 1 Limited | Jersey Island | Real estate investment and operation management | 21,323,210 | 16,654,013 | 445,500 | 100.00 | 16,864,416 | (1,094,960) | (1,094,960) | Subsidiary (Note 1) |
| | Cathay Woolgate Exchange Holding 2 Limited | Jersey Island | Real estate investment and operation management | 215,386 | 168,222 | 4,500 | 100.00 | 165,398 | (12,251) | (12,251) | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 1 Limited | Jersey Island | Real estate investment and operation management | 10,189,090 | 10,189,090 | 213,750 | 100.00 | 5,504,415 | (2,408,110) | (2,408,110) | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 2 Limited | Jersey Island | Real estate investment and operation management | 536,268 | 536,268 | 11,250 | 100.00 | 279,891 | (129,653) | (129,653) | Subsidiary (Note 1) |
| | Cathay Industrial Research and Design Center Co., Ltd. | Taiwan | Real estate leasing | 2,475,000 | 990,000 | 247,500 | 99.00 | 2,263,398 | (65,970) | (65,310) | Subsidiary (Note 1) |
| | Cathay Power Inc. | Taiwan | Energy technical services | 3,222,862 | 3,222,862 | 259,264 | 70.00 | 3,344,164 | 260,950 | 165,968 | Subsidiary (Notes 2 and 3) |
| | Rizal Commercial Banking Corporation | Philippines | Banking | 15,683,953 | 15,683,953 | 452,019 | 18.68 | 18,673,120 | 6,429,404 | 1,331,963 | Associate (Note 2) |
| | Cathay Securities Investment Consulting Co., Ltd. | Taiwan | Securities investment consulting services | 300,000 | 300,000 | 30,000 | 100.00 | 696,540 | 202,300 | 202,300 | Subsidiary (Note 1) |
| | Symphox Information Co., Ltd | Taiwan | Wholesale of information software | 404,432 | 404,432 | 24,511 | 49.12 | 354,303 | (9,341) | (4,589) | Associate (Note 2) |
| | Dasheng Venture Capital Co., Ltd. | Taiwan | Venture investment | 357,007 | 357,007 | 35,701 | 25.00 | 403,159 | 25,041 | 6,261 | Associate (Note 2) |
| | Dasheng IV Venture Capital Co., Ltd. | Taiwan | Venture investment | 598,886 | 609,615 | 59,889 | 21.43 | 726,550 | 252,930 | 54,200 | Associate (Note 2) |
| | CMG International One Co., Ltd. | Taiwan | Lease and development of residence and buildings | 1,575,000 | 1,575,000 | 157,500 | 45.00 | 1,550,749 | (11,581) | (5,212) | Associate (Note 2) |
| | CMG International Two Co., Ltd. | Taiwan | Lease and development of residence and buildings | 1,800,000 | 1,800,000 | 180,000 | 45.00 | 1,762,443 | (18,846) | (8,481) | Associate (Note 2) |
| | DingTeng Co., Ltd. | Taiwan | Sewage treatment | 756,116 | 756,116 | 49,875 | 27.36 | 935,800 | 203,623 | 55,715 | Associate (Note 2) |
| | PSS Co., Ltd. | Taiwan | Parking space management | 785,505 | 785,505 | 20,238 | 33.60 | 1,091,135 | 549,609 | 184,669 | Associate (Note 2) |
| | Cathay Venture Inc. | Taiwan | Venture investment | 1,567,574 | 1,567,574 | 129,543 | 25.00 | 1,837,888 | 627,919 | 156,980 | Associate (Note 1) |
| | Lin Yuan Property Management Co., Ltd. | Taiwan | Property management services | 63,636 | 63,636 | 1,470 | 49.00 | 70,934 | 90,507 | 44,348 | Associate (Note 2) |
| | TaiYang Solar Power Co., Ltd. | Taiwan | Energy technical services | 495,000 | 495,000 | 49,500 | 45.00 | 557,707 | 124,335 | 55,951 | Associate (Note 2) |
| | ThrivEnergy Co., Ltd. | Taiwan | Energy technical services | 216,000 | 216,000 | 21,600 | 30.00 | 227,338 | 47,671 | 14,301 | Associate (Note 2) |
| Cathay Power Inc. | Sunrise Pv One Co., Ltd | Taiwan | Energy technical services | 1,000,000 | 1,000,000 | 100,000 | 100.00 | 1,132,687 | 95,305 | Note 7 | Subsidiary (Note 2) |
| | Cathy Sunrise Two Co., Ltd. | Taiwan | Energy technical services | 20,000 | 20,000 | 2,000 | 100.00 | 23,385 | 2,214 | Note 7 | Subsidiary (Note 2) |
| | Bai Yang Energy Co., Ltd. | Taiwan | Energy technical services | 144,241 | 144,241 | 6,500 | 100.00 | 146,408 | 7,725 | Note 7 | Subsidiary (Note 2) |
| | Cathy Sunrise Electric Power Two Co., Ltd. | Taiwan | Energy technical services | 125,000 | 125,000 | 12,500 | 100.00 | 131,494 | 5,690 | Note 7 | Subsidiary (Note 2) |
| | Hong Cheng Sing Tech. Co., Ltd. | Taiwan | Energy technical services | 5,000 | 5,000 | 500 | 100.00 | 2,227 | (1,100) | Note 7 | Subsidiary (Note 2) |
| | Shen Lyu Co., Ltd. | Taiwan | Energy technical services | 100 | 100 | 10 | 100.00 | (8,978) | (3,865) | Note 7 | Subsidiary (Note 2) |
| | Nan Yang Power Co., Ltd. | Taiwan | Energy technical services | 75,645 | 34,400 | 7,564 | 80.00 | 81,849 | 8,316 | Note 7 | Subsidiary (Note 2) |
| | CM Energy Co., Ltd. | Taiwan | Energy technical services | 754,709 | 754,709 | 70,000 | 70.00 | 768,548 | 76,804 | Note 7 | Subsidiary (Notes 2 and 4) |
| | Neo Cathay Power Corp. | Taiwan | Energy technical services | 1,601,400 | 1,601,400 | 150,000 | 100.00 | 1,602,458 | 71,453 | Note 7 | Subsidiary (Notes 2 and 4) |
| | Southern Electricity Corp. | Taiwan | Green electricity purchase and sale service industry | 20,000 | 20,000 | 2,000 | 20.00 | 17,882 | (3,835) | (637) | Associate (Note 2) |
| | Cathay Wind Power Holdings Co., Ltd. | Taiwan | Energy technical services | 100 | - | 10 | 100.00 | 100 | - | Note 7 | Subsidiary (Notes 2 and 6) |
| | Cathay Wind Power Co., Ltd. | Taiwan | Energy technical services | 50 | - | 5 | 100.00 | 50 | - | Note 7 | Subsidiary (Notes 2 and 6) |
| Sunrise Pv One Co,. Ltd | Shu Guang Energy Co., Ltd. | Taiwan | Energy technical services | 35,000 | 35,000 | 3,500 | 70.00 | 36,110 | 2,005 | Note 8 | Subsidiary (Note 2) |
| CM Energy Co., Ltd. | Hong Tai Energy Co., Ltd. | Taiwan | Energy technical services | 150,000 | 150,000 | 15,000 | 100.00 | 197,469 | 33,565 | Note 9 | Subsidiary (Note 2) |
| | Tian Ji Energy Co., Ltd. | Taiwan | Energy technical services | 10,000 | 10,000 | 1,000 | 100.00 | 13,108 | 1,452 | Note 9 | Subsidiary (Note 2) |
| | Tian Ji Power Co., Ltd. | Taiwan | Energy technical services | 400,000 | 400,000 | 40,000 | 100.00 | 444,034 | 38,047 | Note 9 | Subsidiary (Note 2) |
| | Chen Fong Power Co., Ltd. | Taiwan | Energy technical services | - | 31,000 | - | - | - | - | Note 5 | Note 5 |
| Hong Tai Energy Co., Ltd. | Hong Tai Power Co., Ltd. | Taiwan | Energy technical services | 50,000 | 50,000 | 5,000 | 100.00 | 63,640 | 10,056 | Note 10 | Subsidiary (Note 2) |
| Neo Cathay Power Corp. | Si Yi Corp. | Taiwan | Energy technical services | 707,617 | 707,617 | 70,000 | 100.00 | 755,735 | 33,917 | Note 11 | Subsidiary (Note 2) |
| | Da Li Energy Co., Ltd. | Taiwan | Energy technical services | 402,958 | 402,958 | 40,000 | 100.00 | 438,682 | 27,843 | Note 11 | Subsidiary (Note 2) |
| | Yong Han Co., Ltd. | Taiwan | Energy technical services | 272,336 | 272,336 | 25,000 | 100.00 | 282,870 | 10,260 | Note 11 | Subsidiary (Note 2) |

(Continued)

Note 1: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statements which have not been audited by an independent auditor.

Note 3: In November 2022, the Company acquired shareholding of Cathay Power Inc. through San Ching Engineering Co., Ltd., increasing the Company's ownership interest to 70%, and obtained control of Cathay Power Inc.

Note 4: In November 2022, Cathay Power Inc. issued ordinary shares to exchange all the interest of Neo Cathay Power Corp. and CM Energy Co., Ltd. that San Ching Engineering and the Group held, and obtained control of Neo Cathay Power Corp. and CM Energy Co., Ltd.

Note 5: CM Energy Co., Ltd. disposed of 100% of its shareholding in the investee in May 2023 and only recognized the share of profit or loss from January to April with the equity method.

Note 6: Cathay Wind Power Holdings Co., Ltd. and Cathay Wind Power Co., Ltd. were respectively established on December 28, 2023 and December 29, 2023.

Note 7: The share of profit or loss is recognized with the equity method by Cathay Power Inc.

Note 8: The share of profit or loss is recognized with the equity method by Sunrise Pv One Co., Ltd.

Note 9: The share of profit or loss is recognized with the equity method by CM Energy Co., Ltd.

Note 10: The share of profit or loss is recognized with the equity method by Hong Tai Energy Co., Ltd.

Note 11: The share of profit or loss is recognized with the equity method by Neo Cathay Power Corp.

(Concluded)

**TABLE 2**

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

**FINANCE PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Cathay Power Inc. | Cathy Sunrise Electric Power Two Co., Ltd. | Other receivables - from related parties | Y | $ 140,000 | $ - | $ - | 2-2.1 | Short-term financing | $ - | Operating cycle | $ - | - | - | $ 1,583,296 | $ 1,583,296 |
| | | Hong Cheng Sing Tech. Co., Ltd. | Other receivables - from related parties | Y | 1,500 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Sunrise Pv One Co., Ltd. | Other receivables - from related parties | Y | 830,000 | 370,000 | 120,000 | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Shen Lyu Co., Ltd. | Other receivables - from related parties | Y | 15,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Shu Guang Energy Co., Ltd. | Other receivables - from related parties | Y | 22,000 | 22,000 | 20,164 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Nan Yang Power Co., Ltd. | Other receivables - from related parties | Y | 30,000 | 30,000 | 8,000 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Hong Tai Energy Co., Ltd. | Other receivables - from related parties | Y | 100,000 | 100,000 | 70,000 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Tian Ji Energy Co., Ltd. | Other receivables - from related parties | Y | 2,000 | 2,000 | - | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Tian Ji Power Co., Ltd. | Other receivables - from related parties | Y | 70,000 | 70,000 | - | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Chinese Energy Limited Co., Ltd | Other receivables - from related parties | Y | 2,200 | 2,200 | 2,200 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| 2 | Neo Cathay Power Corp. | Shu Guang Energy Co., Ltd. | Other receivables - from related parties | Y | 36,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Sunrise Pv One Co., Ltd. | Other receivables - from related parties | Y | 100,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Nan Yang Power Co., Ltd. | Other receivables - from related parties | Y | 120,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Shen Lyu Co., Ltd. | Other receivables - from related parties | Y | 15,000 | 15,000 | 11,500 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Cathy Sunrise Two Co., Ltd. | Other receivables - from related parties | Y | 12,000 | 12,000 | 2,100 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| 3 | Yong Han Co., Ltd. | Si Yi Corp. | Other receivables - from related parties | Y | 100,000 | 25,600 | - | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 107,270 | 107,270 |

(Continued)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 4 | CM Energy Co., Ltd. | Tian Ji Energy Co., Ltd. | Other receivables - from related parties | Y | $ 2,000 | $ - | $ - | 2-2.1 | Short-term financing | $ - | Operating cycle | $ - | - | $ - | $ 431,852 | $ 431,852 |
| | | Tian Ji Power Co., Ltd. | Other receivables - from related parties | Y | 71,800 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |
| | | Hong Tai Energy Co., Ltd. | Other receivables - from related parties | Y | 100,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |
| | | Cathay Power Co., Inc. | Other receivables - from related parties | Y | 230,000 | 230,000 | 60,000 | 2.1 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |
| | | Chen Fong Power Co., Ltd. | Other receivables - from related parties | Y (Note 2) | 150,000 | - | - | 2-2.1 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |

Note 1: The total amount of external funds provided by Cathay Power, Neo Cathay Power, Yong Han and CM Energy are limited to 40% of the net value, and individual loans are limited to 40% of the net value.

Note 2: CM Energy Co., Ltd. disposed of Chen Fong Power Co., Ltd. in May 2023, and the loan contract was terminated.

(Concluded)

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

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party | 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 | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship (Note 1) | | | | | | | | | | | |
| 1 | Cathay Power Inc. | Sunrise Pv One Co., Ltd. | b | $ 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 Corp. | 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: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

a. The Company and guarantee party have business deals.
b. The Company directly and indirectly owned over 50% of the guaranteed party's voting stocks.
c. The guaranteed party owned directly and indirectly over 50% of the Company's voting stocks.
d. The Company directly and indirectly owned over 90% of the guaranteed party's voting stocks.
e. The guarantor and guaranteed party are peers in contract projects or co-builders in accordance with contract provisions that require mutual insurance company.
f. Owing to the joint venture funded by all shareholders on the endorsement of its holding company.
g. Peers in performance bond joint security of pre-sale house contract under Consumer Protection Act.

Note 2: Non-listed parent company endorsement of subsidiaries or subsidiaries endorsement of listed parent company.

Note 3: The total amount of endorsement provided by Cathay Power was 250% of Cathay Power's net value, and the endorsement limit for a single company is 250% of Cathay Power's net value.

Note 4: The total amount of endorsement provided by Sunrise Pv One was 250% of Sunrise Pv One's net value, and the endorsement limit for a single company is 250% of Sunrise Pv One's net value.

Note 5: The total amount of endorsement provided by Neo Cathay Power was 250% of Neo Cathay Power's net value, and the endorsement limit for a single company is 250% of Neo Cathay Power's net value.

Note 6: The total amount of endorsement provided by CM Energy was 300% of CM Energy's net value, and the endorsement limit for a single company is 250% of CM Energy's net value.

Note 7: The total amount of endorsement provided by Hong Tai Energy was 250% of Hong Tai Energy's net value, and the endorsement limit for a single company is 250% of Hong Tai Energy's net value.

**TABLE 4**

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

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statements Accounts | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | Preference shares | | | | | | | |
| Conning Inc. | Centerprise Services Inc. | N/A | Financial assets at FVTOCI | 400 | $ 3,118 | 1.76 | $ 3,118 | |
| | Stocks | | | | | | | |
| Symphox Information Co., Ltd. | Asia Skin Cosmetics Company (formerly as Fashionguide Co., Ltd.) | N/A | Financial assets at FVTOCI | 1,293 | 30,303 | 7.72 | 30,303 | |
| | Buyforyou Co., Ltd. | N/A | Financial assets at FVTOCI | 117 | - | 10.00 | - | |
| | Seaward Card Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 3,000 | 58,283 | 100.00 | 58,283 | |
| | Thinkpower Information Co., Ltd. | Associate | Investments accounted for using the equity method | 8,612 | 438,991 | 34.49 | 438,991 | |
| | Bowl Cut Entertainment Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 2,688 | 33,779 | 100.00 | 33,779 | |
| Southern Electricity Corp. | Nan Yuan Tai Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 100 | 953 | 100.00 | 953 | |

**TABLE 5**

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

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Buyer | Property | Event Date | Transaction Amount (Note 1) | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| The Company | Land located at Puzhong Section, Zhongli District, Taoyuan City | 2023.07.26 | $ 2,003,600 | Payments by according installment to contract | Taoyuan City Government | Non-related party | - | - | - | $ - | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | None |
| | Land located at No. 2-1, South Section of Station, Wuri., Taichung City District | 2023.10.27 | 3,305,366 | Payments by according installment to contract | Taichung City Government | Non-related party | - | - | - | - | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | None |

Note 1: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors’ resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 2: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

**TABLE 6**

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Main Business and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (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 2,b,2) | $ 7,107,512 | $ - |
| Cathay Insurance Company Limited (China) | Property insurance | 12,196,844 | a | 2,943,663 | - | - | 2,943,663 | 20,355 | 24.5 | 4,987 (Note 2,b,3) | 1,968,756 | - |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Office leasing | 7,223,435 | a | 7,223,435 | - | - | 7,223,435 | 37,709 | 100.0<br>50.0 | 39,977 (Note 2,b,2)<br>102,520 (Note 2,b,2) | 8,126,552 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand) | $16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand) | $371,051,253 |

Note 1: The three methods of investment are as follows:

a. Direct investment in China.
b. Reinvestment in China through the third-region companies.
c. Others.

Note 2: The column of investment profit or loss for the period:

a. If it is in preparation, there are no investment gains and losses, it should be noted.

b. The recognition basis for investment gain (loss) are as follows:

1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
2) Financial statement is audited by the parent company’s CPA firm in Taiwan.
3) Other.

(Continued)

Note 3: Information on investments in mainland China:

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2023, the Company's remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

On October 17, 2007, MOEAIC authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. On November 26, 2019, MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company's board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized the Company to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2023, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US$47,000) thousand and CNY500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of December 31, 2023, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

Note 4: The relevant information regarding Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) is as follows:

a. The location: Shanghai, China.

b. 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) amounted to $103,486,581 thousand and $9,429,129 thousand, respectively, and net investment income was $4,977,694 thousand and $341,642 thousand, respectively.

c. Provision methodology and balances 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) were as follows:

| | Cathay Lujiazui Life Insurance Co., Ltd. | Cathay Insurance Company Limited (China) |
|---|---|---|
| Unearned premium reserve | $ 410,568 | $ 6,995,881 |
| Loss reserve | 556,828 | 3,895,080 |
| Policy reserve | 72,258,070 | 64,629 |
| | $ 73,225,466 | $ 10,955,590 |

Provision methodology of insurance policy reserves:

1) 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.

2) 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 actuarial principles.

3) Policy reserve: Reserve in accordance with the life table and interest rates by reserves regulations and laws of the mainland China and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

d. Percentage of premium income: As of December 31, 2023, the premium income of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amounted to $26,662,671 thousand and $29,595,823 thousand, respectively, and the percentage of premium income was 7.13% and 7.92%, respectively.

e. Percentage of insurance claim payments: As of December 31, 2023, the insurance claim payments of Cathay Lujiazui Life Insurance Co., Ltd. and Cathay Insurance Company Limited (China) amounted to $3,674,692 thousand and $20,763,008 thousand, respectively, and the percentage of insurance claim payments was 0.86% and 4.87%, respectively.

(Concluded)

TABLE 7

# CATHAY LIFE INSURANCE 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 Accounts | Amount | Payment Terms (Note 4) | % of Total Operating Revenue or Assets (Note 3) |
| 0 | Cathay Life Insurance Co., Ltd. | Cathay Walbrook Holding 1 Limited | a | Other loans | $ 12,323,409 | Equivalent to general conditions of transactions | 0.14 |
| | | Cathay Walbrook Holding 1 Limited | a | Other receivables | 33,170 | Equivalent to general conditions of transactions | - |
| | | Cathay Walbrook Holding 1 Limited | a | Interest income | 925,028 | Equivalent to general conditions of transactions | 0.13 |
| | | Cathay Walbrook Holding 2 Limited | a | Other loans | 656,230 | Equivalent to general conditions of transactions | 0.01 |
| | | Cathay Walbrook Holding 2 Limited | a | Interest income | 49,258 | Equivalent to general conditions of transactions | 0.01 |
| | | Conning Holdings Limited | a | Processing fee expense | 1,200,812 | Equivalent to general conditions of transactions | 0.16 |
| | | Conning Holdings Limited | a | Other payables | 289,656 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Administrative expense | 6,987 | Equivalent to general conditions of transactions | - |
| | | Global Evolution Holding ApS | a | Processing fee expense | 80,212 | Equivalent to general conditions of transactions | 0.01 |
| | | Global Evolution Holding ApS | a | Other payables | 20,026 | Equivalent to general conditions of transactions | - |
| | | Tian Ji Power Co., Ltd. | a | Administrative expense | 7,063 | Equivalent to general conditions of transactions | - |
| 1 | Lin Yuan (Shanghai) Real Estate | Sunrise Pv One Co,. Ltd | c | Other receivables | 124,508 | Equivalent to general conditions of transactions | - |
| | | Sunrise Pv One Co,. Ltd | c | Administrative revenue | 15,792 | Equivalent to general conditions of transactions | - |
| | | Sunrise Pv One Co,. Ltd | c | Interest revenue | 7,796 | Equivalent to general conditions of transactions | - |
| | | Si Yi Corp. | c | Administrative revenue | 6,927 | Equivalent to general conditions of transactions | - |
| | | Da Li Energy Co., Ltd. | c | Administrative revenue | 4,231 | Equivalent to general conditions of transactions | - |
| | | Tian Ji Power Co., Ltd. | c | Administrative revenue | 6,167 | Equivalent to general conditions of transactions | - |
| | | Hong Tai Energy Co., Ltd. | c | Other receivables | 71,035 | Equivalent to general conditions of transactions | - |
| | | Hong Tai Energy Co., Ltd. | c | Administrative revenue | 3,486 | Equivalent to general conditions of transactions | - |
| | | Shu Guang Energy Co., Ltd. | c | Other receivables | 20,433 | Equivalent to general conditions of transactions | - |
| | | Nan Yang Power Co., Ltd. | c | Other receivables | 8,306 | Equivalent to general conditions of transactions | - |
| | | CM Energy, Inc. | c | Other receivables | 60,157 | Equivalent to general conditions of transactions | - |
| 2 | Neo Cathy Power Corp. | Shen Lyu Co., Ltd. | c | Other receivables | 11,572 | Equivalent to general conditions of transactions | - |

Note 1: Parent is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

(Continued)

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.

(Concluded)

**TABLE 8**

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Cathay Life Insurance Co., Ltd. | Cathay Financial Holding Co., Ltd. | Parent Company | $ 18,321,042 (Note 1) | - | $ - | - | $ - | $ - |
| Conning Holdings Limited | Cathay Life Insurance Co., Ltd. | Parent Company | 289,656 (Note 2) | - | - | - | 289,656 | - |
| Cathay Power Inc. | Sunrise Pv One Co,. Ltd | Parent Company | 124,508 (Note 3) | - | - | - | 4,378 | - |
| Cathay United Bank | Cathay Life Insurance Co., Ltd. | Fellow subsidiary | 249,593 (Note 4) | - | - | - | - | - |
| Cathay Life Insurance (Vietnam) Co., Ltd. | Indovina Bank Limited | Same ultimate parent entity | 116,324 (Note 5) | - | - | - | - | - |

Note 1: The ending balance mainly comprises refundable taxes under the integrated income tax system.

Note 2: The ending balance mainly comprises service fee receivables.

Note 3: The ending balance mainly comprises loans and interest receivables.

Note 4: Receivables for insurance commission.

Note 5: The ending balance mainly comprises interest receivables.

# Cathay Life Insurance Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report**

# Declaration of Consolidated Financial Statements of Affiliates

The companies to be included by The Company in the consolidated financial statements of affiliates in 2022 (January 1, 2022–December 31, 2022) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliates has been disclosed in said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for The Company to prepare the consolidated financial statements of affiliates separately.

Hereby declared as above.

Company name: Cathay Life Insurance Co., Ltd.

Responsible Person: Tiao-Kuei Huang

March 9, 2023

**INDEPENDENT AUDITORS' REPORT**

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

## Opinion

We have audited the accompanying consolidated financial statements of Cathay Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 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 Insurance Enterprises 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 Auditing and Attestation of Financial Statements by 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, 2022. 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.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are as follows:

Valuation of Policy Reserve and Liability Adequacy Test

The management of Cathay Life Insurance Co., Ltd. adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve and liability adequacy test. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. The liability adequacy test on insurance contracts is performed in accordance with the requirements issued by the Actuarial Institute of Chinese Taipei, and the discount rates for future years used in the test are based on its best estimate scenario as well as the rate of the portfolio return under current information. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve and the liability adequacy test, the valuation of policy reserves and liability adequacy test was identified as a key audit matter. For the related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 23 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 the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.
2. We obtained the actuarial report issued by the contracted actuary, which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.
3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:

   a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.

   b. Evaluated the actuarial model and significant assumptions used in the 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, 2022 to identify any abnormalities in the recognized amounts of policy reserve on each individual insurance policy.

   d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the year ended December 31, 2022.

4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:

   a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the year ended December 31, 2022.

   b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.

   c. Assessed the actuarial model and tested on a sample basis the significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.

   d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the year ended December 31, 2022.

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, the Company used the fair values assessed by external independent appraisers as reference. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 14 to the accompanying consolidated financial statements.

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

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.

2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by the management, including the appraisal methods, main parameters and discount rates of the appraisal reports.

**Other Matter**

We have audited the financial statements of the Company as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

**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 Insurance Enterprises 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 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, 2022 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 Cheng-Hung Kuo and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

<u>*Notice to Readers*</u>

*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 LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars)**

| ASSETS | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS (Notes 4, 6 and 34) | $ 329,638,342 | 4 | $ 465,755,469 | 6 |
| RECEIVABLES (Notes 4, 5, 7 and 34) | 92,183,754 | 1 | 73,894,118 | 1 |
| CURRENT TAX ASSETS | 15,472 | - | 56,763 | - |
| INVESTMENTS | | | | |
| Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 39) | 1,426,004,992 | 18 | 1,621,839,940 | 20 |
| Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 37 and 39) | 442,472,396 | 5 | 1,308,707,464 | 16 |
| Financial assets measured at amortized cost (Notes 4, 5, 13, 37 and 39) | 3,986,581,050 | 49 | 2,689,002,505 | 33 |
| Financial assets for hedging (Notes 4, 5 and 10) | 29,891 | - | 500,642 | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 29,483,762 | - | 29,084,146 | 1 |
| Investment property (Notes 4, 5, 14 and 34) | 520,893,328 | 6 | 510,358,271 | 6 |
| Investment property under construction (Notes 4, 14 and 34) | 5,747,767 | - | 3,412,376 | - |
| Prepayments for buildings and land - investments (Notes 4 and 14) | 1,501,343 | - | 242,642 | - |
| Loans (Notes 4, 5, 15 and 34) | 450,296,409 | 6 | 479,852,327 | 6 |
| Total investments | 6,863,010,938 | 84 | 6,643,000,313 | 82 |
| REINSURANCE ASSETS (Notes 4, 16 and 23) | 2,309,447 | - | 2,378,996 | - |
| PROPERTY AND EQUIPMENT (Notes 4 and 17) | 40,809,699 | - | 29,928,347 | - |
| RIGHT-OF-USE ASSETS (Notes 4, 18 and 34) | 2,268,417 | - | 1,740,046 | - |
| INTANGIBLE ASSETS (Notes 4 and 19) | 41,380,113 | 1 | 41,492,461 | 1 |
| DEFERRED TAX ASSETS (Notes 4 and 33) | 80,501,622 | 1 | 58,628,168 | 1 |
| OTHER ASSETS (Notes 20, 34 and 37) | 64,885,181 | 1 | 32,075,904 | - |
| SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 35) | 655,426,996 | 8 | 724,210,234 | 9 |
| TOTAL | $ 8,172,429,981 | 100 | $ 8,073,160,819 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| PAYABLES (Notes 21 and 34) | $ 22,338,461 | - | $ 22,835,359 | 1 |
| CURRENT TAX LIABILITIES (Note 4) | 176,349 | - | 371,581 | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8) | 63,669,162 | 1 | 3,050,197 | - |
| FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10) | 3,716,091 | - | 20,956 | - |
| BONDS PAYABLE (Notes 22 and 34) | 80,000,000 | 1 | 80,000,000 | 1 |
| OTHER FINANCIAL LIABILITIES (Note 39) | 7,030,535 | - | - | - |
| INSURANCE LIABILITIES (Notes 4, 5 and 23) | | | | |
| Unearned premium reserve | 20,547,570 | - | 19,496,231 | - |
| Loss reserve | 12,760,061 | - | 11,763,381 | - |
| Policy reserve | 6,672,193,784 | 82 | 6,334,959,547 | 79 |
| Special reserve | 11,085,733 | - | 11,085,059 | - |
| Premium deficiency reserve | 8,130,466 | - | 9,808,215 | - |
| Other reserve | 1,845,253 | - | 1,865,925 | - |
| Total insurance liabilities | 6,726,562,867 | 82 | 6,388,978,358 | 79 |
| RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 24) | 18,495,469 | - | 15,188,788 | - |
| RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 25) | 49,503,457 | 1 | 9,053,726 | - |
| PROVISIONS (Notes 4 and 27) | 56,245 | - | 56,245 | - |
| LEASE LIABILITIES (Notes 4, 18 and 34) | 16,645,248 | - | 12,081,162 | - |
| DEFERRED TAX LIABILITIES (Notes 4 and 33) | 52,624,428 | 1 | 54,318,203 | 1 |
| OTHER LIABILITIES (Notes 28 and 34) | 10,395,966 | - | 20,863,199 | - |
| SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 35) | 655,426,996 | 8 | 724,210,234 | 9 |
| Total liabilities | 7,706,641,274 | 94 | 7,331,028,008 | 91 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30) | | | | |
| Share capital | | | | |
| Ordinary shares | 63,515,274 | 1 | 58,515,274 | 1 |
| Capital surplus | 90,924,478 | 1 | 60,594,868 | 1 |
| Retained earnings | | | | |
| Legal reserve | 50,217,005 | 1 | 27,491,929 | - |
| Special reserve | 458,553,415 | 6 | 390,287,210 | 5 |
| Unappropriated earnings | 22,775,644 | - | 111,938,770 | 1 |
| Total retained earnings | 531,546,064 | 7 | 529,717,909 | 6 |
| Other equity | (229,169,011) | (3) | 85,614,861 | 1 |
| Total equity attributable to owners of the Company | 456,816,805 | 6 | 734,442,912 | 9 |
| NON-CONTROLLING INTERESTS (Notes 4 and 30) | 8,971,902 | - | 7,689,899 | - |
| Total equity | 465,788,707 | 6 | 742,132,811 | 9 |
| TOTAL | $ 8,172,429,981 | 100 | $ 8,073,160,819 | 100 |

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
## (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE | | | | |
| Retained earned premium (Notes 4, 26 and 34) | | | | |
| Written premium | $ 412,890,812 | 59 | $ 501,639,497 | 53 |
| Reinsurance premium | 127,412 | - | 102,567 | - |
| Premium income | 413,018,224 | 59 | 501,742,064 | 53 |
| Less: Reinsurance expense | (2,832,249) | (1) | (2,639,962) | - |
| Net changes in unearned premium reserve (Notes 4 and 23) | (990,281) | - | (704,307) | - |
| Total retained earned premium | 409,195,694 | 58 | 498,397,795 | 53 |
| Reinsurance commission income | 526,992 | - | 387,942 | - |
| Fee income (Notes 34 and 35) | 10,803,743 | 2 | 10,714,732 | 1 |
| Net investment incomes (losses) | | | | |
| Interest income (Notes 4, 32 and 34) | 179,315,471 | 26 | 157,777,570 | 17 |
| (Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8) | (448,906,906) | (64) | 136,924,517 | 15 |
| Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13) | 10,493,286 | 2 | 38,060,685 | 4 |
| Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9) | 3,175,819 | - | 29,456,079 | 3 |
| Share of profit of associates accounted for using the equity method (Notes 4 and 12) | 2,180,141 | - | 1,712,701 | - |
| Foreign exchange gain (loss) | 298,139,826 | 43 | (75,870,444) | (8) |
| Net changes in reserve for foreign exchange valuation (Notes 4 and 25) | (40,449,731) | (6) | 5,767,139 | 1 |
| Gain on investment property (Notes 4 and 34) | 14,513,530 | 2 | 12,738,120 | 1 |
| (Expected credit loss) reversal of expected credit loss on investments (Notes 4 and 32) | (3,931,883) | (1) | 1,627,302 | - |
| Other net investment income | 3,948,408 | 1 | 950,962 | - |
| Gain on reclassification using overlay approach (Notes 4 and 8) | 252,818,402 | 36 | 39,802,554 | 4 |
| Other operating revenue (Note 34) | 8,726,100 | 1 | 8,754,025 | 1 |
| Separate account insurance product income (Notes 4 and 35) | (933,202) | - | 77,919,494 | 8 |
| Total operating revenue | 699,615,690 | 100 | 945,121,173 | 100 |
| OPERATING COSTS | | | | |
| Retained claims payments (Notes 4 and 26) | | | | |
| Insurance claims payments | 400,212,621 | 57 | 289,792,257 | 30 |
| Less: Claims and payments recovered from reinsurers | (1,702,029) | - | (1,942,014) | - |
| Total retained claims payments | 398,510,592 | 57 | 287,850,243 | 30 |

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
### (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Net changes in other insurance liabilities (Notes 4, 5 and 23) | | | | |
| Net changes in loss reserve | $ 873,985 | - | $ (363,700) | - |
| Net changes in policy reserve | 188,414,362 | 27 | 379,955,900 | 40 |
| Net changes in special reserve | 674 | - | 283 | - |
| Net changes in premium deficiency reserve | (1,925,635) | - | (3,863,053) | - |
| Net changes in other reserve | (20,672) | - | (11,000) | - |
| Total net changes in other insurance liabilities | 187,342,714 | 27 | 375,718,430 | 40 |
| Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 24) | 1,046,127 | - | 1,052,640 | - |
| Underwriting expenses (Note 32) | 15,076,322 | 2 | 16,441,121 | 2 |
| Commission expenses (Note 32) | 15,901,138 | 2 | 18,003,700 | 2 |
| Finance costs (Notes 22 and 34) | 3,817,461 | 1 | 3,113,652 | - |
| Other operating costs (Note 34) | 6,729,312 | 1 | 8,055,769 | 1 |
| Separate account insurance product expenses (Notes 4 and 35) | (933,202) | - | 77,919,494 | 8 |
| Total operating costs | 627,490,464 | 90 | 788,155,049 | 83 |
| OPERATING EXPENSES (Notes 32 and 34) | | | | |
| General expenses | 11,997,784 | 1 | 12,434,984 | 2 |
| Administrative expenses | 20,219,681 | 3 | 19,934,385 | 2 |
| Employee training expenses | 56,913 | - | 53,731 | - |
| Non-investment expected credit loss (Notes 4 and 32) | 27,032 | - | 24,773 | - |
| Total operating expenses | 32,301,410 | 4 | 32,447,873 | 4 |
| OPERATING INCOME | 39,823,816 | 6 | 124,518,251 | 13 |
| NON-OPERATING INCOME AND EXPENSES (Notes 32 and 34) | 1,858,515 | - | 1,563,137 | - |
| PROFIT BEFORE INCOME TAX | 41,682,331 | 6 | 126,081,388 | 13 |
| INCOME TAX EXPENSE (Notes 4 and 33) | (7,513,152) | (1) | (12,915,530) | (1) |
| NET INCOME | 34,169,179 | 5 | 113,165,858 | 12 |

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
### (In T housands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE LOSS (Notes 4 and 30) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ 59,596 | - | $ 1,345,381 | - |
| Property revaluation surplus | - | - | 286,073 | - |
| (Loss) gain on equity instruments at fair value through other comprehensive income | (24,351,290) | (3) | 7,307,076 | 1 |
| Share of other comprehensive loss of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss | (804,397) | - | (55,895) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33) | 366,827 | - | 105,120 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | 3,441,271 | - | (1,801,645) | - |
| Gain (loss) on hedging instruments | 762,058 | - | (13,681) | - |
| Loss on debt instruments at fair value through other comprehensive income | (85,336,187) | (12) | (73,570,902) | (8) |
| Share of other comprehensive income (loss) of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss | 811,600 | - | (930,948) | - |
| Other comprehensive loss reclassified using overlay approach | (252,818,402) | (36) | (39,802,554) | (4) |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 33) | 33,620,687 | 5 | 15,537,788 | 1 |
| Total other comprehensive loss for the period, net of income tax | (324,248,237) | (46) | (91,594,187) | (10) |
| TOTAL COMPREHENSIVE (LOSS) INCOME | $(290,079,058) | (41) | $ 21,571,671 | 2 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 33,667,168 | 5 | $ 112,230,795 | 12 |
| Non-controlling interests | 502,011 | - | 935,063 | - |
| | $ 34,169,179 | 5 | $ 113,165,858 | 12 |

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
### (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $(290,617,468) | (41) | $ 20,590,789 | 2 |
| Non-controlling interests | 538,410 | - | 980,882 | - |
| | $(290,079,058) | (41) | $ 21,571,671 | 2 |
| EARNINGS PER SHARE (Note 31) | | | | |
| Basic earnings per share | $ 5.75 | | $ 19.18 | |

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | | | | | |
| | Share Capital Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | Gain or (Loss) on Hedging Instruments | Remeasurement of Defined Benefit Plans | Property Revaluation Surplus | Other Comprehensive Income (Loss) on Reclassification Using Overlay Approach | Other | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2021 | $ 58,515,274 | $ 60,606,533 | $ 18,834,196 | $ 347,320,212 | $ 49,938,120 | $ (12,934,112) | $ 92,536,203 | $ 347,871 | $ 226,758 | $ 187,503 | $ 102,093,109 | $ (3,944,303) | $ 713,727,364 | $ 7,399,117 | $ 721,126,481 |
| Appropriation of 2020 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 10,333,774 | - | (10,333,774) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 68,636,191 | (68,636,191) | - | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (3,665,312) | 3,665,312 | - | - | - | - | - | - | - | - | - | - |
| Legal reserve offset deficits | - | - | (1,676,041) | - | 1,676,041 | - | - | - | - | - | - | - | - | - | - |
| Special reserve offset deficits | - | - | - | (23,690,492) | 23,690,492 | - | - | - | - | - | - | - | - | - | - |
| Provision of special reserve for catastrophic events and fluctuation of risks | - | - | - | 1,678,724 | (1,678,724) | - | - | - | - | - | - | - | - | - | - |
| Appropriation of special reserve for personal insures travel insurance | - | - | - | 7,887 | (7,887) | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | (11,665) | - | - | (26,903) | - | (2,076) | - | - | - | - | - | (40,644) | - | (40,644) |
| Changes in ownership interests in subsidiaries | - | - | - | - | (554,511) | - | - | - | - | - | - | 719,914 | 165,403 | (176,506) | (11,103) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 112,230,795 | - | - | - | - | - | - | - | 112,230,795 | 935,063 | 113,165,858 |
| Other comprehensive (loss) income for the year ended December 31, 2021, net of income tax | - | - | - | - | - | (2,413,405) | (52,298,742) | (12,020) | 1,109,698 | 214,555 | (38,240,092) | - | (91,640,006) | 45,819 | (91,594,187) |
| Total comprehensive income (loss) for year ended December 31, 2021 | - | - | - | - | 112,230,795 | (2,413,405) | (52,298,742) | (12,020) | 1,109,698 | 214,555 | (38,240,092) | - | 20,590,789 | 980,882 | 21,571,671 |
| Disposals of equity instruments at fair value through other comprehensive income | - | - | - | - | 1,976,000 | - | (1,976,000) | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (513,594) | (513,594) |
| BALANCE AT DECEMBER 31, 2021 | 58,515,274 | 60,594,868 | 27,491,929 | 390,287,210 | 111,938,770 | (15,347,517) | 38,259,385 | 335,851 | 1,336,456 | 402,058 | 63,853,017 | (3,224,389) | 734,442,912 | 7,689,899 | 742,132,811 |
| Appropriation of 2021 earnings | | | | | | | | | | | | | | | |
| Legal reserve | - | - | 22,725,076 | - | (22,725,076) | - | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 72,751,078 | (72,751,078) | - | - | - | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (22,445,733) | - | - | - | - | - | - | - | (22,445,733) | - | (22,445,733) |
| Reversal of special reserve | - | - | - | (5,983,117) | 5,983,117 | - | - | - | - | - | - | - | - | - | - |
| Provision of special reserve for catastrophic events and fluctuation of risks | - | - | - | 1,490,158 | (1,490,158) | - | - | - | - | - | - | - | - | - | - |
| Appropriation of special reserve for personal insures travel insurance | - | - | - | 8,086 | (8,086) | - | - | - | - | - | - | - | - | - | - |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | (104,150) | - | - | - | - | - | - | - | - | - | - | (104,150) | - | (104,150) |
| Recognition of share-based payments granted by the parent company | - | 433,760 | - | - | - | - | - | - | - | - | - | - | 433,760 | - | 433,760 |
| Changes in ownership interests in subsidiaries | - | - | - | - | (623,579) | - | - | - | - | - | - | 731,063 | 107,484 | (109,072) | (1,588) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 33,667,168 | - | - | - | - | - | - | - | 33,667,168 | 502,011 | 34,169,179 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | - | 3,982,322 | (94,367,977) | 614,414 | 128,444 | - | (234,641,839) | - | (324,284,636) | 36,399 | (324,248,237) |
| Total comprehensive income (loss) for year ended December 31, 2022 | - | - | - | - | 33,667,168 | 3,982,322 | (94,367,977) | 614,414 | 128,444 | - | (234,641,839) | - | (290,617,468) | 538,410 | (290,079,058) |
| Issuance of ordinary shares for cash | 5,000,000 | 30,000,000 | - | - | - | - | - | - | - | - | - | - | 35,000,000 | - | 35,000,000 |
| Disposals of equity instruments at fair value through other comprehensive loss | - | - | - | - | (8,769,701) | - | 8,769,701 | - | - | - | - | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 852,665 | 852,665 |
| BALANCE AT DECEMBER 31, 2022 | $ 63,515,274 | $ 90,924,478 | $ 50,217,005 | $ 458,553,415 | $ 22,775,644 | $ (11,365,195) | $ (47,338,891) | $ 950,265 | $ 1,464,900 | $ 402,058 | $ (170,788,822) | $ (2,493,326) | $ 456,816,805 | $ 8,971,902 | $ 465,788,707 |

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
## (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 41,682,331 | $ 126,081,388 |
| Adjustments for: | | |
| Depreciation expense | 1,620,985 | 1,366,310 |
| Amortization expense | 2,382,435 | 2,655,445 |
| Loss (gain) on financial assets and liabilities at fair value through profit or loss | 466,406,599 | (121,728,129) |
| Realized loss (gain) on financial assets at fair value through other comprehensive income | 4,838,612 | (24,399,829) |
| Gain on derecognition of financial assets measured at amortized cost | (10,493,286) | (38,060,685) |
| Finance costs | 3,939,923 | 3,240,055 |
| Interest income | (179,315,471) | (157,777,570) |
| Dividend income | (25,514,124) | (20,252,638) |
| Net changes in insurance liabilities | 337,471,189 | 332,029,156 |
| Net changes in reserve for insurance contracts with the nature of financial products | 3,306,681 | 1,457,280 |
| Net changes in reserve for foreign exchange valuation | 40,449,731 | (5,767,139) |
| Expected credit loss (reversal of expected credit loss) on investments | 3,931,883 | (1,627,302) |
| Expected credit loss of non-investments | 27,032 | 24,773 |
| Share of profit of associates accounted for using the equity method | (2,180,141) | (1,712,701) |
| Gain on reclassification using overlay approach | (252,818,402) | (39,802,554) |
| (Gain) loss on disposal and retirement of property and equipment | (11,370) | 3,984 |
| Gain on disposal of investment property | (69) | - |
| Gain on disposal of investments accounted for using the equity method | (358,539) | (167,748) |
| Gain on changes in fair value of investment property | (1,911,295) | (1,118,188) |
| Compensation costs of share-based payments | 433,900 | - |
| Net changes in operating assets and liabilities | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 106,891,331 | (42,410,453) |
| Increase in financial assets at fair value through other comprehensive income | (303,645,769) | (130,368,058) |
| (Increase) decrease in financial assets measured at amortized cost | (234,672,170) | 3,822,447 |
| Decrease (increase) in financial assets for hedging | 1,208,290 | (157,643) |
| (Increase) decrease in notes receivable | (79,440) | 27,742 |
| (Increase) decrease in other receivables | (3,958,974) | 4,361,556 |
| Decrease in prepaid expenses and other prepayments | 72,996 | 629,503 |
| Increase in guarantee deposits paid | (28,465,090) | (431,146) |
| Decrease (increase) in reinsurance assets | 167,582 | (210,652) |
| Decrease in other assets | 197,329 | 30,405 |
| Decrease in financial liabilities at fair value through profit or loss | (316,688,841) | (68,011,438) |
| Increase (decrease) in financial liabilities for hedging | 3,719,654 | (328,623) |
| Increase (decrease) in notes payable | 285,330 | (209,845) |
| (Decrease) increase in claims payable | (8,758) | 86,066 |

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
### (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---|---|
| Decrease in other payables | $ (1,641,452) | $ (1,477,485) |
| Increase in due to reinsurers and ceding companies | 69,683 | 145,875 |
| (Decrease) increase in commissions payable | (320,140) | 431,874 |
| Increase in advance receipts | 89,391 | 14,885 |
| Decrease in guarantee deposits received | (6,480,245) | (3,953,792) |
| Decrease in deferred fee income | (532) | (2,151) |
| Decrease in other liabilities | (3,200,885) | (446,245) |
| Cash used in operations | (352,572,106) | (184,013,270) |
| Interest received | 173,208,368 | 156,732,779 |
| Dividends received | 26,394,740 | 21,117,805 |
| Interest paid | (3,197,078) | (3,083,987) |
| Income tax paid | (6,375,301) | (25,627,232) |
| Net cash used in operating activities | (162,541,377) | (34,873,905) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investments accounted for using the equity method | (2,308,500) | (414,500) |
| Proceeds from disposal of investments accounted for using the equity method | 595,743 | 307,166 |
| Proceeds from return of capital on reduction of investments accounted for using the equity method | 170,887 | 382,739 |
| Acquisition of subsidiaries (net of cash acquired) | (415,958) | - |
| Acquisition of property and equipment | (2,257,603) | (1,421,449) |
| Proceeds from disposal of property and equipment | 193,102 | 61 |
| Acquisition of intangible assets | (282,633) | (306,787) |
| Proceeds from disposal of intangible assets | 40,988 | - |
| Decrease (increase) in loans | 30,212,489 | (611,339) |
| Acquisition of investment property | (8,201,702) | (11,576,015) |
| Proceeds from disposal of investment property | 91 | - |
| Net cash generated from (used in) investing activities | 17,746,904 | (13,640,124) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of the principal portion of lease liabilities | (848,984) | (718,059) |
| Decrease in other financial liabilities | (318,367) | - |
| Proceeds from issuance of ordinary shares | 35,000,000 | - |
| Cash dividends paid | (22,445,733) | - |
| Acquisition of additional interests in subsidiaries | (911,234) | (605,519) |
| Changes in non-controlling interests | (653,053) | (205,233) |
| Net cash generated from (used in) financing activities | 9,822,629 | (1,528,811) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (1,145,283) | 678,008 |

(Continued)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars)**

| | 2022 | 2021 |
|---|---|---|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | $(136,117,127) | $ (49,364,832) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 465,755,469 | 515,120,301 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 329,638,342 | $ 465,755,469 |

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

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. GENERAL INFORMATION

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

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

The 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 9, 2023.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2023.

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3) |

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" | January 1, 2023 |
| 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 |

Note 1: Unless stated otherwise, the above IFRSs 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.

- IFRS 17 "Insurance Contracts" and its amendments

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

  <u>Level of aggregation</u>

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

  1) A group of contracts that are onerous at initial recognition;

  2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and

3) A group of the remaining contracts in the portfolio.

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

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. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense. Before the loss previously recognized on the onerous group is reversed, the Group should not recognize contractual service margin or insurance revenue.

Premium Allocation Approach (PAA)

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

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

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

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

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

1) The premiums received at initial recognition;

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

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

   a) Any asset for insurance acquisition cash flows; and

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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 SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

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

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

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

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

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

Refer to Note 11, Table 1 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, 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.

e. Foreign currencies

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

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

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

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

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

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

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

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.
Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

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

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

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

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

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

g. Property and equipment

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

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

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

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

h. Investment properties

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

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

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

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

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

d) Offsetting of financial instruments

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

e) 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 the fair value through other comprehensive income measurement category and 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.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, cross currency swaps and options.
Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

5) Modification of financial instruments

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

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

m. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

n. Separate account insurance products

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

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

o. Insurance liabilities

1) The Company

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

a) Unearned premium reserve

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

b) Loss reserve

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

c) Policy reserve

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

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

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

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

d) Special reserve

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

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

e) Premium deficiency reserve

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

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

f) Other reserve

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

g) Liability adequacy reserve

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

2) Cathay Lujiazui Life Insurance Co., Ltd. ("Cathay Lujiazui Life")

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

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

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

p. Liability adequacy test

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

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

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

r. Reserve for foreign exchange valuation

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

s. Recognition of insurance premium income and expenses

1) The Company

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

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

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

2) Cathay Lujiazui Life

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

3) Cathay Life (Vietnam)

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

t. Classification of insurance products

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

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

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

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

1) Additional payments may be a significant portion of total contractual benefits.
2) The amounts or timing for additional payments are contractually at the Group's discretion.
3) Additional payments are contractually based on one of the following matters:

    a) The performance on a specified combination of contracts or a specified type of contract.
    b) The investment returns on a specified combination of assets held by the Group.
    c) The profit or loss of the Group, funds, or other entities.

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

u. Reinsurance

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

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

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

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

v. Provisions

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

w. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally in 2022, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

x. Employee benefits

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

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

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

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

y. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

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

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions 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.

The Group considers the possible impact of the recent development of COVID-19, the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions and inflation and interest rate fluctuations when making its critical accounting estimates on cash flow projections, discount rate, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets

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

b. Fair value measurements and valuation processes

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

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

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

c. Valuation of policy reserve and liability adequacy test

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

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

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

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cash on hand | $ 26,273 | $ 26,784 |
| Cash in banks | 186,815,799 | 238,199,168 |
| Time deposits | 100,502,553 | 177,212,844 |
| Cash equivalents | 42,293,717 | 50,316,673 |
| | $ 329,638,342 | $ 465,755,469 |

## 7. RECEIVABLES

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Notes receivable | $ 335,214 | $ 246,908 |
| Other receivables | 93,065,026 | 73,656,842 |
| Overdue receivables | 16,132 | 18,909 |
| | 93,416,372 | 73,922,659 |
| Less: Loss allowance | (1,232,618) | (28,541) |
| | $ 92,183,754 | $ 73,894,118 |

The movements in the loss allowance are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 28,541 | $ 10,854 |
| Provision for the current year | 1,227,724 | 24,773 |
| Amounts written off | (23,671) | (6,774) |
| Foreign exchange differences | 24 | (312) |
| Ending balance | $ 1,232,618 | $ 28,541 |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Domestic stocks | $ 252,882,746 | $ 321,549,940 |
| Beneficiary certificates | 682,930,329 | 730,945,252 |
| Financial debentures | 15,972,188 | 12,855,988 |
| Overseas stocks | 152,440,676 | 217,526,275 |
| Real estate investment trust | 17,729,274 | 21,695,569 |
| Overseas bonds | 268,598,676 | 294,907,239 |
| Structured time deposits | 13,981,139 | 7,771,014 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Derivative financial assets (not under hedge accounting) | | |
| Currency swap contracts (“SWAP”) | $ 13,459,047 | $ 9,621,851 |
| Foreign exchange forward contacts (“Forward”) | 8,003,557 | 2,906,188 |
| Cross currency swap contracts (“CCS”) | - | 2,013,271 |
| Options | - | 26,534 |
| Call warrants | 7,360 | 20,819 |
| | $ 1,426,004,992 | $ 1,621,839,940 |
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| SWAP | $ 34,041,420 | $ 1,327,392 |
| Forward | 21,339,449 | 1,692,288 |
| CCS | 8,288,293 | - |
| Options | - | 30,517 |
| | $ 63,669,162 | $ 3,050,197 |

(Concluded)

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets mandatorily classified as at FVTPL | | |
| Domestic stocks | $ 252,882,746 | $ 321,157,922 |
| Beneficiary certificates | 641,371,929 | 710,531,686 |
| Financial debentures | 15,972,188 | 12,855,988 |
| Overseas stocks | 152,381,256 | 217,451,512 |
| Real estate investment trust | 17,729,274 | 21,695,569 |
| Overseas bonds | 267,877,938 | 294,220,757 |
| Structured time deposits | 13,981,139 | 7,771,014 |
| | $ 1,362,196,470 | $ 1,585,684,448 |

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the years ended December 31, 2022 and 2021 is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| (Loss) gain due to application of IFRS 9 to profit or loss | $(187,694,370) | $ 115,400,184 |
| Gain if applying IAS 39 to profit or loss | (65,124,032) | (155,202,738) |
| Gain reclassified due to application of overlay approach | $(252,818,402) | $ (39,802,554) |

Due to the application of the overlay approach, the amounts of gain or loss on financial assets and liabilities at FVTPL for the years ended December 31, 2022 and 2021 had decreased from loss of $448,906,906 thousand to loss of $196,088,504 thousand, and increased from gain of $136,924,517 thousand to gain of $176,727,071 thousand, respectively.

b. As of December 31, 2022 and 2021, structured notes which were accounted for as financial assets at FVTPL amounted to $153,324,805 thousand and $161,150,298 thousand, respectively.

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

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Investments in equity instruments at FVTOCI | | |
| Domestic stocks | $ 94,833,125 | $ 135,378,484 |
| Overseas stocks | 2,721,257 | 9,330,352 |
| | 97,554,382 | 144,708,836 |
| Investments in debt instruments at FVTOCI | | |
| Corporate bonds | 2,111,778 | 2,202,539 |
| Government bonds | 19,357,027 | 43,225,023 |
| Overseas bonds | 336,802,606 | 1,119,667,280 |
| Less: Litigation deposits | (36,548) | (43,613) |
| Less: Deposits to Central Bank | (2,053,785) | (1,052,601) |
| Less: Derivative instrument collateral | (11,263,064) | - |
| | 344,918,014 | 1,163,998,628 |
| | $ 442,472,396 | $ 1,308,707,464 |

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

b. Dividend income recognized relating to investments in equity instruments at FVTOCI held by the Group on the balance sheet date for the years ended December 31, 2022 and 2021 were $8,014,431 thousand and $5,056,250 thousand, respectively. Those related to investments derecognized for the years ended December 31, 2022 and 2021 were $3,597,209 thousand and $321,221 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instruments at FVTOCI at fair values of $77,394,663 thousand and $15,144,411 thousand at the time of sale, and transferred unrealized loss of $8,769,701 thousand and gain of $1,976,000 thousand from other equity to retained earnings for the years ended December 31, 2022 and 2021, respectively.

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

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

f. Refer to Note 39 for information relating to the debt instruments at FVTOCI reclassified to financial assets measured at amortized cost.

## 10. HEDGING INSTRUMENTS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| <u>Financial assets for hedging</u> | | |
| Interest rate swap contracts ("IRS") | $ 29,891 | $ 90,307 |
| CCS | - | 202,531 |
| Forward | - | 207,804 |
| | $ 29,891 | $ 500,642 |
| <u>Financial liabilities for hedging</u> | | |
| IRS | $ - | $ 20,956 |
| Forward | 3,716,091 | - |
| | $ 3,716,091 | $ 20,956 |

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

## 11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investors | Investees | Business | Ownership Interest (%) December 31 2022 | 2021 | Note |
|---|---|---|---|---|---|
| The Company | Cathay Lujiazui Life. | Life insurance | 50.00 | 50.00 | |
| The Company | Cathay Life (Vietnam) Co., Ltd. | Life insurance | 100.00 | 100.00 | |
| The Company | Lin Yuan (Shanghai) Real Estate. Co., Ltd. | Office leasing | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Woolgate Exchange Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 1 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Cathay Walbrook Holding 2 Limited | Real estate investment and management | 100.00 | 100.00 | |
| The Company | Conning Holdings Limited ("CHL") | Holding company | 100.00 | 100.00 | |
| The Company | Cathay Industrial Research and Design Center Co., Ltd. ("Cathay Industrial R&D Center") | Real estate investment and management | 99.00 | 99.00 | Note 1 |
| The Company | Cathay Power Inc. ("Cathay Power") | Energy technical services | 70.00 | 45.00 | Note 3 |
| 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 | 82.85 | 82.85 | |
| CHL | Conning Japan Ltd. | Asset management services | 100.00 | 100.00 | |
| CHL | Global Evolution Holding ApS | Holding company | 69.19 | 61.15 | Note 2 |
| 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 | 86.34 | 86.13 | |
| 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 | |
| Global Evolution Holding ApS | Global Evolution Financial ApS | Asset management services | 99.77 | 99.51 | |
| 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 | - | Note 3 |
| Cathay Power | Cathy Sunrise Two Co., Ltd. ("Cathy Sunrise Two") | Energy technical services | 100.00 | - | Note 3 |
| Cathay Power | Bai Yang Energy Co., Ltd. ("Bai Yang Energy") | Energy technical services | 100.00 | - | Note 3 |
| Cathay Power | Cathy Sunrise Electric Power Two Co., Ltd. ("Cathy Sunrise Electric Power Two") | Energy technical services | 100.00 | - | Note 3 |
| Cathay Power | Hong Cheng Sing Tech. Co., Ltd. ("Hong Cheng Sing Tech.") | Energy technical services | 100.00 | - | Note 3 |
| Cathay Power | Shen Lyu Co., Ltd. ("Shen Lyu") | Energy technical services | 100.00 | - | Note 3 |
| Cathay Power | Nan Yang Power Co., Ltd. ("Nan Yang Power") | Energy technical services | 80.00 | - | Note 3 |
| Cathay Power | CM Energy Co., Ltd. ("CM Energy") | Energy technical services | 70.00 | - | Note 4 |
| Cathay Power | Neo Cathay Power Corp. ("Neo Cathay Power") | Energy technical services | 100.00 | - | Note 4 |

(Continued)

| Investors | Investees | Business | Ownership Interest (%) December 31 2022 | 2021 | Note |
|---|---|---|---|---|---|
| Sunrise PV One | Shu Guang Energy Co., Ltd. ("Shu Guang Energy") | Energy technical services | 70.00 | - | Note 3 |
| CM Energy | Hong Tai Energy Co., Ltd. ("Hong Tai Energy") | Energy technical services | 100.00 | - | Note 4 |
| CM Energy | Tian Ji Energy Co., Ltd. ("Tian Ji Energy") | Energy technical services | 100.00 | - | Note 4 |
| CM Energy | Tian Ji Power Co., Ltd. ("Tian Ji Power") | Energy technical services | 100.00 | - | Note 4 |
| CM Energy | Chen Fong Power Co., Ltd. ("Chen Fong Power") | Energy technical services and machinery manufacturing of power generation, transmission, and distribution | 100.00 | - | Note 5 |
| Hong Tai Energy | Hong Tai Power Co., Ltd. ("Hong Tai Power") | Energy technical services | 100.00 | - | Note 4 |
| Neo Cathy Power | Si Yi Co., Ltd. ("Si Yi") | Energy technical services | 100.00 | - | Note 4 |
| Neo Cathy Power | Da Li Energy Co., Ltd. ("Da Li") | Energy technical services | 100.00 | - | Note 4 |
| Neo Cathy Power | Yong Han Co., Ltd. ("Yong Han") | Energy technical services | 100.00 | - | Note 4 |

(Concluded)

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

Note 2: On June 22, 2022, non-controlling interests executed the put options on the subsidiary's shares such that CHL acquired an additional 8.04% equity shares, and its ownership interest increased from 61.15% to 69.19%.

Note 3: The Company originally held 45% equity shares in Cathay Power, which were recorded as investments accounted for using the equity method. On November 25, 2022, the Company acquired a further part of equity shares, which increased its ownership interest to 70%, and obtained the controls of Cathay Power and its subsidiaries. Refer to Note 43 for the description of the business combination.

Note 4: 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 the Company originally held, and obtained control of Neo Cathay Power, CM Energy and their subsidiaries.

Note 5: On December 28, 2022, CM Energy acquired 100% of Chen Fong Power shares for $31,000 thousand in cash. Refer to Note 43 for the description of the business combination.

b. Subsidiaries excluded from the consolidated financial statements

| Investors | Investees | Business | Ownership Interest (%) December 31 2022 | 2021 | Note |
|---|---|---|---|---|---|
| The Company | Cathay Securities Investment Consulting Co., Ltd. ("Cathay Securities Investment Consulting") | Securities investment consulting services | 100.00 | 100.00 | |

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

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 2022 | 2021 |
|---|---|---|
| Investments in unconsolidated subsidiaries | $ 687,870 | $ 699,974 |
| Investments in associates | 28,795,892 | 28,384,172 |
| | $ 29,483,762 | $ 29,084,146 |

Refer to Table 1 and Table 7 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cathay Securities Investment Consulting | $ 687,870 | $ 699,974 |

b. Investments in associates

Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| The Group' share of: | | |
| Net income | $ 1,965,622 | $ 1,458,714 |
| Other comprehensive income (loss) | 3,593 | (991,854) |
| Total comprehensive income for the period | $ 1,969,215 | $ 466,860 |

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

The investments in associates were not pledged as collateral.

## 13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Time deposits | $ 10,255,945 | $ 7,580,839 |
| Financial debentures | 21,954,705 | 25,719,718 |
| Corporate bonds | 23,298,196 | 26,847,429 |
| Government bonds | 33,612,054 | 40,356,915 |
| Overseas bonds | 3,911,600,937 | 2,597,982,247 |
| Asset-backed securities | 2,237,000 | 445,000 |
| Less: Litigation deposits | (1,527,314) | (1,151,573) |
| Less: Deposits to Central Bank | (6,331,720) | (8,033,844) |
| Less: Derivative collateral | (5,054,740) | - |
| Less: Loss allowance (Note) | (3,464,013) | (744,226) |
| | $ 3,986,581,050 | $ 2,689,002,505 |

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of December 31, 2022 and 2021, the amounts were $754 thousand and $286 thousand, respectively.

a. For the years ended December 31, 2022 and 2021, the Group disposed of bonds before the maturity due to the increase in credit risk, which resulted in gains on disposal of $394,900 thousand and $4,328,088 thousand, respectively; disposal of bonds close to maturity with proceeds that approximate remaining contractual cashflows, which resulted in losses on disposal of $39,087 thousand and $0, respectively; disposal of bonds before maturity because of infrequent sales or sales that are insignificant in value (either individually or in aggregate) resulted in gains on disposal of $9,880,990 thousand and $29,013,762 thousand, respectively; disposal of bonds due to other conditions such as repayments at maturities resulted in gains on disposal of $256,483 thousand and $4,718,835 thousand, respectively.

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

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

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

| | Investment Property | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Total | Investment Property Under Construction | Prepayments for Buildings and Land - Investments |
| Balance at January 1, 2021 | $ 372,342,140 | $ 123,820,881 | $ 496,163,021 | $ 1,528,547 | $ 3,131,915 |
| Additions | 1,675,410 | - | 1,675,410 | 3,640,889 | 7,685,126 |
| Reclassification | 7,139,865 | 5,595,930 | 12,735,795 | (1,757,060) | (10,574,399) |
| (Loss) gain on changes in fair value of investment property | (1,409,285) | 2,527,473 | 1,118,188 | - | - |
| Foreign exchange | (502,128) | (832,015) | (1,334,143) | - | - |
| Balance at December 31, 2021 | $ 379,246,002 | $ 131,112,269 | $ 510,358,271 | $ 3,412,376 | $ 242,642 |
| Balance at January 1, 2022 | $ 379,246,002 | $ 131,112,269 | $ 510,358,271 | $ 3,412,376 | $ 242,642 |
| Additions | 3,995,792 | - | 3,995,792 | 3,501,288 | 4,705,481 |
| Disposals | (22) | - | (22) | - | - |
| Reclassification | 3,563,570 | 1,169,176 | 4,732,746 | (1,168,388) | (3,454,682) |
| Gain on changes in fair value of investment property | 1,326,271 | 585,024 | 1,911,295 | - | - |
| Foreign exchange | (81,265) | (18,422) | (99,687) | 2,491 | 7,902 |
| Others | - | (5,067) | (5,067) | - | - |
| Balance at December 31, 2022 | $ 388,050,348 | $ 132,842,980 | $ 520,893,328 | $ 5,747,767 | $ 1,501,343 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income from investment properties | $ 12,602,166 | $ 11,619,932 |
| Direct operating expenses of investment properties that generate rental income | (847,254) | (783,637) |
| Direct operating expenses of investment properties that do not generate rental income | (227,326) | (334,689) |
| | $ 11,527,586 | $ 10,501,606 |

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, 2022, the investment properties of the Company amounted to $484,330,478 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

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

d. The fair value of the Group's investment property has been carried out by the appraisers of the joint appraisal firms that meet the qualification requirements of real estate appraisers in the R.O.C., and the valuation dates were December 31, 2022 and 2021 respectively.

| | December 31 | |
|---|---|---|
| **Name of Appraiser Firms** | **2022** | **2021** |
| DTZ Real Estate Appraiser Firm | Chang-da, Yang;<br>Gen-yuan, Li;<br>Chia-ho, Tsai;<br>Chun-chun, Hu | Gen-yuan, Li;<br>Chia-ho, Tsai;<br>Chun-chun, Hu; |
| Savills plc Real Estate Appraiser Firm | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang | Yu-fen, Ye;<br>Yi-zhi, Zhang;<br>Hong-kai, Zhang |
| REPro KnightFrank Real Estate Appraiser Firm | Yu-hsiang, Tsai;<br>Hsiang-yi, Hsu | Hong-xu, Wu;<br>Yu-hsiang, Tsai;<br>Hsiang-yi, Hsu |
| V-LAND Real Estate Appraiser Firm | Xi-Zhong, Wang; | You-qi, Liang;<br>Yu-chih, Kao;<br>Chun-han, Lin;<br>Xi-Zhong, Wang;<br>Hong-Zhi, Li |
| Shang-shang Real Estate Appraiser Firm | Hong-yuan, Wang;<br>Jian-Hao, Huang | Hong-yuan, Wang;<br>Jian-Hao, Huang |
| Sinyi Real Estate Appraiser Firm | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang | Wei-xin, Chi;<br>Liang-an, Ji;<br>Wen-zhe, Cai;<br>Shi-ming, Wang |
| Elite Real Estate Appraiser Firm | Yu-lin, Chen;<br>Yi-huei Luo | Yu-lin, Chen;<br>Yi-huei Luo |
| CBRE Real Estate Appraiser Firm | Fu-xue, Shi;<br>Chih-wei, Li | Fu-xue, Shi;<br>Chih-wei, Li |
| China Credit Information Service Ltd. | Zhi-Hao, Wu;<br>Wei-Ru, Li | Zhi-Hao, Wu;<br>Wei-Ru, Li |
| LinkU Real Estate Appraisal and Consulting Services | Lin-Yu, Lian;<br>Sheng-Feng, Lai | Lin-Yu, Lian;<br>Sheng-Feng, Lai |
| Colliers International Group Inc. | Feng-Ru, Ke | - |

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

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

The main inputs used are as follows:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Direct capitalization rates (net) | 0.44%-5.15% | 0.61%-5.12% |
| Discount rates | 2.82%-4.50% | 2.35%-4.26% |

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

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 487,338,266 | $ 479,767,372 |
| Amount recognized in profit or loss | | |
| Gain from investment property | 1,911,295 | 1,118,188 |
| Amount recognized in other comprehensive loss | | |
| Exchange differences resulting from translation of the financial statements of foreign operations | (99,687) | (1,334,143) |
| Additions | 3,995,792 | - |
| Transfers from investment property under construction | 1,168,449 | 1,757,060 |
| Transfers from prepayments for buildings and land | 727 | 4,606,027 |
| Transfers from investment property measured at cost | 2,218,659 | - |
| Transfers from property and equipment | 109,615 | 1,423,762 |
| Others | (5,067) | - |
| Ending balance | $ 496,638,049 | $ 487,338,266 |

The above amounts did not include those measured at cost.

e. Refer to Tables 5 and 6 for the acquisition and disposal of individual real estate at costs or price of at least NT$100 million or 20% of the paid-in capital.

## 15. LOANS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Life insurance policy loans (a) | $ 156,111,633 | $ 158,747,746 |
| Premium loans (b) | 13,930,759 | 13,145,619 |
| Secured loans (c) | 282,671,605 | 310,463,414 |
| Non-accrual receivables | 1,930,779 | 2,645,039 |
| | 454,644,776 | 485,001,818 |
| Less: Loss allowance | (4,348,367) | (5,149,491) |
| | $ 450,296,409 | $ 479,852,327 |

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

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

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans Refer to Note 39 for related information of loss allowance for the years ended December 31, 2022 and 2021.

## 16. REINSURANCE ASSETS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Due from reinsurers and ceding companies | $ 610,530 | $ 801,063 |
| Reinsurance reserve assets | | |
| Ceded unearned premium reserve | 1,180,752 | 1,131,321 |
| Ceded loss reserve | 122,896 | 51,497 |
| Ceded policy reserve | 387,605 | 395,115 |
| Non-accrual receivables | 22,951 | - |
| | 2,324,734 | 2,378,996 |
| Less: Loss allowance | (15,287) | - |
| | $ 2,309,447 | $ 2,378,996 |

**CNY Co-reinsurance Business**

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

a. Purpose, rationalization and expected benefit

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Claims recovered from reinsurers | $ 30,223 | $ 38,188 |
| Reinsurance commission income | 1,866 | 1,949 |

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

Net income from reinsurance of $19,476 thousand was recognized for the year ended December 31, 2022 from CNY co-reinsurance business. The amount was calculated as follows:

Reinsurance commission income of $1,866 thousand + Claims recovered from reinsurers of $30,223 thousand - Net changes in reinsurance reserve assets of $17,953 thousand + Foreign exchange gain of $5,340 thousand.

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

e. Accounting treatment for ceded CNY co-reinsurance business

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

f. Other notes designated by authorities: None.

## 17. PROPERTY AND EQUIPMENT

| | Land | Buildings and Construction | Computer Equipment | Leasehold Improvement | Transportation Equipment | Other Equipment | Construction in Progress and Prepayment for Real Estate Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2021 | $ 17,428,074 | $ 22,321,979 | $ 3,440,014 | $ 616,432 | $ 11,243 | $ 4,011,666 | $ 611,000 | $ 48,440,408 |
| Additions | - | - | 663,042 | 56,289 | - | 77,199 | 624,919 | 1,421,449 |
| Disposals | - | - | (140,243 ) | (2,497 ) | (3 ) | (37,308 ) | - | (180,051 ) |
| Reclassification | 1,019,426 | (1,303,866 ) | 305,667 | (16,991 ) | - | (13,024 ) | (47,746 ) | (56,534 ) |
| Foreign exchange | - | (8,395 ) | (29,393 ) | (12,448 ) | (15 ) | (4,533 ) | - | (54,784 ) |
| Balance at December 31, 2021 | $ 18,447,500 | $ 21,009,718 | $ 4,239,087 | $ 640,785 | $ 11,225 | $ 4,034,000 | $ 1,188,173 | $ 49,570,488 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2021 | $ 103,134 | $ 12,564,238 | $ 2,461,500 | $ 353,836 | $ 9,472 | $ 3,494,802 | $ - | $ 18,986,982 |
| Depreciation expense | - | 388,789 | 212,452 | 56,681 | 600 | 117,731 | - | 776,253 |
| Disposals | - | - | (136,752 ) | (2,497 ) | (2 ) | (36,755 ) | - | (176,006 ) |
| Reclassification | - | (213,745 ) | 285,957 | 627 | - | (10,305 ) | - | 62,534 |
| Foreign exchange | - | (1,360 ) | (7,779 ) | (4,850 ) | (9 ) | 6,376 | - | (7,622 ) |
| Balance at December 31, 2021 | $ 103,134 | $ 12,737,922 | $ 2,815,378 | $ 403,797 | $ 10,061 | $ 3,571,849 | $ - | $ 19,642,141 |
| Carrying amount at December 31, 2021 | $ 18,344,366 | $ 8,271,796 | $ 1,423,709 | $ 236,988 | $ 1,164 | $ 462,151 | $ 1,188,173 | $ 29,928,347 |
| Cost | | | | | | | | |
| Balance at January 1, 2022 | $ 18,447,500 | $ 21,009,718 | $ 4,239,087 | $ 640,785 | $ 11,225 | $ 4,034,000 | $ 1,188,173 | $ 49,570,488 |
| Additions | 16 | - | 778,269 | 12,434 | - | 576,170 | 890,714 | 2,257,603 |
| Acquisitions through business combinations (Note 43) | 8,010 | - | - | - | - | 10,179,365 | 1,306,878 | 11,494,253 |
| Disposals | (45,421 ) | (257,992 ) | (136,478 ) | - | - | (223,473 ) | (3 ) | (663,367 ) |
| Reclassification | 40,797 | 1,328,586 | (353,125 ) | - | - | 333,464 | (1,558,953 ) | (209,231 ) |
| Foreign exchange | - | 10,765 | 119,030 | 32,721 | 61 | 8,953 | - | 171,530 |
| Balance at December 31, 2022 | $ 18,450,902 | $ 22,091,077 | $ 4,646,783 | $ 685,940 | $ 11,286 | $ 14,908,479 | $ 1,826,809 | $ 62,621,276 |
| Depreciation and impairment | | | | | | | | |
| Balance at January 1, 2022 | $ 103,134 | $ 12,737,922 | $ 2,815,378 | $ 403,797 | $ 10,061 | $ 3,571,849 | $ - | $ 19,642,141 |
| Acquisitions through business combinations (Note 43) | - | - | - | - | - | 1,633,713 | - | 1,633,713 |
| Depreciation expenses | - | 385,610 | 286,469 | 55,178 | 256 | 240,921 | - | 968,434 |
| Disposals | (4,866 ) | (146,242 ) | (107,257 ) | - | - | (223,270 ) | - | (481,635 ) |
| Reclassification | - | - | (17,107 ) | - | - | 17,107 | - | - |
| Foreign exchange | - | 2,688 | 26,042 | 15,627 | 45 | 4,522 | - | 48,924 |
| Balance at December 31, 2022 | $ 98,268 | $ 12,979,978 | $ 3,003,525 | $ 474,602 | $ 10,362 | $ 5,244,842 | $ - | $ 21,811,577 |
| Carrying amount at December 31, 2022 | $ 18,352,634 | $ 9,111,099 | $ 1,643,258 | $ 211,338 | $ 924 | $ 9,663,637 | $ 1,826,809 | $ 40,809,699 |

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 | 5 years or lease term |
| Transportation equipment | 3-5 years |
| Other equipment | 2-22 years |

b. Property and equipment pledged as collateral are set out in Note 37.

## 18. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Carrying amount | | |
| Land | $ 175,445 | $ - |
| Buildings | 2,060,486 | 1,703,623 |
| Office equipment | 14,619 | 9,573 |
| Transportation equipment | 17,867 | 26,850 |
| | $ 2,268,417 | $ 1,740,046 |
| Right-of-use assets presented as investment properties | $ 13,499,663 | $ 9,958,120 |

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Additions to right-of-use assets | $ 474,515 | $ 574,043 |
| Acquisitions through business combinations (Note 43) | $ 639,514 | $ - |
| Depreciation expense for right-of-use assets | | |
| Land | $ 1,629 | $ - |
| Buildings | 632,565 | 570,515 |
| Office equipment | 9,693 | 9,676 |
| Transportation equipment | 8,664 | 9,866 |
| | $ 652,551 | $ 590,057 |

b. Lease liabilities

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Carrying amount | $ 16,645,248 | $ 12,081,162 |

Range of discount rates for lease liabilities is as follows:

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Land | 1.24%-2.63% | - |
| Buildings | 1.11%-8.57% | 1.82%-8.57% |
| Office equipment | 4.67%-4.76% | 4.67%-4.76% |
| Transportation equipment | 2.49%-3.66% | 2.49%-3.66% |
| Investment property - right of superficies | 2.82%-4.24% | 2.82%-4.00% |

## 19. INTANGIBLE ASSETS

| | Computer Software | Franchises | Trademarks | Customer Relationships | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2021 | $ 2,503,514 | $ 37,659,600 | $ 373,996 | $ 5,731,801 | $ 13,278,169 | $ 198,843 | $ 59,745,923 |
| Additions - acquired separately | 306,787 | - | - | - | - | - | 306,787 |
| Others | - | - | - | (172,492) | 368,174 | - | 195,682 |
| Foreign exchange | (2,039) | - | (10,731) | (153,010) | (321,715) | (5,705) | (493,200) |
| Balance at December 31, 2021 | $ 2,808,262 | $ 37,659,600 | $ 363,265 | $ 5,406,299 | $ 13,324,628 | $ 193,138 | $ 59,755,192 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2021 | $ 2,084,579 | $ 11,436,607 | $ - | $ 1,967,996 | $ - | $ 185,903 | $ 15,675,085 |
| Amortizations | 191,193 | 2,079,383 | - | 372,154 | - | 12,715 | 2,655,445 |
| Foreign exchange | (1,560) | - | - | (60,759) | - | (5,480) | (67,799) |
| Balance at December 31, 2021 | $ 2,274,212 | $ 13,515,990 | $ - | $ 2,279,391 | $ - | $ 193,138 | $ 18,262,731 |
| Carrying amount at December 31, 2021 | $ 534,050 | $ 24,143,610 | $ 363,265 | $ 3,126,908 | $ 13,324,628 | $ - | $ 41,492,461 |
| Cost | | | | | | | |
| Balance at January 1, 2022 | $ 2,808,262 | $ 37,659,600 | $ 363,265 | $ 5,406,299 | $ 13,324,628 | $ 193,138 | $ 59,755,192 |
| Acquisitions through business combinations (Note 43) | 4,589 | - | - | - | 519,580 | - | 524,169 |
| Additions - acquired separately | 282,633 | - | - | - | - | - | 282,633 |
| Disposals | (64,341) | - | - | - | - | - | (64,341) |
| Foreign exchange | 8,252 | - | 39,593 | 589,246 | 1,134,003 | 21,050 | 1,792,144 |
| Balance at December 31, 2022 | $ 3,039,395 | $ 37,659,600 | $ 402,858 | $ 5,995,545 | $ 14,978,211 | $ 214,188 | $ 62,289,797 |
| Amortization and impairment | | | | | | | |
| Balance at January 1, 2022 | $ 2,274,212 | $ 13,515,990 | $ - | $ 2,279,391 | $ - | $ 193,138 | $ 18,262,731 |
| Acquisitions through business combinations (Note 43) | 790 | - | - | - | - | - | 790 |
| Amortizations | 217,796 | 1,788,416 | - | 376,223 | - | - | 2,382,435 |
| Disposals | (23,353) | - | - | - | - | - | (23,353) |
| Foreign exchange | 6,801 | - | - | 259,230 | - | 21,050 | 287,081 |
| Balance at December 31, 2022 | $ 2,476,246 | $ 15,304,406 | $ - | $ 2,914,844 | $ - | $ 214,188 | $ 20,909,684 |
| Carrying amount at December 31, 2022 | $ 563,149 | $ 22,355,194 | $ 402,858 | $ 3,080,701 | $ 14,978,211 | $ - | $ 41,380,113 |

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

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

b. The Group recognized goodwill in the acquisitions of (1) all assets, liabilities and operations (except reserved assets and liabilities) of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd., on July 1, 2015; (2) 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. As of December 31, 2022 and 2021, the carrying amounts of goodwill were $14,978,211 thousand and $13,324,628 thousand, respectively.

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

## 20. OTHER ASSETS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Insurance Industry Stability Fund (a) | $ 13,670,579 | $ 13,022,786 |
| Less: Reserve for Insurance Industry Stability Fund (a) | (13,670,579) | (13,022,786) |
| Guarantee deposits paid (b) | 54,815,576 | 22,924,334 |
| Deferred acquisition costs (c) | 1,263 | 1,563 |
| Prepayments | 995,564 | 595,598 |
| Net defined benefit assets (Note 29) | 7,841,970 | 7,697,991 |
| Others | 1,230,808 | 856,418 |
| | $ 64,885,181 | $ 32,075,904 |

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

b. Guarantee deposits paid are comprised of:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Insurance operation guarantee deposit | $ 11,051,421 | $ 11,705,144 |
| Deposit for futures and options trading | 7,737,937 | 7,006,713 |
| Deposit for derivatives trading | 33,927,663 | 2,165,104 |
| Other guarantee deposits | 2,098,555 | 2,047,373 |
| | $ 54,815,576 | $ 22,924,334 |

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

c. Deferred acquisition costs

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 1,563 | $ 2,596 |
| Amortization | (300) | (1,033) |
| Ending balance | $ 1,263 | $ 1,563 |

## 21. PAYABLES

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Notes payable | $ 1,322,031 | $ 849,511 |
| Claims payable | 1,003,080 | 1,011,838 |
| Commissions payable | 2,794,028 | 3,114,168 |
| Due to reinsurers and ceding companies | 1,176,672 | 1,106,989 |
| Other payables | 16,042,650 | 16,752,853 |
| | $ 22,338,461 | $ 22,835,359 |

## 22. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| First perpetual non-cumulative subordinated corporate bonds of 2016 (a) | $ 35,000,000 | $ 35,000,000 |
| First perpetual cumulative subordinated corporate bonds of 2017 (b) | 35,000,000 | 35,000,000 |
| First perpetual cumulative subordinated corporate bonds of 2019 (c) | 10,000,000 | 10,000,000 |
| | $ 80,000,000 | $ 80,000,000 |

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

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

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

3) Years to maturity: Perpetual.

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

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

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

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense of $1,260,000 thousand was recorded as finance costs for the years ended December 31, 2022 and 2021, respectively.

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

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

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

3) Years to maturity: Perpetual.

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

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $1,155,000 thousand was recorded as finance costs for the years ended December 31, 2022 and 2021, respectively.

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

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

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

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3%.

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

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

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense of $300,000 thousand was recorded as finance costs for the years ended December 31, 2022 and 2021, respectively.

## 23. INSURANCE LIABILITIES

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

a. The Company

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 79,271 | $ - | $ 79,271 | $ 64,522 | $ - | $ 64,522 |
| Individual injury insurance | 7,803,429 | - | 7,803,429 | 7,516,597 | - | 7,516,597 |
| Individual health insurance | 11,100,338 | - | 11,100,338 | 10,484,937 | - | 10,484,937 |
| Group insurance | 954,483 | - | 954,483 | 849,693 | - | 849,693 |
| Investment-linked insurance | 125,502 | - | 125,502 | 118,841 | - | 118,841 |
| | 20,063,023 | - | 20,063,023 | 19,034,590 | - | 19,034,590 |
| Less ceded unearned premium reserve: | | | | | | |
| Individual life insurance | 906,602 | - | 906,602 | 880,519 | - | 880,519 |
| Individual injury insurance | 20,883 | - | 20,883 | 21,575 | - | 21,575 |
| Individual health insurance | 253,267 | - | 253,267 | 229,227 | - | 229,227 |
| | 1,180,752 | - | 1,180,752 | 1,131,321 | - | 1,131,321 |
| | $ 18,882,271 | $ - | $ 18,882,271 | $ 17,903,269 | $ - | $ 17,903,269 |

The changes in unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 19,034,590 | $ - | $ 19,034,590 | $ 18,390,129 | $ - | $ 18,390,129 |
| Provision | 20,062,971 | - | 20,062,971 | 19,034,610 | - | 19,034,610 |
| Recovery | (19,034,590) | - | (19,034,590) | (18,390,129) | - | (18,390,129) |
| Foreign exchange | 52 | - | 52 | (20) | - | (20) |
| Ending balance | 20,063,023 | - | 20,063,023 | 19,034,590 | - | 19,034,590 |
| Less ceded unearned premium reserve: | | | | | | |
| Beginning balance | 1,131,321 | - | 1,131,321 | 1,113,039 | - | 1,113,039 |
| Increase | 49,431 | - | 49,431 | 18,282 | - | 18,282 |
| Ending balance | 1,180,752 | - | 1,180,752 | 1,131,321 | - | 1,131,321 |
| Net ending balance | $ 18,882,271 | $ - | $ 18,882,271 | $ 17,903,269 | $ - | $ 17,903,269 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | |
| Filed but not paid | $ 3,632,013 | $ 56,967 | $ 3,688,980 | $ 2,953,975 | $ 31,747 | $ 2,985,722 |
| Not yet filed | 64,860 | - | 64,860 | 24,700 | - | 24,700 |
| Individual injury insurance | | | | | | |
| Filed but not paid | 97,805 | - | 97,805 | 85,959 | - | 85,959 |
| Not yet filed | 2,169,522 | - | 2,169,522 | 1,969,841 | - | 1,969,841 |
| Individual health insurance | | | | | | |
| Filed but not paid | 1,168,438 | - | 1,168,438 | 1,505,115 | - | 1,505,115 |
| Not yet filed | 3,764,126 | - | 3,764,126 | 3,311,515 | - | 3,311,515 |
| Group insurance | | | | | | |
| Filed but not paid | 60,563 | - | 60,563 | 70,387 | - | 70,387 |
| Not yet filed | 973,994 | - | 973,994 | 1,028,164 | - | 1,028,164 |
| Investment-linked insurance | | | | | | |
| Filed but not paid | 196,278 | - | 196,278 | 197,029 | - | 197,029 |
| Not yet filed | 1,954 | - | 1,954 | 930 | - | 930 |
| | 12,129,553 | 56,967 | 12,186,520 | 11,147,615 | 31,747 | 11,179,362 |
| Less ceded loss reserve | | | | | | |
| Individual life insurance | 102,962 | - | 102,962 | 35,496 | - | 35,496 |
| Individual health insurance | 11,306 | - | 11,306 | 4,106 | - | 4,106 |
| | 114,268 | - | 114,268 | 39,602 | - | 39,602 |
| | $ 12,015,285 | $ 56,967 | $ 12,072,252 | $ 11,108,013 | $ 31,747 | $ 11,139,760 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 11,147,615 | $ 31,747 | $ 11,179,362 | $ 11,622,048 | $ 35,590 | $ 11,657,638 |
| Provision | 12,091,353 | 56,967 | 12,148,320 | 11,161,581 | 31,747 | 11,193,328 |
| Recovery | (11,147,615) | (31,747) | (11,179,362) | (11,622,048) | (35,590) | (11,657,638) |
| Foreign exchange | 38,200 | - | 38,200 | (13,966) | - | (13,966) |
| Ending balance | 12,129,553 | 56,967 | 12,186,520 | 11,147,615 | 31,747 | 11,179,362 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 39,602 | - | 39,602 | 61,357 | - | 61,357 |
| Increase | 74,666 | - | 74,666 | - | - | - |
| Decrease | - | - | - | (21,755) | - | (21,755) |
| Ending balance | 114,268 | - | 114,268 | 39,602 | - | 39,602 |
| Net ending balance | $ 12,015,285 | $ 56,967 | $ 12,072,252 | $ 11,108,013 | $ 31,747 | $ 11,139,760 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance (Note 1) | $ 5,651,086,978 | $ 2,609 | $ 5,651,089,587 | $ 5,398,835,257 | $ 3,673 | $ 5,398,838,930 |
| Injury insurance | 7,566,436 | - | 7,566,436 | 7,497,332 | - | 7,497,332 |
| Health insurance | 936,818,624 | - | 936,818,624 | 865,362,488 | - | 865,362,488 |
| Annuity insurance | 1,080,857 | 7,771,653 | 8,852,510 | 1,312,175 | 10,396,632 | 11,708,807 |
| Investment-linked insurance | 841,041 | - | 841,041 | 743,098 | - | 743,098 |
| Total (Note 2) | 6,597,393,936 | 7,774,262 | 6,605,168,198 | 6,273,750,350 | 10,400,305 | 6,284,150,655 |
| Less ceded policy reserve | | | | | | |
| Life insurance | 362,295 | - | 362,295 | 374,908 | - | 374,908 |
| | $ 6,597,031,641 | $ 7,774,262 | $ 6,604,805,903 | $ 6,273,375,442 | $ 10,400,305 | $ 6,283,775,747 |

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

Note 2: Total policy reserve including policy-reserve payables for the insured amounted to $6,605,655,261 thousand and $6,284,636,754 thousand as of December 31, 2022 and 2021, respectively.

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 6,273,750,350 | $ 10,400,305 | $ 6,284,150,655 | $ 5,947,343,409 | $ 14,179,191 | $ 5,961,522,600 |
| Provision | 499,690,507 | 80,917 | 499,771,424 | 589,916,586 | 85,175 | 590,001,761 |
| Recovery | (323,509,524) | (2,707,015) | (326,216,539) | (219,457,277) | (3,863,924) | (223,321,201) |
| Foreign exchange | 147,462,603 | 55 | 147,462,658 | (44,052,368) | (137) | (44,052,505) |
| Ending balance | 6,597,393,936 | 7,774,262 | 6,605,168,198 | 6,273,750,350 | 10,400,305 | 6,284,150,655 |
| Less ceded policy reserve | | | | | | |
| Beginning balance | 374,908 | - | 374,908 | 403,979 | - | 403,979 |
| Decrease | (17,953) | - | (17,953) | (25,752) | - | (25,752) |
| Foreign exchange | 5,340 | - | 5,340 | (3,319) | - | (3,319) |
| Ending balance | 362,295 | - | 362,295 | 374,908 | - | 374,908 |
| Net ending balance | $ 6,597,031,641 | $ 7,774,262 | $ 6,604,805,903 | $ 6,273,375,442 | $ 10,400,305 | $ 6,283,775,747 |

4) Special reserve

| | December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | 2021 | | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Participating policies dividends reserve | $ (13,396) | $ - | $ - | $ (13,396) | $ (41,854) | $ - | $ - | $ (41,854) |
| Dividend risk reserve | 15,805 | - | - | 15,805 | 43,589 | - | - | 43,589 |
| Special reserve for revaluation increments of property | - | - | 11,083,324 | 11,083,324 | - | - | 11,083,324 | 11,083,324 |
| | $ 2,409 | $ - | $ 11,083,324 | $ 11,085,733 | $ 1,735 | $ - | $ 11,083,324 | $ 11,085,059 |

The changes of special reserve are summarized below:

| | For the Year Ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | 2021 | | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Other | Total |
| Beginning balance | $ 1,735 | $ - | $ 11,083,324 | $ 11,085,059 | $ 1,452 | $ - | $ 11,083,324 | $ 11,084,776 |
| Provision for participating policies dividends reserve | 39,305 | - | - | 39,305 | 22,335 | - | - | 22,335 |
| Recovery of participating policies dividends reserve | (10,847) | - | - | (10,847) | (10,713) | - | - | (10,713) |
| Recovery of dividend risk reserve | (27,784) | - | - | (27,784) | (11,339) | - | - | (11,339) |
| Ending balance | $ 2,409 | $ - | $ 11,083,324 | $ 11,085,733 | $ 1,735 | $ - | $ 11,083,324 | $ 11,085,059 |

5) Premium deficiency reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | $ 6,802,796 | $ - | $ 6,802,796 | $ 8,570,062 | $ - | $ 8,570,062 |
| Individual injury insurance | 4,495 | - | 4,495 | 3,300 | - | 3,300 |
| Individual health insurance | 1,323,134 | - | 1,323,134 | 1,234,787 | - | 1,234,787 |
| Group insurance | 41 | - | 41 | 66 | - | 66 |
| | $ 8,130,466 | $ - | $ 8,130,466 | $ 9,808,215 | $ - | $ 9,808,215 |

The changes of premium deficiency reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 9,808,215 | $ - | $ 9,808,215 | $ 13,802,343 | $ - | $ 13,802,343 |
| Provision | 90,249 | - | 90,249 | - | - | - |
| Recovery | (2,015,884) | - | (2,015,884) | (3,863,053) | - | (3,863,053) |
| Foreign exchange | 247,886 | - | 247,886 | (131,075) | - | (131,075) |
| Ending balance | $ 8,130,466 | $ - | $ 8,130,466 | $ 9,808,215 | $ - | $ 9,808,215 |

6) Other reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Other | $ 1,845,253 | $ - | $ 1,845,253 | $ 1,865,925 | $ - | $ 1,865,925 |

The changes of other reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 1,865,925 | $ - | $ 1,865,925 | $ 1,876,925 | $ - | $ 1,876,925 |
| Recovery | (20,672) | - | (20,672) | (11,000) | - | (11,000) |
| Ending balance | $ 1,845,253 | $ - | $ 1,845,253 | $ 1,865,925 | $ - | $ 1,865,925 |

7) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2022 | 2021 |
| Unearned premium reserve | $ 20,063,023 | $ 19,034,590 |
| Policy reserve | 6,605,655,261 | 6,284,636,754 |
| Premium deficiency reserve | 8,130,466 | 9,808,215 |
| Other reserve | 1,845,253 | 1,865,925 |
| Book value of insurance liabilities | $ 6,635,694,003 | $ 6,315,345,484 |
| Estimated present value of cash flows | $ 5,623,410,666 | $ 5,567,751,045 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| 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 | Under assets allocation plan on September 30, 2022, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 30 years. | Under assets allocation plan on September 30, 2021, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with neutral assumption for discount rates after 30 years. |

b. Cathay Lujiazui Life

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

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 4,290 | $ - | $ 4,290 | $ 5,034 | $ - | $ 5,034 |
| Individual health insurance | 54,256 | - | 54,256 | 55,998 | - | 55,998 |
| Group insurance | 360,274 | - | 360,274 | 338,757 | - | 338,757 |
| | $ 418,820 | $ - | $ 418,820 | $ 399,789 | $ - | $ 399,789 |

The changes of unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 399,789 | $ - | $ 399,789 | $ 350,059 | $ - | $ 350,059 |
| Provision | 696,546 | - | 696,546 | 434,959 | - | 434,959 |
| Recovery | (684,571) | - | (684,571) | (383,704) | - | (383,704) |
| Foreign exchange | 7,056 | - | 7,056 | (1,525) | - | (1,525) |
| Ending balance | $ 418,820 | $ - | $ 418,820 | $ 399,789 | $ - | $ 399,789 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual life insurance | | | | | | |
| Filed but not paid | $ 806 | $ - | $ 806 | $ 342 | $ - | $ 342 |
| Not yet filed | 43,055 | - | 43,055 | 19,857 | - | 19,857 |
| Individual injury insurance | | | | | | |
| Filed but not paid | 117 | - | 117 | 212 | - | 212 |
| Not yet filed | 3,638 | - | 3,638 | 5,730 | - | 5,730 |
| Individual health insurance | | | | | | |
| Filed but not paid | 5,365 | - | 5,365 | 14,848 | - | 14,848 |
| Not yet filed | 305,738 | - | 305,738 | 74,299 | - | 74,299 |
| Group insurance | | | | | | |
| Filed but not paid | 4,548 | - | 4,548 | 21,972 | - | 21,972 |
| Not yet filed | 154,092 | - | 154,092 | 394,241 | - | 394,241 |
| | 517,359 | - | 517,359 | 531,501 | - | 531,501 |
| Less ceded loss reserve | | | | | | |
| Individual injury insurance | 35 | - | 35 | 12 | - | 12 |
| Individual health insurance | 4,323 | - | 4,323 | 7,501 | - | 7,501 |
| Group insurance | 4,270 | - | 4,270 | 4,382 | - | 4,382 |
| | 8,628 | - | 8,628 | 11,895 | - | 11,895 |
| | $ 508,731 | $ - | $ 508,731 | $ 519,606 | $ - | $ 519,606 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 531,501 | $ - | $ 531,501 | $ 487,134 | $ - | $ 487,134 |
| Provision | 1,868,988 | - | 1,868,988 | 700,742 | - | 700,742 |
| Recovery | (1,892,600) | - | (1,892,600) | (654,269) | - | (654,269) |
| Foreign exchange | 9,470 | - | 9,470 | (2,106) | - | (2,106) |
| Ending balance | 517,359 | - | 517,359 | 531,501 | - | 531,501 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 11,895 | - | 11,895 | 10,366 | - | 10,366 |
| Increase | 40,146 | - | 40,146 | 47,770 | - | 47,770 |
| Decrease | (43,632) | - | (43,632) | (46,195) | - | (46,195) |
| Foreign exchange | 219 | - | 219 | (46) | - | (46) |
| Ending balance | 8,628 | - | 8,628 | 11,895 | - | 11,895 |
| Net ending balance | $ 508,731 | $ - | $ 508,731 | $ 519,606 | $ - | $ 519,606 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 48,821,991 | $ - | $ 48,821,991 | $ 36,742,466 | $ - | $ 36,742,466 |
| Health insurance | 6,050,882 | - | 6,050,882 | 4,445,415 | - | 4,445,415 |
| Investment-linked insurance | 729 | - | 729 | 735 | - | 735 |
| | 54,873,602 | - | 54,873,602 | 41,188,616 | - | 41,188,616 |
| Less ceded loss reserve | | | | | | |
| Individual life insurance | 5,410 | - | 5,410 | 1,231 | - | 1,231 |
| Health insurance | 19,900 | - | 19,900 | 18,976 | - | 18,976 |
| | 25,310 | - | 25,310 | 20,207 | - | 20,207 |
| | $ 54,848,292 | $ - | $ 54,848,292 | $ 41,168,409 | $ - | $ 41,168,409 |

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contract | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 41,188,616 | $ - | $ 41,188,616 | $ 30,599,153 | $ - | $ 30,599,153 |
| Provision | 15,996,085 | - | 15,996,085 | 12,222,025 | - | 12,222,025 |
| Recovery | (2,969,487) | - | (2,969,487) | (1,538,545) | - | (1,538,545) |
| Reclassification | (41,413) | - | (41,413) | 43,213 | - | 43,213 |
| Foreign exchange | 699,801 | - | 699,801 | (137,230) | - | (137,230) |
| Ending balance | 54,873,602 | - | 54,873,602 | 41,188,616 | - | 41,188,616 |
| Less ceded loss reserve | | | | | | |
| Beginning balance | 20,207 | - | 20,207 | 21,539 | - | 21,539 |
| Increase | 96,506 | - | 96,506 | 81,738 | - | 81,738 |
| Decrease | (91,749) | - | (91,749) | (82,978) | - | (82,978) |
| Foreign exchange | 346 | - | 346 | (92) | - | (92) |
| Ending balance | 25,310 | - | 25,310 | 20,207 | - | 20,207 |
| Ending balance | $ 54,848,292 | $ - | $ 54,848,292 | $ 41,168,409 | $ - | $ 41,168,409 |

4) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2022 | 2021 |
| Unearned premium reserve | $ 418,820 | $ 399,789 |
| Policy reserve | 54,873,602 | 41,188,616 |
| Book value of insurance liabilities | $ 55,292,422 | $ 41,588,405 |
| Estimated present value of cash flows | $ 44,233,938 | $ 33,270,724 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| 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 best estimated scenario investment return based on actuary report of 2021, with neutral assumption for discount rates after 30 years. | Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2020, with neutral assumption for discount rates after 30 years. |

c. Cathay Life (Vietnam)

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

1) Unearned premium reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Individual injury insurance | $ 16,851 | $ - | $ 16,851 | $ 18,135 | $ - | $ 18,135 |
| Individual health insurance | 48,876 | - | 48,876 | 43,717 | - | 43,717 |
| | $ 65,727 | $ - | $ 65,727 | $ 61,852 | $ - | $ 61,852 |

The changes of unearned premium reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 61,852 | $ - | $ 61,852 | $ 35,761 | $ - | $ 35,761 |
| Provision | - | - | - | 26,853 | - | 26,853 |
| Recovery | (644) | - | (644) | - | - | - |
| Foreign exchange | 4,519 | - | 4,519 | (762) | - | (762) |
| Ending balance | $ 65,727 | $ - | $ 65,727 | $ 61,852 | $ - | $ 61,852 |

2) Loss reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | **Insurance Contracts** | **Financial Instruments with Discretionary Participation Feature** | **Total** | **Insurance Contracts** | **Financial Instruments with Discretionary Participation Feature** | **Total** |
| Individual life insurance | | | | | | |
| Filed but not paid | $ 7,744 | $ - | $ 7,744 | $ 9,835 | $ - | $ 9,835 |
| Individual injury insurance | | | | | | |
| Filed but not paid | 2,024 | - | 2,024 | 2,043 | - | 2,043 |
| Not yet filed | 3,528 | - | 3,528 | 2,915 | - | 2,915 |
| Individual health insurance | | | | | | |
| Filed but not paid | 11,585 | - | 11,585 | 14,747 | - | 14,747 |
| Not yet filed | 16,883 | - | 16,883 | 12,954 | - | 12,954 |
| Investment-linked insurance | | | | | | |
| Filed but not paid | 14,418 | - | 14,418 | 10,024 | - | 10,024 |
| | $ 56,182 | $ - | $ 56,182 | $ 52,518 | $ - | $ 52,518 |

The changes of loss reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 52,518 | $ - | $ 52,518 | $ 19,081 | $ - | $ 19,081 |
| Provision | - | - | - | 33,957 | - | 33,957 |
| Recovery | (181) | - | (181) | - | - | - |
| Foreign exchange | 3,845 | - | 3,845 | (520) | - | (520) |
| Ending balance | $ 56,182 | $ - | $ 56,182 | $ 52,518 | $ - | $ 52,518 |

3) Policy reserve

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Life insurance | $ 10,265,046 | $ - | $ 10,265,046 | $ 8,313,750 | $ - | $ 8,313,750 |
| Investment-linked insurance | 1,399,875 | - | 1,399,875 | 820,427 | - | 820,427 |
| | $ 11,664,921 | $ - | $ 11,664,921 | $ 9,134,177 | $ - | $ 9,134,177 |

The changes of policy reserve are summarized below:

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Feature | Total |
| Beginning balance | $ 9,134,177 | $ - | $ 9,134,177 | $ 6,697,905 | $ - | $ 6,697,905 |
| Provision | 1,819,683 | - | 1,819,683 | 2,564,868 | - | 2,564,868 |
| Foreign exchange | 711,061 | - | 711,061 | (128,596) | - | (128,596) |
| Ending balance | $ 11,664,921 | $ - | $ 11,664,921 | $ 9,134,177 | $ - | $ 9,134,177 |

4) Liability adequacy reserve

| | Insurance Contracts and Financial Instruments with Discretionary Participation Feature | |
|---|---|---|
| | December 31 | |
| | 2022 | 2021 |
| Unearned premium reserve | $ 65,727 | $ 61,852 |
| Policy reserve | 11,664,921 | 9,134,177 |
| Book value of insurance liabilities | $ 11,730,648 | $ 9,196,029 |
| Estimated present value of cash flows | $ 5,334,677 | $ 6,130,977 |
| Balance of liability adequacy reserve | $ - | $ - |

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

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

Liability adequacy testing methodology is listed as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| 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 Vietnam government bond rates in secondary market with neutral assumption for discount rates after 15 years. | Discount rates are calculated using Vietnam government bond rates in secondary market with neutral assumption for discount rates after 15 years. |

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

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of December 31, 2022 and 2021, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Life insurance | $ 70,368 | $ 71,548 |
| Investment-linked insurance | 1,125,751 | 1,093,492 |
| | $ 1,196,119 | $ 1,165,040 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 1,165,040 | $ 1,010,156 |
| Net provision of statutory reserve | 390,550 | 488,088 |
| Claims and payments | (391,986) | (325,919) |
| Foreign exchange | 32,515 | (7,285) |
| Ending balance | $ 1,196,119 | $ 1,165,040 |

b. Cathay Lujiazui Life

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Life insurance | $ 17,299,350 | $ 14,023,748 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 14,023,748 | $ 12,721,352 |
| Premiums received | 4,919,957 | 3,936,515 |
| Claims and payments | (2,541,393) | (3,143,547) |
| Net provision of statutory reserve | 655,577 | 564,552 |
| Foreign exchange | 241,461 | (55,124) |
| Ending balance | $ 17,299,350 | $ 14,023,748 |

## 25. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedging strategy and risk exposure

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

b. Reconciliation for reserve for foreign exchange valuation

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 9,053,726 | $ 14,820,865 |
| Provision | | |
| Compulsory reserve | 6,053,844 | 7,479,726 |
| Additional reserve | 46,419,458 | 2,135,119 |
| | 52,473,302 | 9,614,845 |
| Recovery | (12,023,571) | (15,381,984) |
| Ending balance | $ 49,503,457 | $ 9,053,726 |

c. Effects due to reserve for foreign exchange valuation

| Items | For the Year Ended December 31, 2022 Inapplicable Amount (1) | Applicable Amount (2) | Effects (2) - (1) |
|---|---|---|---|
| Net income attributable to owners of the Company | $ 66,026,953 | $ 33,667,168 | $ (32,359,785) |
| Earnings per share | 11.27 | 5.75 | (5.52) |
| Reserve for foreign exchange valuation | - | 49,503,457 | 49,503,457 |
| Equity attributable to owners of the Company | 492,816,674 | 456,816,805 | (35,999,869) |

| Items | For the Year Ended December 31, 2021 Inapplicable Amount (1) | Applicable Amount (2) | Effects (2) - (1) |
|---|---|---|---|
| Net income attributable to owners of the Company | $ 107,617,084 | $ 112,230,795 | $ 4,613,711 |
| Earnings per share | 18.39 | 19.18 | 0.79 |
| Reserve for foreign exchange valuation | - | 9,053,726 | 9,053,726 |
| Equity attributable to owners of the Company | 738,082,996 | 734,442,912 | (3,640,084) |

## 26. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 391,971,337 | $ 85,176 | $ 392,056,513 | $ 484,186,521 | $ 89,658 | $ 484,276,179 |
| Reinsurance premium | 127,412 | - | 127,412 | 102,567 | - | 102,567 |
| Premium income | 392,098,749 | 85,176 | 392,183,925 | 484,289,088 | 89,658 | 484,378,746 |
| Less: Reinsurance expenses | (2,605,069) | - | (2,605,069) | (2,442,858) | - | (2,442,858) |
| Net changes in unearned premium reserve | (978,950) | - | (978,950) | (626,199) | - | (626,199) |
| Retained earned premium | $ 388,514,730 | $ 85,176 | $ 388,599,906 | $ 481,220,031 | $ 89,658 | $ 481,309,689 |

2) Cathay Lujiazui Life

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 17,260,974 | $ - | $ 17,260,974 | $ 14,629,447 | $ - | $ 14,629,447 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 17,260,974 | - | 17,260,974 | 14,629,447 | - | 14,629,447 |
| Less: Reinsurance expenses | (159,791) | - | (159,791) | (172,613) | - | (172,613) |
| Net changes in unearned premium reserve | (11,975) | - | (11,975) | (51,255) | - | (51,255) |
| Retained earned premium | $ 17,089,208 | $ - | $ 17,089,208 | $ 14,405,579 | $ - | $ 14,405,579 |

3) Cathay Life (Vietnam)

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Written premium | $ 3,573,325 | $ - | $ 3,573,325 | $ 2,733,871 | $ - | $ 2,733,871 |
| Reinsurance premium | - | - | - | - | - | - |
| Premium income | 3,573,325 | - | 3,573,325 | 2,733,871 | - | 2,733,871 |
| Less: Reinsurance expenses | (67,389) | - | (67,389) | (24,491) | - | (24,491) |
| Net changes in unearned premium reserve | 644 | - | 644 | (26,853) | - | (26,853) |
| Retained earned premium | $ 3,506,580 | $ - | $ 3,506,580 | $ 2,682,527 | $ - | $ 2,682,527 |

b. Retained claim payments

1) The Company

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 394,439,145 | $ 2,797,673 | $ 397,236,818 | $ 283,137,833 | $ 3,952,737 | $ 287,090,570 |
| Reinsurance claim payments | 123,146 | - | 123,146 | 54,463 | - | 54,463 |
| Insurance claim payments | 394,562,291 | 2,797,673 | 397,359,964 | 283,192,296 | 3,952,737 | 287,145,033 |
| Less: Claims recovered from reinsures | (1,558,859) | - | (1,558,859) | (1,803,354) | - | (1,803,354) |
| Retained claim payments | $ 393,003,432 | $ 2,797,673 | $ 395,801,105 | $ 281,388,942 | $ 3,952,737 | $ 285,341,679 |

2) Cathay Lujiazui Life

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 2,392,883 | $ - | $ 2,392,883 | $ 2,381,168 | $ - | $ 2,381,168 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 2,392,883 | - | 2,392,883 | 2,381,168 | - | 2,381,168 |
| Less: Claims recovered from reinsures | (143,170) | - | (143,170) | (138,660) | - | (138,660) |
| Retained claim payments | $ 2,249,713 | $ - | $ 2,249,713 | $ 2,242,508 | $ - | $ 2,242,508 |

3) Cathay Life (Vietnam)

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Direct insurance claim payments | $ 459,774 | $ - | $ 459,774 | $ 266,056 | $ - | $ 266,056 |
| Reinsurance claim payments | - | - | - | - | - | - |
| Insurance claim payments | 459,774 | - | 459,774 | 266,056 | - | 266,056 |
| Less: Claims recovered from reinsures | - | - | - | - | - | - |
| Retained claim payments | $ 459,774 | $ - | $ 459,774 | $ 266,056 | $ - | $ 266,056 |

## 27. PROVISIONS

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 56,245 | $ 56,245 |
| Change in the year | - | - |
| Ending balance | $ 56,245 | $ 56,245 |

## 28. OTHER LIABILITIES

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Advance receipts | $ 470,727 | $ 356,620 |
| Deferred fee income | 2,865 | 3,397 |
| Guarantee deposits received | 3,809,537 | 10,279,416 |
| Others (Note) | 6,112,837 | 10,223,766 |
| | $ 10,395,966 | $ 20,863,199 |

Note: CHL recognized liabilities for put options on subsidiaries' shares, amounting to $2,087,103 thousand and $3,084,003 thousand as of December 31, 2022 and 2021, respectively.

Deferred fee income

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 3,397 | $ 5,548 |
| Amortization | (610) | (1,763) |
| Foreign exchange | 78 | (388) |
| Ending balance | $ 2,865 | $ 3,397 |

## 29. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is 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:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Present value of defined benefit obligation | $ 10,719,245 | $ 12,232,321 |
| Fair value of plan assets | (18,561,215) | (19,930,312) |
| Net defined benefit assets | $ (7,841,970) | $ (7,697,991) |

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

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|---|---|---|
| Balance at January 1, 2021 | $ 13,423,238 | $ (19,703,466) | $ (6,280,228) |
| Service cost | | | |
| Current service cost | 250,400 | - | 250,400 |
| Interest expense (income) | 40,968 | (61,940) | (20,972) |
| Recognized in profit or loss | 291,368 | (61,940) | 229,428 |
| Return on plan assets (excluding amounts included in net interest) | - | (1,018,052) | (1,018,052) |
| Actuarial loss (gain) | | | |
| Changes in financial assumptions | 182,213 | - | 182,213 |
| Changes in financial assumptions | (307,765) | - | (307,765) |
| Experience adjustments | (201,777) | - | (201,777) |
| Recognized in other comprehensive income | (327,329) | (1,018,052) | (1,345,381) |
| Contributions from the employer | - | (301,810) | (301,810) |
| Benefits paid | (1,154,956) | 1,154,956 | - |
| Balance at December 31, 2021 | 12,232,321 | (19,930,312) | (7,697,991) |
| Service cost | | | |
| Current service cost | 243,630 | - | 243,630 |
| Interest expense (income) | 77,320 | (129,544) | (52,224) |
| Recognized in profit or loss | 320,950 | (129,544) | 191,406 |
| Return on plan assets (excluding amounts included in net interest) | - | 688,569 | 688,569 |
| Actuarial loss (gain) | | | |
| Changes in demographic assumptions | (393,611) | - | (393,611) |
| Experience adjustments | (354,554) | - | (354,554) |
| Recognized in other comprehensive income (loss) | (748,165) | 688,569 | (59,596) |
| Contributions from the employer | - | (275,789) | (275,789) |
| Benefits paid | (1,085,861) | 1,085,861 | - |
| Balance at December 31, 2022 | $ 10,719,245 | $ (18,561,215) | $ (7,841,970) |

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 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 and operation are all managed by the government. Therefore, the Company has no control over the investment of the retirement fund assets.

2) Interest rate: A decrease in 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 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 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:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Discount rate | 1.20% | 0.66% |
| Expected rate of salary increase | 1.50% | 1.50% |

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:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Discount rate | | |
| Increase 0.25% | $ (182,227) | $ (220,182) |
| Decrease 0.25% | $ 182,227 | $ 232,414 |
| Expected rate of salary increase | | |
| Increase 0.5% | $ 364,454 | $ 440,364 |
| Decrease 0.5% | $ (353,735) | $ (415,899) |

The above sensitivity analysis 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.

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Expected contributions to the plans for the next year | $ 276,783 | $ 300,520 |
| Average duration of the defined benefit obligation | 6.8 years | 7.5 years |

## 30. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Number of shares authorized (in thousands) | 10,000,000 | 10,000,000 |
| Shares authorized | $ 100,000,000 | $ 100,000,000 |
| Number of shares issued and fully paid (in thousands) | 6,351,527 | 5,851,527 |
| Shares issued | $ 63,515,274 | $ 58,515,274 |

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

On October 20, 2022, the Company's board of directors (on behalf of the shareholders' meeting) resolved to issue 500,000 thousand ordinary shares with a par of $10; on December 23, 2022, the Company's board of directors resolved to issue the shares for a consideration of $70 per share which increased the share capital issued and fully paid to $63,515,274 thousand. The above transaction was approved by the FSC on December 15, 2022, and the subscription base date was determined by the board of directors to be December 28, 2022.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Additional paid-in capital | $ 89,550,000 | $ 59,550,000 |
| Differences between share price and book value from acquisition or disposal of subsidiaries | 29,142 | 29,142 |
| Changes in amount of associates accounted for using the equity method | 728,977 | 833,127 |
| Share-based payments granted by the parent company to the Company's employees | 616,359 | 182,599 |
| | $ 90,924,478 | $ 60,594,868 |

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

On November 18, 2022, Cathay Financial Holdings, board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries subscribing. The Company recognized salary expenses and a capital surplus of $433,760 thousand for share-based payments at the fair value of the options at the grant date.

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

c. Retained earnings and dividends policy

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

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

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

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

After the Company's board of directors approved the appropriations of earnings for 2021 on March 11, 2022, a special reserve of $1,473,000 thousand was proposed in accordance with Article 21 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and approved by the authorities, and the cash dividends in the appropriations of earnings were adjusted to $22,445,733 thousand.

The board of directors (on behalf of the shareholders' meeting) resolved to offset the deficit by legal reserve of $1,676,041 thousand and special reserve of $23,690,492 thousand on April 28, 2021.

The appropriations of earnings for 2021 and 2020 had been approved by the board of directors (on behalf of the shareholders' meeting) on May 13, 2022 and April 28, 2021, respectively The appropriations and dividends per share were as follows:

| | Appropriation of Earnings For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Legal reserve | $ 22,725,076 | $ 10,333,774 |

| | | |
|---|---|---|
| Special reserve | 74,437,689 | 70,366,942 |
| Cash dividends | 22,445,733 | - |
| Cash dividends per share (NT$) | 3.84 | - |

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 9, 2023, were as follows:

| | **Appropriation of Earnings** |
|---|---|
| Legal reserve | $ 4,854,778 |
| Special reserve | 25,036,354 |

The appropriation of earnings for 2022 will be resolved by the Company's board of directors (on behalf of the shareholders' meeting) on April 27, 2023.

d. Special reserves

| | **December 31** | |
|---|---|---|
| | **2022** | **2021** |
| Special reserve for catastrophic events and fluctuation of risks (1) | $ 14,043,862 | $ 14,869,604 |
| Special reserve for the foreign exchange valuation reserve (2) | 36,304,306 | 23,277,194 |
| Special reserve appropriated at the first-time adoption of IFRSs (3) | 47,327,860 | 47,327,860 |
| Special reserve for investment properties at fair value model in subsequent measurement (4) | 149,344,667 | 149,344,667 |
| Special reserve for gains or losses on disposal of immature debt instruments (5) | 103,261,225 | 67,293,218 |
| Others (6) | 108,271,495 | 88,174,667 |
| | $ 458,553,415 | $ 390,287,210 |

1) Special reserve for catastrophic events and fluctuation of risks

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

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

a) Special reserve for catastrophic events

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

b) Special reserve for fluctuation of risks

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

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

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

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

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

| | December 31, 2022 | | |
|---|---|---|---|
| | **Insurance Contracts** | **Financial Instruments with Discretionary Participation Features** | **Total** |
| Life insurance | $ 82,281 | $ - | $ 82,281 |
| Injury insurance | 4,888,144 | - | 4,888,144 |
| Health insurance | 5,865,714 | - | 5,865,714 |
| Group insurance | 3,207,723 | - | 3,207,723 |
| | $ 14,043,862 | $ - | $ 14,043,862 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | $ 108,498 | $ - | $ 108,498 |
| Injury insurance | 4,896,115 | - | 4,896,115 |
| Health insurance | 5,683,756 | - | 5,683,756 |
| Group insurance | 4,181,235 | - | 4,181,235 |
| | $ 14,869,604 | $ - | $ 14,869,604 |

2) Special reserve for foreign exchange valuation reserve

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

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

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

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

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

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

In accordance with Jin Guan Bao Tsai No. 10904917647, the Company set aside special reserve based on net after-tax effect for the first-time adoption of fair value model in subsequent measurement and accumulated net after-tax gain on subsequent fair value measurements.

The aforementioned special reserve can only be used to compensate the deficit of insurance liabilities of the insurance contract in accordance with IFRS 17 “Insurance Contracts,” the fair value assessment of insurance contract liabilities in the life insurance industry and other assessment methods specified by the FSC.

When the Company disposes of the investment properties, if the special reserve under the aforementioned regulations is used to replenish the insurance contract liabilities, the percentage of the original special reserve may be reversed with the approval of the FSC. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

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

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

a) Financial assets not measured at fair value

b) Financial assets measured at FVTOCI

c) Financial assets measured at FVTPL using overlay approach

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

The changes in the accumulated balance of gains or losses on disposals of debt instruments are as follows:

| | **For the Year Ended December 31, 2022** |
|---|---|
| Accumulated balance at the end of the previous year | $ 103,261,225 |
| Realized capital gain of $2,364,025 thousand, net of income tax of $472,805 thousand | 1,891,220 |
| Net amortization for the current year | (5,615,018) |
| Accumulated balance at the end of the year | $ 99,537,427 |

As of December 31, 2022, the Company set aside a special reserve of $103,261,225 thousand in accordance with the regulation; In 2023, the board of directors (on behalf of the shareholders’ meeting) will resolve to set aside a special reserve of $3,723,798 thousand according to the changes in the current year; the accumulated balance of the special reserve will be $99,537,427 thousand.

According to the regulation, the amortization table at the end of the previous year and the additions in the current year are as follows:

| Year | Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Previous Year (1) | Gains or Losses on Disposal After Tax in the Current Year (2) | Net Amortization of the Accumulated Balance of Gains or Losses on Disposal at the End of the Current Year (1)+(2) |
|---|---|---|---|
| 2022 | $ 5,959,262 | $ (344,244) | $ 5,615,018 |
| 2023 | 5,899,291 | (347,166) | 5,552,125 |
| 2024 | 5,634,806 | (231,209) | 5,403,597 |
| 2025 | 5,359,423 | (165,208) | 5,194,215 |
| 2026 | 5,068,325 | (76,860) | 4,991,465 |
| 2027 | 4,931,889 | 26,137 | 4,958,026 |
| 2028 | 4,735,200 | 97,617 | 4,832,817 |
| 2029 | 4,517,180 | 104,256 | 4,621,436 |
| 2030 | 4,319,048 | 51,236 | 4,370,284 |
| 2031 | 4,166,481 | 76,541 | 4,243,022 |
| 2032 to 2041 | 35,731,421 | 2,022,013 | 37,753,434 |
| 2042 to 2051 | 15,499,181 | 634,793 | 16,133,974 |
| 2052 to 2122 | 1,439,718 | 43,314 | 1,483,032 |
| Total (Note) | $ 103,261,225 | $ 1,891,220 | $ 99,537,427 |

Note: Column (1)+(2) does not include the amortization of the accumulated balance of gains or losses on disposal in 2022.

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

e. Other equity

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ (15,347,517) | $ (12,934,112) |
| Recognized for the year | 3,224,922 | (1,683,323) |
| Share of associates accounted for using the equity method | 921,077 | (914,495) |
| Tax effects | (163,677) | 184,413 |
| Other comprehensive income (loss) recognized for the year | 3,982,322 | (2,413,405) |
| Ending balance | $ (11,365,195) | $ (15,347,517) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 38,259,385 | $ 92,536,203 |
| Recognized for the year | (114,526,089) | (41,863,997) |
| Share of associates accounted for using the equity method | (1,013,717) | (114,002) |
| Reclassification adjustment | | |
| Disposal of investments in debt instruments | 4,838,612 | (24,399,829) |
| Tax effects | 16,333,217 | 14,079,086 |
| Other comprehensive loss recognized for the year | (94,367,977) | (52,298,742) |
| Changes in associates accounted for using the equity method | - | (2,076) |
| Cumulative unrealized loss (income) of equity instruments transferred to retained earnings due to disposal | 8,769,701 | (1,976,000) |
| Ending balance | $ (47,338,891) | $ 38,259,385 |

3) Gain (loss) on hedging instruments

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 335,851 | $ 347,871 |
| Recognized for the year | 276,963 | (86,019) |
| Reclassification adjustment | | |
| Hedged item that affects profit or loss | 485,095 | 72,338 |
| Tax effects | (147,644) | 1,661 |
| Other comprehensive income (loss) recognized for the year | 614,414 | (12,020) |
| Ending balance | $ 950,265 | $ 335,851 |

4) Remeasurement of defined benefit plans

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 1,336,456 | $ 226,758 |
| Recognized for the year (Note 29) | 59,596 | 1,345,381 |
| Share of associates accounted for using the equity method | 99,843 | 41,654 |
| Tax effects | (30,995) | (277,337) |
| Other comprehensive income recognized for the year | 128,444 | 1,109,698 |
| Ending balance | $ 1,464,900 | $ 1,336,456 |

5) Property revaluation surplus

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 402,058 | $ 187,503 |
| Recognized for the year | - | 286,073 |
| Tax effects | - | (71,518) |
| Ending balance | $ 402,058 | $ 402,058 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 63,853,017 | $ 102,093,109 |
| Recognized for the year | (230,979,027) | 74,682,803 |
| Reclassification adjustment | | |
| Disposal of investments in financial instruments | (21,659,425) | (114,649,498) |
| Tax effects | 17,996,613 | 1,726,603 |
| Other comprehensive loss recognized for the year | (234,641,839) | (38,240,092) |
| Ending balance | $(170,788,822) | $ 63,853,017 |

7) Other equity - other

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ (3,224,389) | $ (3,944,303) |
| Actual execution of put options on subsidiaries’ share | 731,063 | 731,017 |
| Others | - | (11,103) |
| Ending balance | $ (2,493,326) | $ (3,224,389) |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 7,689,899 | $ 7,399,117 |
| Net income attributed to non-controlling interests | | |
| Net profit for the year | 502,011 | 935,063 |
| Other comprehensive income (loss) for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | 216,349 | (118,322) |
| Other comprehensive (loss) income reclassified using overlay approach | ((179,950) | 164,141 |
| Acquisition of non-controlling interests in subsidiaries (Note 43) | 1,505,676 | - |
| Actual acquisition of interests in subsidiaries | (109,072) | (176,506) |
| Others | (653,011) | (513,594) |
| Ending balance | $ 8,971,902 | $ 7,689,899 |

## 31. EARNINGS PER SHARE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Basic earnings per share | $ 5.75 | $ 19.18 |

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

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Earnings used in the computation of basic earnings per share | $ 33,667,168 | $ 112,230,795 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 5,857,007 | 5,851,527 |

If reserve for foreign exchange valuation was not applicable, basic earnings per share would be $11.27 and $18.39 for the years ended December 31, 2022 and 2021, respectively.

## 32. NET PROFIT FOR THE YEAR

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets at FVTOCI | $ 41,853,280 | $ 38,715,329 |
| Financial assets measured at amortized cost | 119,126,159 | 103,228,290 |
| Loans | 14,279,421 | 13,837,122 |
| Others | 4,056,611 | 1,996,829 |
| | $ 179,315,471 | $ 157,777,570 |

b. Expected credit impairment (losses) and gains on reversal

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Operating revenues - expected credit impairment losses and gains on reversal from investments | | |
| Debt instrument investments at FVTOCI | $ (728,807) | $ 347,254 |
| Financial assets measured at amortized cost | (2,644,185) | 1,830,160 |
| Interest receivable | (1,215,462) | - |
| Loans | 656,571 | (550,112) |
| | (3,931,883) | 1,627,302 |
| Operating expenses - expected credit impairment losses from non-investments | | |
| Receivables | (11,745) | (24,773) |
| Reinsurance assets | (15,287) | - |
| | (27,032) | (24,773) |
| | $ (3,958,915) | $ 1,602,529 |

c. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Short-term benefits | | |
| Salaries | $ 34,032,544 | $ 36,504,383 |
| Labor and health insurance expenses | 3,009,287 | 3,096,992 |
| Post-employment benefits | | |
| Defined contribution plans | 1,076,901 | 1,119,868 |
| Defined benefit plans (Note 29) | 191,406 | 229,428 |
| Remuneration of directors | 138,870 | 134,971 |
| Other employee benefits | 780,469 | 987,614 |
| | $ 39,229,477 | $ 42,073,256 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 26,412,718 | $ 29,379,149 |
| Operating expenses | 12,816,759 | 12,694,107 |
| | $ 39,229,477 | $ 42,073,256 |

For the years ended December 31, 2022 and 2021, the average numbers of the Group's employees were 39,083 and 41,324, including 25 and 21 non-executive directors, respectively.

For the years ended December 31, 2022 and 2021, the average employee benefits expense of the Group was $984 thousand and $1,015 thousand, respectively, and the average salary expense was $857 thousand and $884 thousand, respectively; the average employee salary decreased by 3%.

d. Compensation of employees and remuneration of directors and supervisors

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

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, respectively, as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Compensation of employees | $ 4,053 | $ 12,462 |
| Remuneration of directors and supervisors | 5,400 | 5,400 |

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

The compensation and remuneration of directors and supervisors for the years ended 2021 and 2020, which were resolved by the board of directors on March 11, 2022 and March 10, 2021, respectively, are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Compensation of employees | $ 12,462 | $ 4,996 |
| Remuneration of directors and supervisors | 5,400 | 5,400 |

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

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Property and equipment | $ 968,434 | $ 776,253 |
| Right-of-use assets | 652,551 | 590,057 |
| Intangible assets | 2,382,435 | 2,655,445 |
| | $ 4,003,420 | $ 4,021,755 |
| An analysis of depreciation by function | | |
| Operating expenses | $ 1,620,985 | $ 1,366,310 |
| An analysis of amortization by function | | |
| Operating expenses | $ 2,382,435 | $ 2,655,445 |

f. Non-operating income and expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Gain (loss) on disposal of property and equipment | $ 11,370 | $ (3,984) |
| Others | 1,847,145 | 1,567,121 |
| | $ 1,858,515 | $ 1,563,137 |

## 33. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | $ (2,880,146) | $ 9,225,178 |
| Adjustments for prior years | 116,779 | (292,995) |
| Deferred tax | | |
| In respect of the current year | 10,042,589 | (990,924) |
| Adjustments for prior years | 349 | 91,464 |
| Other | | |
| Additional income tax under the Alternative Minimum Tax Act | - | 5,971,840 |
| Tax effect under integrated income tax system | 233,581 | (1,089,033) |
| Income tax expense recognized in profit or loss | $ 7,513,152 | $ 12,915,530 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Profit before tax | $ 41,682,331 | $ 126,081,388 |
| Income tax expense calculated at the statutory rate | $ 8,336,466 | $ 25,216,278 |
| Tax-exempt income | (7,991,109) | (17,972,655) |
| Nondeductible (benefits) expenses in determining taxable income | (2,822) | 116,057 |
| Cash dividends | 4,008,576 | - |
| Effect of income tax on deferred tax assets (liabilities) | 257,818 | (40,954) |
| Withholding tax on foreign investments | 1,283,249 | - |
| Land value increment tax | 1,168,038 | 728,665 |
| Corporate income tax in China | 549 | 522 |
| Investment loss | (29,329) | (4,876) |
| Additional income tax under the Alternative Minimum Tax Act | - | 5,971,840 |
| Effect of different tax rates of entities in the Group operating in other jurisdictions | 100,929 | 174,586 |
| Tax effect under integrated income tax system | 233,581 | (1,089,033) |
| Unrealized loss carryforwards | 30,078 | 16,631 |
| Adjustments for prior years' tax | 117,128 | (201,531) |

| | | |
|---|---|---|
| Income tax expense recognized in profit or loss | $ 7,513,152 | $ 12,915,530 |

Foreign withholding taxes in the amounts of $1,284,013 thousand and $735 thousand were recognized in current tax expense for the years ended December 31, 2022 and 2021, respectively, since the Company evaluated that foreign withholding taxes cannot be used as deduction of taxes.

b. Income tax recognized directly in equity

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Current tax | | |
| Derecognition of equity instruments at FVTOCI | $ 324,681 | $ 137,166 |
| Deferred tax | | |
| Derecognition of equity instruments at FVTOCI | (324,681) | (137,166) |
| Capital surplus | 30,088 | 2,033 |
| Retained earnings | - | 6,726 |
| Total income tax recognized directly in equity | $ 30,088 | $ 8,759 |

c. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Deferred tax | | |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | $ (163,677) | $ 184,413 |
| (Losses) gains on hedging instruments | (147,644) | 1,661 |
| Unrealized gains on equity instruments at FVTOCI | 312,032 | 438,781 |
| Unrealized gains on debt instruments at FVTOCI | 15,931,536 | 13,624,850 |
| Remeasurement of defined benefit plans | (11,919) | (269,076) |
| Property revaluation surplus | - | (71,518) |
| Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method | 70,573 | 7,194 |
| Other comprehensive income reclassified using overlay approach | 17,996,613 | 1,726,603 |
| Total income tax recognized in other comprehensive income | $ 33,987,514 | $ 15,642,908 |

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, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Foreign Exchange | Other | Closing Balance |
|---|---|---|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | | | | |
| Temporary differences | | | | | | | |
| Property and equipment | $ 255,610 | $ (10,805) | $ - | $ - | $ - | $ - | $ 244,805 |
| Investment property | (30,936,281) | (2,185,433) | - | - | (18,495) | - | (33,140,209) |
| Financial assets at FVTPL | (3,524,090) | (1,200,948) | - | - | (8,946) | - | (4,733,984) |
| Financial assets at FVTPL applying overlay approach | (12,495,467) | (58,205) | 25,428,273 | - | - | 1,878,346 | 14,752,947 |
| Equity instruments at FVTOCI | (164,914) | - | 415,878 | (338,397) | - | - | (87,433) |
| Debt instruments at FVTOCI | (4,552,720) | 216,271 | 15,931,536 | - | - | - | 11,595,087 |
| Financial assets for hedging | (100,129) | 31,530 | 64,761 | - | - | - | (3,838) |
| Financial assets measured at amortized cost | 141,079 | 682,772 | - | - | - | - | 823,851 |
| Financial liabilities at FVTPL | 585,060 | 12,129,896 | - | - | - | - | 12,714,956 |
| Financial liabilities for hedging | 47 | 955,440 | (212,269) | - | - | - | 743,218 |
| Rent leveling | (140,975) | (12,447) | - | - | - | - | (153,422) |
| Other payables | 158,733 | (44,422) | (136) | - | 15,158 | - | 129,333 |
| Defined benefit assets | (1,539,597) | (16,878) | (11,919) | - | - | - | (1,568,394) |
| Investments accounted for using the equity method | 2,148,829 | (765,447) | (93,104) | 30,088 | (9,847) | (1,878,346) | (567,827) |
| Deferred revenue | 102,391 | (10,536) | - | - | 11,585 | - | 103,440 |
| Lease liabilities | 150,943 | 99,545 | - | - | - | - | 250,488 |
| Goodwill and franchises | 65,629 | (48,097) | - | - | - | - | 17,532 |
| Unrealized foreign exchange losses (gains) | 54,647,115 | (58,812,674) | (7,535,506) | 13,716 | - | - | (11,687,349) |
| Allowance for doubtful account | 224,092 | (18,103) | - | - | - | - | 205,989 |
| Other | (741,143) | 48,971 | - | - | (73,606) | - | (765,778) |
| Unused tax losses | 25,753 | 38,976,632 | - | - | 1,397 | - | 39,003,782 |
| Net deferred tax assets (liabilities) | $ 4,309,965 | $ (10,042,938) | $ 33,987,514 | $ (294,593) | $ (82,754) | $ - | $ 27,877,194 |
| Deferred tax assets | $ 58,628,168 | | | | | | $ 80,501,622 |
| Deferred tax liabilities | $ 54,318,203 | | | | | | $ 52,624,428 |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Foreign Exchange | Other | Closing Balance |
|---|---|---|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | | | | |
| Temporary differences | | | | | | | |
| Property and equipment | $ 265,651 | $ (10,041) | $ - | $ - | $ - | $ - | $ 255,610 |
| Investment property | (28,894,688) | (1,973,714) | (71,518) | - | 3,639 | - | (30,936,281) |
| Financial assets at FVTPL | (5,799,636) | 2,282,408 | (6,710) | - | (152) | - | (3,524,090) |
| Financial assets at FVTPL applying overlay approach | (13,244,820) | - | 749,353 | - | - | - | (12,495,467) |
| Equity instruments at FVTOCI | (397,469) | - | 328,162 | (95,607) | - | - | (164,914) |
| Debt instruments at FVTOCI | (18,109,285) | (68,285) | 13,624,850 | - | - | - | (4,552,720) |
| Financial assets for hedging | (28,745) | (32,125) | (39,259) | - | - | - | (100,129) |
| Financial assets measured at amortized cost | (86,345) | 11,931 | - | - | - | - | (74,414) |
| Financial liabilities at FVTPL | 2,318,537 | (1,733,477) | - | - | - | - | 585,060 |
| Financial liabilities for hedging | 18,194 | (65,777) | 47,630 | - | - | - | 47 |
| Rent leveling | (129,443) | (11,532) | - | - | - | - | (140,975) |
| Other payables | 115,771 | 46,980 | - | - | (4,018) | - | 158,733 |
| Defined benefit assets | (1,256,045) | (14,476) | (269,076) | - | - | - | (1,539,597) |
| Investments accounted for using the equity method | 2,270,377 | (323,460) | 191,607 | 8,759 | 1,546 | - | 2,148,829 |
| Deferred revenue | 102,856 | 1,666 | - | - | (2,131) | - | 102,391 |
| Lease liabilities | 122,427 | 28,516 | - | - | - | - | 150,943 |
| Goodwill and franchises | 55,532 | 10,097 | - | - | - | - | 65,629 |
| Unrealized foreign exchange losses (gains) | 50,683,048 | 2,917,757 | 1,087,869 | (41,559) | - | - | 54,647,115 |
| Allowance for doubtful account | 214,211 | 9,881 | - | - | - | - | 224,092 |
| Other | 178,759 | (189,622) | - | - | 43,379 | (558,166) | (525,650) |
| Unused tax losses | 13,409 | 12,733 | - | - | (389) | - | 25,753 |
| Net deferred tax assets (liabilities) | $ (11,587,704) | $ 899,460 | $ 15,642,908 | $ (128,407) | $ 41,874 | $ (558,166) | $ 4,309,965 |
| Deferred tax assets | $ 56,690,743 | | | | | | $ 58,628,168 |
| Deferred tax liabilities | $ 68,278,447 | | | | | | $ 54,318,203 |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Loss carryforwards | | |
| Expiry in 2027 | $ 343 | $ - |
| Expiry in 2029 | 339 | - |
| Expiry in 2030 | 7,087 | - |
| Expiry in 2031 | 2,752 | - |
| Expiry in 2032 | 13,211 | - |
| | $ 23,732 | $ - |

f. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

| Unused Amount | Expiry Year |
|---|---|
| $ 105,087 | 2024 |
| 343 | 2027 |
| 339 | 2029 |
| 7,087 | 2030 |
| 98,089 | 2031 |
| 194,873,497 | 2032 |
| $ 195,084,442 | |

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $3,362,835 thousand and $3,154,210 thousand, respectively.

h. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2015, 2016 and 2017 tax returns and applied for an administrative remedy.

## 34. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Cathay Financial Holdings | The Company’s parent company |
| Cathay Securities Investment Consulting | Subsidiary |
| Cathay Lujiazui Life | Subsidiary |
| Cathay Life (Vietnam) | Subsidiary |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Subsidiary |
| Cathay Woolgate Exchange Holding 1 Limited | Subsidiary |
| Cathay Woolgate Exchange Holding 2 Limited | Subsidiary |
| Cathay Walbrook Holding 1 Limited | Subsidiary |
| Cathay Walbrook Holding 2 Limited | Subsidiary |
| CHL | Subsidiary |
| Cathay Industrial Research and Design Center Co., Ltd. | Subsidiary |
| Global Evolution Holding ApS | Subsidiary |
| 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 Cathay 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) |
| Chen Fong Power | Subsidiary since December 2022 |
| 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. | Subsidiary of associate |

(Continued)

| Related Party Name | Related Party Category |
|---|---|
| ThinkPower Information Co., Ltd. | Subsidiary of associate |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | Subsidiary of associate |
| Hong-Sui Co., Ltd. | Subsidiary of associate |
| Cathay United Bank Co., Ltd. | Fellow subsidiary |
| Cathay Century Insurance Co., Ltd. | Fellow subsidiary |
| Cathay Securities Corporation | Fellow subsidiary |
| Cathay Securities Investment Trust Co., Ltd. | Fellow subsidiary |
| Cathay Venture Inc. | Fellow subsidiary |
| Cathay Insurance (Vietnam) Co., Ltd. | Subsidiary of fellow subsidiary |
| Indovina Bank Limited | Subsidiary of fellow subsidiary |
| Cathay Futures Co., Ltd. | Subsidiary of fellow subsidiary |
| Cathay Securities (Hong Kong) Limited | Subsidiary of fellow subsidiary |
| Funds managed by Cathay Securities Investment Trust Co., Ltd. | Other related party |
| Private Equity Fund managed by Cathay Private Equity | Other related party |
| Funds managed by Global Evolution Holdings ApS | Other related party |
| Funds managed by Octagon Credit Investors, LLC | Other related party |
| Bonds managed by Octagon Credit Investors, LLC | Other related party |
| Ally Logistic Property Co., Ltd. | Other related party |
| Cathay Real Estate Development Co., Ltd. | Other related party |
| Cathay Healthcare Management Co., Ltd. | Other related party |
| Cathay Medical Care Corp. | Other related party |
| Cathay Hospitality Management Co., Ltd. | Other related party |
| San Ching Engineering Co., Ltd. | Other related party |
| Cathay Hospitality Consulting Co., Ltd. | Other related party |
| Cymlin Co., Ltd. | Other related party |
| Cymder Co., Ltd. | Other related party |
| Cymbal Medical Network Co., Ltd. | Other related party |
| Hsin Chung Co., Ltd. | Other related party |
| Yi Ru Capital Co., Ltd. | Other related party |
| CDIB & PARTNERS Investment Holding Corporation | Other related party |
| Daiwa - Cathay Capital Markets Co., Ltd. | Other related party |
| Liang-Ting Co., Ltd. | Other related party |
| Srisawad Corporation Public Company Limited | Other related party |
| Cathay United Bank Foundation | Other related party |
| Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship) | Other related party |
| Retail Forest Co., Ltd. | Other related party before July 2021 |

(Concluded)

Note 1: Associate before November 2022.

Note 2: Subsidiary of associate before November 2022.

b. Significant transactions with related parties:

1) Property transactions

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

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

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Name | Items | Amount | Items | Amount |
| Associate | | | | |
| PSS Co., Ltd. | Taoyuan QingPu Information Center, etc. | $ 8,222 | - | $ - |
| Lin Yuan Property Management Co., Ltd. | Chu-nan Building, etc. | 4,973 | International Tower | 9,771 |
| | | 13,195 | | 9,771 |
| Other related party | | | | |
| San Ching Engineering Co., Ltd. | Tucheng East Building, etc. | 1,754,221 | Tucheng East Building, etc. | 1,213,455 |
| Ally Logistic Property Co., Ltd. | Yangmei Erchongxi Warehousing, etc. | 832,026 | Yangmei Erchongxi Warehousing, etc. | 1,694,037 |
| | | 2,586,247 | | 2,907,492 |
| | | $ 2,599,442 | | $ 2,917,263 |

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between the Group and PSS Co., Ltd. were $7,137 thousand and $0, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between the Group and Lin Yuan Property Management Co., Ltd. were $3,447 thousand and $0, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were $4,005,983 thousand and $2,607,361 thousand, respectively.

As of December 31, 2022 and 2021, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were $15,573,524 thousand and $7,316,509 thousand, respectively.

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

| Name | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 147,136 | $ 140,758 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 10,118 | 9,865 |
| Associate and its subsidiary | | |
| Symphox Information Co., Ltd. | 33,540 | 32,850 |
| Yua-Yung Marketing (Taiwan) Co., Ltd. | 44,340 | 31,546 |
| Hong-Sui Co., Ltd. | 28,436 | 27,467 |
| Lin Yuan Property Management Co., Ltd. | 20,712 | 19,463 |
| CMG International Two Co., Ltd. | 3,013 | 2,695 |
| Hong Tai Energy Co., Ltd. | 1,521 | 3,442 |
| | 131,562 | 117,463 |
| Fellow subsidiary and its subsidiary | | |
| Cathay United Bank Co., Ltd. | 738,149 | 727,756 |
| Cathay Century Insurance Co., Ltd. | 128,757 | 112,768 |
| Cathay Securities Co., Ltd. | 61,519 | 53,806 |
| Cathay Securities Investment Trust Co., Ltd. | 59,069 | 57,112 |
| Cathay Venture Inc. | 8,108 | 5,574 |
| Cathay Futures Co., Ltd. | 7,292 | 6,952 |
| | 1,002,894 | 963,968 |
| Other related party | | |
| Ally Logistic Property Co., Ltd. | 965,619 | 798,609 |
| Cathay Medical Care Corp. | 189,426 | 191,996 |
| Cathay Hospitality Management Co., Ltd. | 187,666 | 157,748 |
| Cathay Hospitality Consulting Co., Ltd. | 178,422 | 140,144 |
| Cathay Healthcare Management Co., Ltd. | 89,117 | 65,679 |
| Cathay Real Estate Development Co., Ltd. | 17,696 | 18,121 |
| Cymlin Co., Ltd. | 8,570 | - |
| Cymder Co., Ltd. | 7,610 | 7,280 |
| Hsin Chung Co., Ltd. | 7,527 | 11,619 |
| San Ching engineering Co., Ltd. | 6,159 | 6,473 |
| Cathay United Bank Foundation | 5,249 | 4,812 |
| Cymbal Medical Network Co., Ltd. | 4,111 | 893 |
| Liang-Ting Co., Ltd. | 3,159 | 3,159 |
| | 1,670,331 | 1,406,533 |
| | $ 2,962,041 | $ 2,638,587 |

| Name | Guarantee Deposits Received December 31 2022 | 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 33,709 | $ 33,301 |
| Associate and its subsidiary | | |
| Symphox Information Co., Ltd. | 11,708 | 8,000 |
| Yua-Yang Marketing (Taiwan) Co., Ltd. | 5,370 | 4,552 |
| Hong-Sui Co., Ltd. | 4,740 | 4,740 |
| | 21,818 | 17,292 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 191,579 | 187,202 |
| Cathay Century Insurance Co., Ltd. | 33,772 | 32,175 |
| Cathay Securities Corporation | 14,719 | 13,087 |
| Cathay Securities Investment Trust Co., Ltd. | 13,293 | 12,931 |
| | 253,363 | 245,395 |
| Other related party | | |
| Ally Logistic Property Co., Ltd. | 210,782 | 143,424 |
| Cathay Hospitality Management Co., Ltd. | 190,582 | 188,597 |
| Cathay Hospitality Consulting Co., Ltd. | 184,100 | 182,277 |
| Cathay Medical Care Corp. | 61,208 | 11,447 |
| Cathay Healthcare Management Co., Ltd. | 21,113 | 21,113 |
| Cathay Real Estate Development Co., Ltd. | 4,086 | 4,215 |
| Cymlin Co., Ltd. | 4,081 | 4,081 |
| Hsin Chung Co., Ltd. | 3,072 | 3,072 |
| Retail Forest Co., Ltd. | - | 5,745 |
| | 679,024 | 563,971 |
| | $ 987,914 | $ 859,959 |

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 | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 61,248 | $ - |
| Other related party | | |
| Yi Ru Capital Co., Ltd. | - | 8,402 |
| | $ 61,248 | $ 8,402 |

ii. Lease liabilities

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 38,541 | $ 7,433 |
| Other related party | | |
| Cathay Real Estate Development Co., Ltd. | 1,762 | 9,155 |
| Yi Ru Capital Co., Ltd. | 1,064 | 5,271 |
| | 2,826 | 14,426 |
| | $ 41,367 | $ 21,859 |

iii. Lease expense

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 1,388 | $ 7,061 |

iv. Guarantee deposits paid

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 7,694 | $ 10,087 |

d) Purchase of equipment from related parties - computer equipment and software

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Subsidiary of associate | | |
| ThinkPower Information Co., Ltd. | $ 33,840 | $ 14,833 |

e) Sale of equipment to related parties - computer equipment and software

| Name | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Parent company | | |
| Cathay Financial Holdings | $ 66,111 | $ - |

2) Acquisition of financial assets

For the year ended December 31, 2022

| Related Party Category/Name | Name of Securities | Number of Shares | Purchase Price |
|---|---|---|---|
| Others | | | |
| San Ching Engineering Co., Ltd. | Cathay Power Inc. | 78,998,400 | $ 982,162 |

3) Disposal of financial assets

For the year ended December 31, 2022

| Related Party Category/Name | Line Item | Underlying Assets | Proceeds | Gain on Disposal |
|---|---|---|---|---|
| Fellow subsidiary | | | | |
| Cathay Venture Inc. | Financial asset at FVTOCI | Ordinary shares | $ 483,478 | $ 42,342 |
| | Financial asset at FVTPL | Private equity fund | 479,700 | 89,700 |
| | | | $ 963,178 | $ 132,042 |

4) Shares transactions

a) Issuance of shares for cash by the Company

| Name | Nature of Transaction | For the Year Ended December 31 2022 | 2021 |
|---|---|---|---|
| Parent company | | | |
| Cathay Financial Holdings | Ordinary shares | $ 35,000,000 | $ - |

b) Acquisition of shares issued by the related parties

| Name | Nature of Transaction | For the Year Ended December 31 2022 | 2021 |
|---|---|---|---|
| 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 | 279,500 |
| CM Energy | Ordinary shares | - | 135,000 |
| | | $ 2,308,500 | $ 414,500 |

c) Balance of shares issued by the related parties

| Name | Nature of Transaction | December 31 2022 | December 31 2021 |
|---|---|---|---|
| Other related party | | | |
| Srisawad Corporation Public Company | Ordinary shares | $ 2,718,023 | $ 3,213,864 |
| Cathay Real Estate Development Co., Ltd. | Ordinary shares | 1,046,860 | 1,321,447 |
| CDIB & PARTNERS Investment | Ordinary shares | 694,980 | 880,740 |
| Daiwa-Cathay Capital Market Co., Ltd. | Ordinary shares | 143,800 | 144,600 |
| | | $ 4,603,663 | $ 5,560,651 |

Refer to Note 12, Table 1 and Table 7 for the balance of investment in associates.

5) Cash in banks

| Name | Nature of Transaction | December 31 2022 | December 31 2021 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Cathay United Bank Co., Ltd. | Time deposit | $ 1,867,186 | $ 1,280,477 |
| | Demand deposit | 43,913,419 | 42,819,111 |
| | Checking deposit | 197,778 | 209,910 |
| | Security deposit | 1,409,644 | 6 |
| | | 47,388,027 | 44,309,504 |
| Subsidiary of fellow subsidiary | | | |
| Indovina Bank Limited | Time deposit | 3,045,564 | 1,817,844 |
| | Demand deposit | 17,002 | 12,382 |
| | | 3,062,566 | 1,830,226 |
| | | $ 50,450,593 | $ 46,139,730 |

For the years ended December 31, 2022 and 2021, the interest income earned from above bank deposits in Cathay United Bank Co., Ltd. amounted to $179,008 thousand and $44,271 thousand, respectively.

For the years ended December 31, 2022 and 2021, the interest income earned from above bank deposits in Indovina Bank Limited were $148,787 thousand and $131,557 thousand, respectively.

6) Loans

| Name | For the Year Ended December 31, 2022 Maximum Balance | Rate | Ending Balance |
|---|---|---|---|
| Other related party | $ 929,925 | 1.25%-5.34% | $ 859,415 |

| Name | For the Year Ended December 31, 2021 Maximum Balance | Rate | Ending Balance |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Other related party | $ 999,575 | 0.75%-3.17% | $ 821,274 |

For the years ended December 31, 2022 and 2021, the interest income earned from above loans to other related party amounted to $13,240 thousand and $10,931 thousand, respectively.

7) Balance of bonds managed by related parties

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Other related party | | |
| Bonds managed by Octagon Credit Investors, LLC | $ 5,309,027 | $ 4,888,088 |

8) Balance of funds managed by related parties

| Name | Item | December 31 2022 | December 31 2021 |
|---|---|---|---|
| Other related party | | | |
| Funds managed by Octagon Credit Investors, LLC | Market value | $ 2,218,342 | $ 2,075,270 |
| | Cost | $ 2,336,430 | $ 2,041,381 |
| Funds managed by Global Evolution Holding ApS | Market value | $ 2,657,844 | $ 2,782,079 |
| | Cost | $ 2,611,516 | $ 2,440,596 |
| Funds managed by Cathay Securities Investment Trust Co., Ltd. | Market value | $ 62,661,305 | $ 70,780,361 |
| | Cost | $ 76,547,914 | $ 71,263,962 |
| Private Equity Fund managed by Cathay Private Equity | Market value | $ 1,380,514 | $ 1,215,634 |
| | Cost | $ 1,389,261 | $ 1,190,055 |

9) Balance of discretionary management investments

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 202,504,395 | $ 343,737,780 |

10) Other receivables

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings (Note) | $ 14,465,582 | $ 5,253,915 |
| Fellow subsidiary and its subsidiary | | |
| Cathay Venture Inc. | 961,728 | - |
| Cathay Century Insurance Co., Ltd. | 131,089 | 58,727 |
| Indovina Bank Limited | 111,737 | 83,628 |
| Cathay Securities Investment Trust Co., Ltd. | 32,547 | 63,672 |
| Cathay United Bank Co., Ltd. | 57,872 | 59,216 |
| | 1,294,973 | 265,243 |

| | | |
|---|---|---|
| | $ 15,760,555 | $ 5,519,158 |

Note: Income tax refundable under the integrated income tax system.

11) Guarantee deposits paid (for future transactions)

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Subsidiary of fellow subsidiary | | |
| Cathay Futures Co., Ltd. | $ 3,390,281 | $ 2,234,611 |

12) Guarantee deposits received

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Associate | | |
| Lin Yuan Property Management Co., Ltd. | $ 5,000 | $ 5,000 |
| Other related party | | |
| San Ching Engineering Co., Ltd. | 1,638,378 | 968,577 |
| Ally Logistic Property Co., Ltd. | 1,458,873 | 1,486,507 |
| | 3,097,251 | 2,455,084 |
| | $ 3,102,251 | $ 2,460,084 |

13) Other payables

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings (Note) | $ 70,989 | $ 70,989 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 25,883 | 30,963 |
| Associate | | |
| Symphox Information Co., Ltd. | 6,296 | 18,642 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 303,859 | 185,415 |
| Cathay Securities Investment Trust Co., Ltd. | 12,549 | 18,921 |
| | 316,408 | 204,336 |
| | $ 419,576 | $ 324,930 |

Note: The payables are comprised of remuneration of directors and supervisors and accrued interests of bonds payable.

14) Bonds payable

| Name | December 31 2022 | December 31 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 35,000,000 | $ 35,000,000 |

15) Premium income

| Name | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 6,924 | $ 5,729 |
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | 141,978 | 112,901 |
| Cathay Century Insurance Co., Ltd. | 29,481 | 28,104 |
| Cathay Securities Corporation | 17,542 | 15,316 |
| Cathay Securities Investment Trust Co., Ltd. | 4,913 | 4,826 |
| | 193,914 | 161,147 |
| Associate | | |
| Lin Yuan Property Management Co., Ltd. | 3,738 | 3,466 |
| Other related party | | |
| Cathay Medical Care Corp. | 55,580 | 58,493 |
| San Ching Engineering Co., Ltd. | 4,075 | 3,444 |
| Cathay Real Estate Development Co., Ltd. | 3,662 | 4,110 |
| Cathay Healthcare Management Co., Ltd. | 3,387 | 2,374 |
| Other | 142,617 | 313,907 |
| | 209,321 | 382,328 |
| | $ 413,897 | $ 552,670 |

16) Fee income

| Name | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 66,090 | $ 75,642 |

17) Insurance expenses

| Name | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Century Insurance Co., Ltd. | $ 115,000 | $ 110,131 |

18) Other operating revenue

| Name | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay Securities Investment Trust Co., Ltd. | $ 116,085 | $ 171,268 |

19) Other operating costs

| Name | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Fellow subsidiary | | |
| Cathay United Bank Co., Ltd. | $ 944,171 | $ 1,100,121 |
| Cathay Securities Investment Trust Co., Ltd. | 421,067 | 466,712 |
| | $ 1,365,238 | $ 1,566,833 |

20) Finance costs

| Name | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 1,260,000 | $ 1,260,000 |

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

21) Operating expenses

| Name | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 5,710 | $ 5,516 |
| Subsidiary | | |
| Cathay Securities Investment Consulting | 115,398 | 123,346 |
| Associate and its subsidiary | | |
| Lin Yuan Property Management Co., Ltd. | 918,299 | 828,679 |
| Symphox Information Co., Ltd. | 180,457 | 165,198 |
| Seaward Card Co., Ltd. | 71,142 | 69,635 |
| ThinkPower Information Co., Ltd. | 56,957 | 14,550 |
| | 1,226,855 | 1,078,062 |
| Fellow subsidiary and its subsidiary | | |
| Cathay United Bank Co., Ltd. | 5,914,610 | 6,367,493 |
| Cathay Securities (Hong Kong) Limited | - | 4,663 |
| | 5,914,610 | 6,372,156 |
| Other related party | | |
| Cathay Medical Care Corp. | 9,319 | 25,125 |
| Cathay Healthcare Management Co., Ltd. | 4,844 | 7,352 |
| San Ching Engineering Co., Ltd. | 4,833 | 4,537 |
| Cathay Real Estate Development Co., Ltd. | 4,129 | 4,418 |
| | 23,125 | 41,432 |
| | $ 7,285,698 | $ 7,620,512 |

22) Non-operating income

| Name | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Parent company | | |
| Cathay Financial Holdings | $ 11,657 | $ 11,114 |
| Fellow subsidiary and its subsidiary | | |
| Cathay Century Insurance Co., Ltd. | 733,711 | 674,904 |
| Cathay United Bank Co., Ltd. | 218,851 | 189,892 |
| Cathay Securities Corporation | 86,054 | 77,218 |
| Cathay Securities Investment Trust Co., Ltd. | 33,036 | 28,801 |
| Cathay Insurance (Vietnam) Co., Ltd. | 8,705 | 5,068 |
| | 1,080,357 | 975,883 |
| Other related party | | |
| Cathay Hospitality Consulting Co., Ltd. | 6,875 | 4,010 |
| Cathay Healthcare Management Co., Ltd. | 5,851 | 5,564 |
| Cathay Medical Care Corp. | 3,145 | 3,528 |
| | 15,871 | 13,102 |
| | $ 1,107,885 | $ 1,000,099 |

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

23) Others

As of December 31, 2022 and 2021, the nominal amounts of the derivative instruments transacted with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of each currency):

| Name | December 31 2022 | 2021 |
|---|---|---|
| SWAP | US$ 4,340,000 | US$ 2,885,000 |
| CCS | NT$ 100,000 | NT$ 100,000 |

c. Remuneration of key management personnel

| | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 236,035 | $ 193,646 |
| Post-employment benefits | 2,842 | 2,660 |
| | $ 238,877 | $ 196,306 |

Key management personnel include the chairman, directors, president, managing senior executive vice president and senior executive vice president.

## 35. SEPARATE ACCOUNT INSURANCE PRODUCTS

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Separate account insurance product assets | | |
| Cash in bank | $ 1,635,905 | $ 536,869 |
| Financial assets at FVTPL | 649,304,281 | 716,214,583 |
| Other receivables | 4,379,432 | 7,345,361 |
| | $ 655,319,618 | $ 724,096,813 |
| Separate account insurance product liabilities | | |
| Other payables | $ 599,679 | $ 319,598 |
| Reserve for separate account - insurance contracts | 257,742,323 | 306,089,604 |
| Reserve for separate account - investment contracts | 396,977,616 | 417,687,611 |
| | $ 655,319,618 | $ 724,096,813 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Separate account insurance product income | | |
| Premium income | $ 27,324,811 | $ 62,250,599 |
| Interest income | 8,090 | 1,453 |
| (Losses) gains from financial assets at FVTPL | (49,923,141) | 20,892,861 |
| Foreign exchange gains and losses | 21,663,542 | (5,214,085) |
| | $ (926,698) | $ 77,930,828 |
| Separate account insurance product expenses | | |
| Claims and payments | $ 30,923,295 | $ 13,149,183 |
| Cash surrender value | 17,155,544 | 29,823,154 |
| (Recovery) provision of separate account reserve | (53,344,604) | 30,342,120 |
| Administrative expenses | 4,496,727 | 4,763,801 |
| Non-operating income and expenses | (157,660) | (147,430) |
| | $ (926,698) | $ 77,930,828 |

For the years ended December 31, 2022 and 2021, the rebates earned from counterparties due to the business of separate account insurance products amounted to $764,747 thousand and $824,512 thousand, respectively, which were recorded under fee income.

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

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Separate account insurance product assets | | |
| Cash in bank | $ 4,944 | $ 10,758 |
| Financial assets at FVTPL | 102,417 | 102,651 |
| Other | 17 | 12 |
| | $ 107,378 | $ 113,421 |
| Separate account insurance product liabilities | | |
| Other payables | $ - | $ 7 |
| Reserve for separate account | 107,378 | 113,414 |
| | $ 107,378 | $ 113,421 |

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Separate account insurance product income | | |
| Premium income | $ 52 | $ 51 |
| Losses from financial assets at FVTPL | (6,586) | (11,418) |
| Interest income | 30 | 33 |
| | $ (6,504) | $ (11,334) |
| Separate account insurance product expenses | | |
| Cash surrender value | $ 117 | $ 256 |
| Recovery of separate account reserve | (8,032) | (13,175) |
| Others | 1,411 | 1,585 |
| | $ (6,504) | $ (11,334) |

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

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

## 37. PLEDGED ASSETS

a. The Company

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Guarantee deposits paid - government bonds | $ 9,257,450 | $ 10,214,705 |
| Guarantee deposits paid - time deposits | 705,252 | 455,640 |
| Guarantee deposits paid - others | 42,400 | 37,397 |
| | $ 10,005,102 | $ 10,707,742 |

b. Cathay Lujiazui Life

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Guarantee deposits paid - time deposits | CNY 600,000 | CNY 600,000 |

c. Cathay Life (Vietnam)

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Guarantee deposits paid - time deposits | VND 12,000,000 | VND 12,000,000 |

d. Cathay Power Inc.

The following assets have been provided as collateral for loans and guarantees:

| Item of Asset | December 31, 2022 | Use of Guarantee |
|---|---|---|
| Demand deposits | $ 333,803 | Reserve accounts |
| Time deposits | 192,434 | Performance securities |
| Other equipments | 7,707,466 | Pledge for borrowings |
| | $ 8,233,703 | |

## 38. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

b. As of December 31, 2022, the remaining capital commitments for the contracted private equity fund of the Company were in the amount of NT$555,220 thousand, US$3,987,901 thousand, EUR433,236 thousand and GBP1,538 thousand.

c. As of December 31, 2022 and 2021, the committed but yet investing amounts under the joint venture agreement of the venture capitals were as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| NTD | $ - | $ 25,000 |

d. As of December 31, 2022 and 2021, the Company has entered into irrevocable corporate finance and consumer lending loans with the amounts were as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| NTD | $ 11,025,641 | $ 13,506,734 |

## 39. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

b. Financial instruments not measured at fair value

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

December 31, 2022

| | Carrying Amount | Fair Values | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 3,999,494,070 | $ 16,759,166 | $ 3,180,937,193 | $ - | $ 3,197,696,359 |

December 31, 2021

| | Carrying Amount | Fair Values | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets measured at amortized cost (Note) | $ 2,698,187,636 | $ 16,975,367 | $ 2,890,773,050 | $ - | $ 2,907,748,417 |

Note: Including those serving as refundable deposits.

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

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

1) Fair value hierarchy

| Items | December 31, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Non-derivative instruments | | | | | | | | |
| Assets | | | | | | | | |
| Financial assets at FVTPL | | | | | | | | |
| Stocks | $ 405,323,422 | $ 401,237,827 | $ 568,290 | $ 3,517,305 | $ 539,076,215 | $ 523,092,263 | $ 12,026,990 | $ 3,956,962 |
| Bonds | 284,570,864 | 29,599,270 | 252,328,931 | 2,642,663 | 307,763,227 | 2,455,487 | 302,429,988 | 2,877,752 |
| Other | 714,640,742 | 491,981,343 | 19,959,144 | 202,700,255 | 760,411,835 | 550,948,527 | 24,001,830 | 185,461,478 |
| Financial assets at FVTOCI | | | | | | | | |
| Stocks | 97,554,382 | 95,915,184 | - | 1,639,198 | 144,708,836 | 141,944,014 | - | 2,764,822 |
| Bonds (Note) | 358,271,411 | 20,408,431 | 337,862,980 | - | 1,165,094,842 | 14,715,531 | 1,150,379,311 | - |
| Derivative instruments | | | | | | | | |
| Assets | | | | | | | | |
| Financial assets at FVTPL | 21,469,964 | 7,360 | 21,462,604 | - | 14,588,663 | 47,352 | 14,541,311 | - |
| Financial assets for hedging | 29,891 | - | 29,891 | - | 500,642 | - | 500,642 | - |
| Liabilities | | | | | | | | |
| Financial liabilities at FVTPL | 63,669,162 | - | 63,669,162 | - | 3,050,197 | 30,517 | 3,019,680 | - |
| Financial liabilities for hedging | 3,716,091 | - | 3,716,091 | - | 20,956 | - | 20,956 | - |

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the year ended December 31, 2022, the equity investments at FVTPL of $43,424 thousand were transferred from Level 2 to Level 1 due to available market quotes. For the year ended December 31, 2021 there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

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

| | For the Year Ended December 31, 2022 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 192,296,192 | $ 2,764,822 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 19,945,808 | - |
| Losses reclassified using the overlay approach | (5,573,263) | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | 224,764 | 549 |
| Other comprehensive income reclassified using the overlay approach | 5,573,263 | - |
| Losses on equity instruments at FVTOCI | - | (410,156) |
| Purchases | 43,118,634 | - |
| Disposals | (46,563,042) | (716,017) |
| Transfers in of Level 3 | 280,635 | - |
| Transfers out of Level 3 | (442,768) | - |
| Ending balance | $ 208,860,223 | $ 1,639,198 |

| | For the Year Ended December 31, 2021 | |
|---|---|---|
| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
| Beginning balance | $ 126,990,396 | $ 4,743,415 |
| Recognized in profit or loss | | |
| Gains on financial assets and liabilities at FVTPL | 42,882,050 | - |
| Losses reclassified using the overlay approach | (28,311,993) | - |
| Recognized in other comprehensive income | | |
| Exchange differences on translation of the financial statements of foreign operations | (54,745) | (163) |
| Other comprehensive income reclassified using the overlay approach | 28,311,993 | - |
| Gains on equity instruments at FVTOCI | - | 933,541 |
| Purchases | 53,626,971 | 175,200 |
| Disposals | (30,142,634) | (3,087,171) |
| Transfers out of Level 3 | (1,005,846) | - |
| Ending balance | $ 192,296,192 | $ 2,764,822 |

Regarding the above amounts recognized in profit or loss for the years ended December 31, 2022 and 2021, unrealized gains of $87,082 thousand and $1,989,111 thousand were related to financial assets held at the end of the year, 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 are as follows:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| **Items** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Interval (Weighted-average)** | **Relationship Between Inputs and Fair Value** |
| Financial assets at FVTPL and financial assets at FVTOCI | Equity approach | Discount for lack of liquidity | 0%-3% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Market approach | Discount for lack of liquidity | 3%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity and 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 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| **Items** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Interval (Weighted-average)** | **Relationship Between Inputs and Fair Value** |
| Financial assets at FVTPL and financial assets at FVTOCI | Equity approach | Discount for lack of liquidity | 0%-3% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Market approach | Discount for lack of liquidity | 3%-30% | The higher the discount for lack of liquidity, the lower the fair value estimates |
| | Income approach | Discount for lack of liquidity and discount for minority interest | 16%-30% | The higher the discount for lack of liquidity and control, the lower the fair value estimates |
| | | Growth rate of net profit after tax | (48%)-135% | The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates |
| | | Dividend payout ratio | 60%-140% | The higher the dividend payout ratio, the higher the fair value estimates |

4) Valuation process for Level 3 fair value measurement

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

d. Categories of financial instruments

| Item | December 31 2022 | December 31 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets at FVTPL | $ 1,426,004,992 | $ 1,621,839,940 |
| Financial assets at FVTOCI | 442,472,396 | 1,308,707,464 |
| Measured at amortized cost | | |
| Cash and cash equivalents (Note 1) | 329,612,069 | 465,728,685 |
| Receivables (Note 2) | 77,718,172 | 68,638,216 |
| Financial assets measured at amortized cost | 3,986,581,050 | 2,689,002,505 |
| Loans | 450,296,409 | 479,852,327 |
| Guarantee deposits paid | 54,815,576 | 22,924,334 |
| Financial assets for hedging | 29,891 | 500,642 |
| Financial liabilities | | |
| Financial liabilities at FVTPL | 63,669,162 | 3,050,197 |
| Financial liabilities at amortized cost | | |
| Payables | 22,338,461 | 22,835,359 |
| Bonds payable | 80,000,000 | 80,000,000 |
| Other financial liabilities | 7,030,535 | - |
| Lease liabilities | 16,645,248 | 12,081,162 |
| Guarantee deposits received | 3,809,537 | 10,279,416 |
| Financial liabilities for hedging | 3,716,091 | 20,956 |

Note 1: Cash on hand was excluded.

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

e. Financial risk management objectives and policies

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

1) Market risk

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

The Group continuously 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, the Group adopts the one-week VaR at 95% and 99% confidence levels to measure market risk.

b) Stress testing

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

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

i. Simple sensitivity test

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

ii. Scenario analysis

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

i) Historical scenario

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

ii) Hypothetical scenario

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

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

**Table of Stress Testing**

| | | **Changes in Equity for the Year Ended December 31** | |
|---|---|---|---|
| **Risk Factor** | **Variable (+/-)** | **2022** | **2021** |
| Equity risk (stock price index) | -10% | $ (71,112,360) | $ (83,500,822) |
| Interest rate risk (yield curve) | +100bps | (102,696,275) | (221,598,455) |
| Foreign currency risk (foreign exchange rate) | Appreciation of NTD to all foreign currencies by 1% | (18,142,326) | (12,532,342) |

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 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 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, the Company's 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 comparison period was revised accordingly.

c) Sensitivity analysis

**Summary of Sensitivity Analysis**

| | 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 1 bp | (385) | (940,470) |
| | Upward parallel shift of the yield curve (CNY) by 1 bp | - | (1,639) |
| | Upward parallel shift of the yield curve (EUR) by 1 bp | - | (3,654) |
| | Upward parallel shift of the yield curve (GBP) by 1 bp | - | (3,028) |
| | Upward parallel shift of the yield curve (NTD) by 1 bp | - | (67,856) |
| Equity price risk | Increase in equity price by 1% | 107,336 | 7,003,900 |

| | For the Year Ended December 31, 2021 | | |
|---|---|---|---|
| **Risk Factor** | **Variable (+/-)** | **Change in Profit or Loss** | **Change in Equity** |
| Foreign currency risk | Appreciation of USD/NTD by 1% | $ 6,097,876 | $ 5,535,216 |
| | Appreciation of CNY/USD by 1% | 938,508 | 322,401 |
| | Appreciation of HKD/USD by 1% | 261 | 258,879 |
| | Appreciation of EUR/USD by 1% | (146,356) | 312,124 |
| | Appreciation of GBP/USD by 1% | (6,408) | 272,827 |
| Interest rate risk | Upward parallel shift of the yield curve (USD) by 1bp | - | (2,007,320) |
| | Upward parallel shift of the yield curve (CNY) by 1bp | - | (35,531) |
| | Upward parallel shift of the yield curve (EUR) by 1bp | - | (5,463) |
| | Upward parallel shift of the yield curve (GBP) by 1bp | - | (3,397) |
| | Upward parallel shift of the yield curve (NTD) by 1bp | - | (92,818) |
| Equity price risk | Increase in equity price by 1% | 67,094 | 8,553,468 |

Note 1: Impact of credit spread changes was not included.

Note 2: Effects of hedging were considered.

Note 3: Change in equity was not included in the impact on the change in profit or loss.

Note 4: Provision or reversal of reserve for foreign exchange fluctuations was not considered in the change in profit or loss due to foreign currency risk.

Note 5: Data of subsidiaries were not disclosed as Cathay Life assessed that there would be no material impact should the disclosures for the subsidiaries be included.

Note 6: Since the second quarter of 2022, the Company's 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, the Company adjusted the sensitivity disclosure of interest rate and its disclosure for a comparable period accordingly.

d) Effect of interest rate benchmark reform

In order to implement the benchmark reform of interbank offered rates, several countries are currently carrying out interest rate benchmark reform plans to implement new risk-free interest rates to replace LIBORs, such as USD London Interbank Offered Rate (USD LIBOR) and GBP London Interbank Offered Rate (GBP LIBOR). In March 2021, UK's Financial Conduct Authority announced the extension of the tenors of the overnight, one-month, three-month, six-month and 12-month USD LIBOR until June 30, 2023, in order for existing LIBOR contracts to naturally expire. Other interest rate benchmarks was expired on the original termination date of December 31, 2021, and it is recommended that relevant measures be taken as soon as possible to reduce the risks arising from the interest rate benchmark reform.

As a response to the cessation of USD LIBOR, Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR in the future, but there are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transit existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

Risks arising from interest rate benchmark reform relate to interest rate basis, hedge accounting and related operation risk as follows:

i. Interest rate basis risk

Risk arising from the transition relate principally to the potential impact of interest rate basis risks. If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

ii. Hedge accounting

If a hedged financial instrument and the related hedging derivative instrument are transited to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

iii. Operation risk

If the update and adjustments for related accounting and tax system, valuation of financial instrument, and information systems as well as the testing for operational effectiveness of the systems are not finished on schedule before the cessation of USD LIBOR, operating risk may occur.

In light of the abovementioned risks, the Group made a transition plan for interest rate benchmark reform toward the required adjustment and updates for risk management policies, internal process, information system, valuation model of financial instrument, and related accounting and tax system. The Group has identified all required updates for information systems and internal process, and part of these updates was finished. Afterwards, the Group will complete the required updates on schedule, discuss with counterparties of financial instruments modification of affected contracts, and report the progress for the cessation of USD LIBOR to the board of the directors semi-annually as required by authority.

As of December 31, 2022, the Group's financial instruments affected by the interest rate benchmark reform, which include bonds and loans (the Group's main exposure is to the USD LIBOR), are summarized in the table below (excluding the positions that would naturally expire):

| | Carrying Amount | |
|---|---|---|
| | **USD LIBOR** | **Other Interest Rates Benchmarks** |
| Financial assets | | |
| Bonds | $ 277,668,705 | $ - |
| Loans | 892,433 | - |

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, Cathay Life is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

i. Issuer credit risk is the risk that the Company may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations on agreed conditions due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk that the Company may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

iii. Credit risk of underlying assets is the risk that the Company may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration of credit risk

i. Regional distribution of maximum risk exposure for the Company's financial assets:

| | 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 measured at amortized cost | 129,720,872 | 229,815,612 | 607,127,824 | 1,999,938,066 | 1,010,414,398 | 3,977,016,772 |
| | $ 418,202,609 | $ 270,914,069 | $ 748,279,728 | $ 2,318,078,447 | $ 1,141,046,117 | $ 4,896,520,970 |
| Proportion | 8.5% | 5.5% | 15.3% | 47.4% | 23.3% | 100% |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| **Financial Assets** | **Taiwan** | **Asia** | **Europe** | **North America** | **Emerging Markets and Others** | **Total** |
| Cash and cash equivalents | $ 313,417,908 | $ 5,659,118 | $ 290,130 | $ 107,274,631 | $ 21,153,500 | $ 447,795,287 |
| Financial assets at FVTPL | 42,559,418 | 14,886,965 | 119,731,982 | 90,480,654 | 22,906,893 | 290,565,912 |
| Financial assets at FVTOCI | 45,394,461 | 42,480,018 | 161,764,238 | 466,843,223 | 447,516,688 | 1,163,998,628 |
| Financial assets for hedging | 46,209 | - | 340,532 | 113,901 | - | 500,642 |
| Financial assets measured at amortized cost | 133,223,615 | 186,812,778 | 446,310,424 | 1,306,524,756 | 608,616,760 | 2,681,488,333 |
| | $ 534,641,611 | $ 249,838,879 | $ 728,437,306 | $ 1,971,237,165 | $ 1,100,193,841 | $ 4,584,348,802 |
| Proportion | 11.7% | 5.4% | 15.9% | 43.0% | 24.0% | 100% |

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Location of Collateral** | **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 | 520,568 | 12,562 | 18,155 | 1,379,494 | 1,930,779 |
| | $ 183,833,289 | $ 42,199,055 | $ 55,930,721 | $ 2,639,319 | $ 284,602,384 |
| Proportion | 64.6% | 14.8% | 19.7% | 0.9% | 100% |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Location of Collateral** | **Northern and Eastern Areas** | **Central Area** | **Southern Area** | **Overseas** | **Total** |
| Secured loans | $ 204,709,374 | $ 44,281,927 | $ 59,430,029 | $ 2,042,084 | $ 310,463,414 |
| Non-accrual receivables | 606,067 | 25,133 | 37,039 | 1,976,800 | 2,645,039 |
| | $ 205,315,441 | $ 44,307,060 | $ 59,467,068 | $ 4,018,884 | $ 313,108,453 |
| Proportion | 65.6% | 14.2% | 19.0% | 1.2% | 100% |

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment obligations will be kept and maintained.

ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.

iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform financial commitment depends on the favorability of its business environment and financial conditions.

iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

i) The Company assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, the Company considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii) If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

i) Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

ii) Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:

- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.

- The issuers or borrowers fail to pay interest or principal according to the issue terms and conditions.

- The collateral of the borrowers had been provisionally seized or enforced.

- The borrowers claim for a change of credit conditions due to financial difficulties.

iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

i) The methodology and assumptions applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments whose credit risk has increased significantly since initial recognition or those which have been credit-impaired, the Company measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

Expected credit losses in the next 12 months and for the duration of the instrument is calculated separately for the two periods using probability of default ("PD") of issuers, guarantee agencies or borrowers multiplied by loss given default ("LGD") and exposure at default ("EAD"), in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate that resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1 12-month Expected Credit Losses | Stage 2 Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 334,627,073 | $ - | $ - | $ - | $ - | $ 334,627,073 |
| Financial assets measured 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 measured at amortized cost | 12,233,358 | 2,330,571 | 18,792,809 | - | (1,997,323 ) | 31,359,415 |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Stage 3 | | | |
| | Stage 1<br>12-month Expected Credit Losses | Stage 2<br>Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Gross Carrying Amount |
| Investment grade | | | | | | |
| Debt instruments at FVTOCI | $ 1,145,257,603 | $ - | $ - | $ - | $ - | $ 1,145,257,603 |
| Financial assets measured at amortized cost | 2,667,830,573 | - | - | - | (615,441) | 2,667,215,132 |
| Non-investment grade | | | | | | |
| Debt instruments at FVTOCI | 18,741,025 | - | - | - | - | 18,741,025 |
| Financial assets measured at amortized cost | 12,068,749 | 2,333,237 | - | - | (128,785) | 14,273,201 |

Note: Investment grade assets refer to those with credit ratings of at least BBB-; non-investment grade assets are those with credit ratings lower than BBB-.

ii) Secured loans and overdue receivables of the Company

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Stage 3 | | | | |
| | Stage 1<br>12-month Expected Credit Losses | Stage 2<br>Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 277,691,739 | $ 1,306,065 | $ 5,604,580 | $ - | $ (1,200,475) | $ (3,147,892) | $ 280,254,017 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Stage 3 | | | | |
| | Stage 1<br>12-month Expected Credit Losses | Stage 2<br>Lifetime Expected Credit Losses | Lifetime Expected Credit Losses | Purchased or Originated Credit-impaired Financial Assets | Loss Allowance | Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets | Gross Carrying Amount |
| Secured loans and non-accrual receivables | $ 304,597,635 | $ 1,762,552 | $ 6,748,266 | $ - | $ (725,543) | $ (4,423,948) | $ 307,958,962 |

viii. Reconciliation for loss allowance is summarized below:

i) Debt instruments at FVTOCI

| | | Lifetime Expected Credit Losses | | | |
|---|---|---|---|---|---|
| | 12-month Expected Credit Losses | Collectively Assessed | Not Purchased or Originated Credit-impaired Financial Assets | Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
| January 1, 2022 | $ 345,894 | $ - | $ - | $ - | $ 345,894 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| | (1,066) | 1,066 | - | - | - |
| Transferred to 12-month expected credit losses | (2,270) | - | 2,270 | - | - |
| New financial assets originated or purchased | 80,837 | - | 95 | - | 80,932 |

(Continued)

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| Financial assets that have been derecognized during the period | $ (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 | $ 144,268 | $ 33,000 | $ 917,054 | $ - | $ 1,094,322 |

(Concluded)

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 2021 | $ 690,084 | $ 3,063 | $ - | $ - | $ 693,147 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| Transferred to 12-month expected credit losses | 130 | (130) | - | - | - |
| New financial assets originated or purchased | 395,186 | - | - | - | 395,186 |
| Financial assets that have been derecognized during the period | (213,220) | (2,852) | - | - | (216,072) |
| Changes in models/risk parameters | (511,609) | (69) | - | - | (511,678) |
| Foreign exchange and other movements | (14,677) | (12) | - | - | (14,689) |
| December 31, 2021 | $ 345,894 | $ - | $ - | $ - | $ 345,894 |

ii) Financial assets measured at amortized cost

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 2022 | $ 627,027 | $ 117,199 | $ - | $ - | $ 744,226 |
| Changes due to financial instruments recognized as at January 1 | | | | | |
| Transferred to lifetime expected credit losses | (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 period | (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 | 60,208 | 2,420 | 197,128 | - | 259,756 |
| December 31, 2022 | $ 1,489,750 | $ 215,409 | $ 1,758,854 | $ - | $ 3,464,013 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 |
|---|---|---|---|---|---|
| January 1, 2021 | $ 1,775,172 | $ 798,243 | $ - | $ - | $ 2,573,415 |
| New financial assets originated or purchased | 162,513 | - | - | - | 162,513 |
| Financial assets that have been derecognized during the period | (141,715) | (184,099) | - | - | (325,814) |
| Changes in models/risk parameters | (1,137,103) | (485,774) | - | - | (1,622,877) |
| Foreign exchange and other movements | (31,840) | (11,171) | - | - | (43,011) |
| December 31, 2021 | $ 627,027 | $ 117,199 | $ - | $ - | $ 744,226 |

For debt instruments at FVTOCI and financial assets measured at amortized cost in foreign bonds, the Company 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-impaired event.

iii) Secured loans and non-accrual receivables

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 | Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
|---|---|---|---|---|---|---|---|
| January 1, 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 period | (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 | $ 125,823 | $ 5,008 | $ 1,069,644 | $ - | $ 1,200,475 | $ 3,147,892 | $ 4,348,367 |

| | 12-month Expected Credit Losses | Lifetime Expected Credit Losses: Collectively Assessed | Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets | Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets | Total of Impairment charged in Accordance with IFRS 9 | Difference from Impairment charged in Accordance with Guidelines for Handling Assessment of Assets | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2021 | $ 33,284 | $ 32 | $ 606,973 | $ - | $ 640,289 | $ 4,093,427 | $ 4,733,716 |
| Changes due to financial instruments recognized as at January 1 | | | | | | | |
| Transferred to lifetime expected credit losses | (3,153) | 68,503 | (65,350) | - | - | - | - |
| Transferred to credit-impaired financial assets | (44) | (3) | 47 | - | - | - | - |
| Transferred to 12-month expected credit losses | 41 | (23) | (18) | - | - | - | - |
| New financial assets originated or purchased | 4,639 | - | 4,783 | - | 9,422 | - | 9,422 |
| Financial assets that have been derecognized during the period | (3,570) | (4) | (42,291) | - | (45,865) | - | (45,865) |
| Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets | - | - | - | - | - | 330,521 | 330,521 |
| Changes in models/risk parameters | (4,016) | (64,826) | 190,539 | - | 121,697 | - | 121,697 |
| December 31, 2021 | $ 27,181 | $ 3,679 | $ 694,683 | $ - | $ 725,543 | $ 4,423,948 | $ 5,149,491 |

There were no significant changes in loss allowance due to significant changes in the gross carrying amounts of the financial instruments.

ix. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of Cathay Life's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under the simplified approach. Loss allowance measured by a provision matrix under simplified approach is as follows:

| | Aging of Receivables Recognized | | | | |
|---|---|---|---|---|---|
| | Not Yet Due/within 1 Month | 1-3 Months | 3-6 Months | Over 6 Months | Total |
| December 31, 2022 | | | | | |
| 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.

| | Aging of Receivables Recognized | | | | |
|---|---|---|---|---|---|
| | Not Yet Due/within 1 Month | 1-3 Months | 3-6 Months | Over 6 Months | Total |
| December 31, 2021 | | | | | |
| Gross carrying amount (Note) | $ 17,514,345 | $ 51,473 | $ 13 | $ - | $ 17,565,831 |
| Loss rate | 0% | 2% | 10% | 50% | |
| Lifetime expected credit losses | - | 1,030 | 1 | - | 1,031 |

Note: Notes receivable of $36,297 thousand and other receivables of $17,529,534 thousand were included.

The loss allowance was reconciled as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 1,031 | $ 1,611 |
| Provision (reversal) for the period | 261 | (580) |
| Ending balance | $ 1,292 | $ 1,031 |

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative and derivative financial liabilities were based on the agreed repayment dates.

| | 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** |
| Non-derivative financial liabilities | | | | | |
| 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 |
| Derivative financial liabilities | | | | | |
| SWAP | 40,838,254 | 5,746,330 | - | - | - |
| Forward | 22,292,640 | 4,562,550 | 3,104,900 | - | - |
| Option | 1,644,997 | 5,797,653 | 845,644 | - | - |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Less than 6 Months** | **Due in 6-12 Months** | **Due in 1-2 Years** | **Due in 2-5 Years** | **Over 5 Years** |
| Non-derivative financial liabilities | | | | | |
| Payables | $ 21,364,786 | $ 258,462 | $ 942,036 | $ 264,665 | $ 5,410 |
| Bonds payable (Note 1) | 559,620 | 1,194,411 | 2,715,000 | 8,145,000 | 82,055,000 |
| Lease liabilities (Note 2) | 443,192 | 450,366 | 758,511 | 1,498,026 | 20,468,276 |
| Derivative financial liabilities | | | | | |
| SWAP | 1,493,936 | 75,585 | - | - | - |
| Forward | 2,110,718 | 1,032,946 | - | - | - |
| Option | 30,517 | - | - | - | - |

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.

Note 2: For lease liabilities, the remaining periods used to calculate the contractual cash flows were from 1 to 70 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bond investments held by the Group may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Group held interest rate derivatives to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument: Assets | Carrying Amount of the Hedging Instrument: Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| IRS | $ 4,000,000 | $ 19,193 | $ - | Financial assets for hedging | $ (31,937) |
| IRS | 729,315 | 10,698 | - | Financial assets for hedging | 24,519 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument: Assets | Carrying Amount of the Hedging Instrument: Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| IRS | $ 4,000,000 | $ 90,307 | $ - | Financial assets for hedging | $ (8,497) |
| IRS | 865,313 | - | 20,956 | Financial liabilities for hedging | 28,176 |

2) Maturities of the nominal amount of hedging instruments and average price or rate

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| December 31, 2022 | | | | | |
| IRS | | | | | |
| Nominal principal | $ - | $ - | $ 1,729,315 | $ 3,000,000 | $ - |
| Average fixed rate | - | - | 1.7%-2.5% | 1.7% | - |

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| December 31, 2021 | | | | | |
| IRS | | | | | |
| Nominal principal | $ - | $ - | $ 207,675 | $ 4,657,638 | $ - |
| Average fixed rate | - | - | 2.5% | 1.7%-2.5% | - |

3) Hedged items

| | For the Year Ended December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year | Cash Flow Hedge Reserve | Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ 31,937 | $ 19,193 | N/A | $ (31,937) | $ - | $ - | $ (39,176) | Finance costs |
| Payables | (24,519) | 10,698 | N/A | 24,519 | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | $ - | N/A | N/A | N/A | 260 | Finance costs |

| | For the Year Ended December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year | Cash Flow Hedge Reserve | Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable | Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income | Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness | Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss | Line Items Affected in Profit or Loss Because of the Reclassification |
| Floating-rate bonds | $ 8,497 | $ 90,307 | N/A | $ (8,497) | $ - | $ - | $ (48,155) | Finance costs |
| Payables | (28,177) | (20,956) | N/A | 28,177 | - | - | - | Finance costs |
| Discontinued hedge - bond investments | N/A | N/A | $ (236) | N/A | N/A | N/A | 9 | Finance costs |

4) Reconciliation of equity component that applied hedge accounting and related other comprehensive income is summarized below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Beginning balance | $ 51,118 | $ 74,960 |
| Gross amount recognized in other comprehensive income | | |
| Changes in the values of the hedging instruments recognized in other comprehensive (loss) income | (7,442) | 19,687 |
| Amount reclassified from cash flow hedge reserve to profit or loss | (38,916) | (48,146) |
| Tax effect | 14,039 | 4,617 |
| Ending balance | $ 18,799 | $ 51,118 |

Fair value hedges

The book value of the foreign currency denominated assets held by the Company may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, the Company held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

1) Hedging instruments

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Carrying Amount of the Hedging Instrument | | | |
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Assets | Liabilities | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| Forward | $ 49,153,550 | $ - | $ 3,716,091 | Financial liabilities for hedging | $ (4,208,300) |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Hedging Instrument | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Items in Balance Sheet Where the Hedging Instrument Is Included | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Year |
| | | Assets | Liabilities | | |
| CCS | $ 4,687,225 | $ 202,531 | $ - | Financial assets for hedging | $ 418,611 |
| Forward | 21,550,450 | 207,804 | - | Financial assets for hedging | 188,400 |

2) Maturities of the nominal amount of hedging instruments and average price or rate

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| <u>December 31, 2022</u> | | | | | |
| Forward | | | | | |
| Nominal principal | $ - | $ - | $ - | $ 49,153,550 | $ - |
| Exchange rate (USD/TWD) | - | - | - | 27.2701 | - |

| | Period Till Maturity | | | | |
|---|---|---|---|---|---|
| | 1 Month | 1-3 Months | 3 Months - 1 Year | 1-5 Years | Over 5 Years |
| <u>December 31, 2021</u> | | | | | |
| CCS | | | | | |
| Nominal principal | $ - | $ - | $ - | $ - | $ 4,687,225 |
| Interest rate | - | - | - | - | 2.39% |
| Exchange rate (EUR/USD) | - | - | - | - | 1.1285 |
| Forward | | | | | |
| Nominal principal | - - | - - | - | 21,550,450 | - |
| Exchange rate (USD/TWD) | - - | - - | - | 26.9228 | - |

3) Hedged items

| | For the Year Ended December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Overseas bonds | $ 49,153,550 | $ - | $ 4,208,300 | $ - | Financial assets at amortized cost | $ 4,208,300 | $ - | $ - |

| | For the Year Ended December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Book Value of Hedged Items | | Cumulative Adjustment for Changes in Fair value of Hedged Items Included in Book Value of Hedged Items | | Line Item in Statement of Financial Position That Includes Hedged Items | Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Period | Ineffectiveness Recognized in Profit or Loss | Line Item in Profit or Loss That Includes Hedge Ineffectiveness |
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Overseas bonds | $ 4,687,225 | $ - | $ (418,611) | $ - | Financial assets at amortized cost | $ (418,611) | $ - | $ - |
| Overseas bonds | 21,550,450 | - | (188,400) | - | Financial assets at amortized cost | (188,400) | - | - |

4) Reconciliation of equity component that applied hedge accounting and related other comprehensive income were summarized below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Foreign currency basis-related period | | |
| Beginning balance | $ 284,733 | $ 272,911 |
| Gross amount recognized in other comprehensive income | | |
| Changes in the values of the hedging instruments recognized in other comprehensive income (loss) | 284,405 | (105,706) |
| Amount reclassified to profit or loss | 524,011 | 120,484 |
| Tax effects | (161,683) | (2,956) |
| Ending balance | $ 931,466 | $ 284,733 |

g. Offsetting of financial assets and financial liabilities

The Group engages in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

December 31, 2022

| Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Relevant Amount That Has Not Been Offset on Balance Sheet (d) | | |
| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Financial Instruments | Cash Collateral Received | Net Amount (e)=(c)-(d) |
| Derivative financial instruments | $ 21,481,797 | $ - | $ 21,481,797 | $ 17,230,342 | $ 2,081,387 | $ 2,170,068 |

| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Financial Instruments | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Cash Collateral Paid | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| **Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement** | | | | | | |
| Derivative financial instruments | $ 67,385,253 | $ - | $ 67,385,253 | $ 17,230,342 | $ 31,313,555 | $ 18,841,356 |

December 31, 2021

| Item | Gross Amount of Recognized Financial Assets (a) | Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b) | Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Financial Instruments | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Cash Collateral Received | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| **Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement** | | | | | | |
| Derivative financial instruments | $ 15,041,952 | $ - | $ 15,041,952 | $ 2,978,568 | $ 7,373,362 | $ 4,690,022 |

| Item | Gross Amount of Recognized Financial Liabilities (a) | Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b) | Net Financial Liabilities Recognized on Balance Sheet (c)=(a)-(b) | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Financial Instruments | Relevant Amount That Has Not Been Offset on Balance Sheet (d) Cash Collateral Paid | Net Amount (e)=(c)-(d) |
|---|---|---|---|---|---|---|
| **Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement** | | | | | | |
| Derivative financial instruments | $ 3,019,680 | $ - | $ 3,019,680 | $ 2,978,568 | $ 42,919 | $ (1,807) |

h. Other financial liabilities

| Item | December 31, 2022 |
|---|---|
| Secured borrowings | |
| Bank loans | $ 6,905,210 |
| Unsecured borrowings | |
| Bank loans | 125,325 |
| | $ 7,030,535 |
| Borrowing rate | 1.98%-3.08% |

The amount of capitalized borrowing costs was $15,729 thousand in 2022, and the rate for the amount of borrowing costs that meet the capitalized conditions was determined to be 1.88% to 2.13%.

The secured borrowings of Cathay Power and its subsidiaries were secured by time deposits, for NTD demand deposits and other equipment. Refer to Note 37.

Neo Cathay Power and its subsidiaries entered into a syndicated loan agreement with First Commercial Bank. According to the loan agreement, Si Yi, Da Li and Yong Han are obligated to maintain the financial ratios in the annual audited financial statements and the tangible equity (total equity - intangible assets) should not be negative within the contract period.

As a joint guarantor, Neo Cathay Power Corp. is required to maintain the following financial ratios and requirements in its annual audited consolidated financial statements:

1) The current ratio (current assets/current liabilities) should not be lower than 100%.

2) The debt ratio (total liabilities/tangible equity) should not exceed 350%.

3) The principal and interest coverage ratio [(profit before income tax + Interest expense + Depreciation + Amortization)/(Bank Loan repayments within 1 year under the agreement + Interest expense)] should not be lower than 110%.

4) The tangible equity (total equity - intangible asset) should not be lower than NTD 1.3 billion.

As of December 31, 2022, Neo Cathay Power Corp. and its subsidiaries met the aforementioned financial ratios and requirements.

i. Reclassification

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 after late August to late September in 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). The Company’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 the Company’s solvency and stable operation. The aforementioned adjustments indicate that the Company’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, the Company reclassified its financial assets in accordance with IFRS 9, paragraphs B4.1.2B and B4.4.1.

Due to the change in business model, the Company 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, 2022, the fair value of the above reclassified financial assets that have not been derecognized amounted to $759,417,410 thousand. If the financial assets had not been reclassified as of October 1, 2022, other equity would have decreased by $205,982,811 thousand as of December 31, 2022. Fair value gain, after tax, recognized in other comprehensive income amounted to $36,664,361 thousand from October 1, 2022 to December 31, 2022.

## 40. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company's risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organizational structure and responsibilities of risk management

a) The board of directors

i. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly, and allocate resources in the most effective manner.

ii. The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of the Company as well as operational strategies and operations management.

iii. The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

iv. The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

b) Risk management committee

i. The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.

ii. The committee should execute the risk management policies set by the board of directors and review the development, build-up and performance of overall management mechanisms regularly.

iii. The committee should assist and monitor the risk management activities.

iv. The committee should 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.

c) Chief risk officer

i. The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of the Company.

ii. The chief risk officer should be able to access any business information which may have an impact on risk overview of the Company.

iii. The chief risk officer should be in charge of overall risk management of the Company.

iv. The chief risk officer should participate in the Company's important decision-making process and, as appropriate, provide opinions from a risk management perspective.

d) Risk management department

i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.

ii. The department should perform the following functions with regard to different business activities:

i) Propose and execute the risk management policies set by the board of directors.

ii) Propose the risk limits based on risk appetite.

iii) Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.

iv) Regularly present risk management reports.

v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) Business units

i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii. The duties of the risk management include the following:

i) Identify and measure risks and report risk exposures and potential impacts on time.

ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.

iii) Assist to develop the risk model and ensure that risk measurement, application of the model and the parameter settings are reasonable and consistent.

iv) Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

v) Assist to collect data related to operational risk.

vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to mitigate such risks.

vii) Manager of a business unit should supervise the unit to summit risk management information regularly to the risk management department.

f) Audit department

The department is responsible 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 the Company.

g) Subsidiary

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to the Company's risk management committee for future reference.

3) Range and nature of risk assessment or risk reporting

The Company's risk management procedures include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, asset and liability matching risk, capital adequacy, information security and personal data management, emerging risk, and ESG and climate risk. The Company also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

a) Market risk

Market risk is the risk of losses in value of the Company's financial assets arising from the changes in market prices of financial instruments. The Company adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, the Company performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, the Company determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

b) Credit risk

Credit risk is the risk of losses on the Company's rights due to that the counterparty or debtor does not perform the contractual obligation. The Company applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

c) Country risk

Country risk is the risk that the Company suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. The Company adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. The Company reviews and adjusts the indicator on a regular basis.

d) Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because it fails to realize assets or obtain sufficient funds. The Company has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, a funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, the cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. The cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth. The Company has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

e) Operational risk

Operational risk is the risk caused by improper conduct or errors of internal process, personnel, system or external issues that lead to losses. Operational risk includes legal risk but excludes strategic risk and reputation risk. The Company has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain the Company's operation and ability to provide customer services while minimizing the losses under a major crisis, the Company has established business continuity management system, emergency handling mechanism and information system damage responses.

f) Insurance risk

The Company assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and the Company may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

g) Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

h) Capital adequacy

The Company regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of the Company divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is the Company's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

i) Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, completeness and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

j) Emerging risks

Emerging risks refer to risks that are not currently revealed but may arise as a result of the changes of the environment, usually due to changes in politics, regulations, markets or the natural environment. The Company conducts emerging risk management operations by reference to authority organizations, benchmarking enterprise reports, regularly identifying and measuring emerging risks as well as assessing risk response and control mechanism when compiling annual risk maps, and reports the status of emerging risk to senior management every year, which is incorporated into the risk management business implementation report and delivered to the Risk Management Committee for deliberation.

k) ESG and climate risks

ESG risks refer to the financial losses directly or indirectly incurred by the Company due to the investees who fail to pay attention to ESG issues, and ESG risks include environmental, social and corporate governance risks. Climate risk is part of the environmental risks of ESG risks and refers to the potential negative impact of climate changes, including transformation risk (a wide range of risks resulting from the trend of low-carbon economy, including policy, legal, technology and market change risks) and physical risk (the risk of financial losses due to extreme weather events). The Company has established related management measures as a response.

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii. Establish methods to evaluate insurance risks.

iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and for developing insurance risk management strategies.

iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

   i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from the insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

   ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

   iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

5) The scope of insurance risk assessment and management from a company-wide perspective

a) Insurance risk assessment covers the following risks:

   i. Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

   ii. Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.

   iii. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.

   iv. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating or solvency.

   v. Claim risk: This risk arises from mishandling claims.

   vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

b) The scope of management of insurance risk

   i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.

   ii. Establish the Company's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.

   iii. Develop related response in consideration of the Company's growth strategy and changes in the domestic and global economic and financial environments.

   iv. Determine methods to measure insurance risks.

   v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

vi. Other insurance risk management issues.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.

b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.

c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio and equity ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and equity ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.

ii. Regularly provide the analysis report to the risk management committee.

iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.

iv. Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio or equity ratio exceeds the internal risk control criteria or other exceptions occur, the Company is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings, and submits the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company’s investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by countries, industries and business groups. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

| For the 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 |

| For the Year Ended December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | **Scenarios** | **Changes in Income Before Tax** | | **Changes in Equity** | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 3,037,807 | Decrease (increase) | $ 2,430,246 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 3,134,316 | Decrease (increase) | 2,507,453 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 227,270 | Increase (decrease) | 181,816 |
| Rate of return | +0.1% | Increase | 6,574,793 | Increase | 5,259,834 |
| Rate of return | -0.1% | Decrease | 6,581,208 | Decrease | 5,264,967 |

b) Cathay Lujiazui Life

| 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 |

| For the Year Ended December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | **Scenarios** | **Changes in Income Before Tax** | | **Changes in Equity** | |
| Life table/morbidity | ×1.10 (×0.90) | Decrease (increase) | $ 158,461 | Decrease (increase) | $ 118,846 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 96,546 | Decrease (increase) | 72,409 |
| Surrender rate | ×1.10 (×0.90) | Increase (decrease) | 76,562 | Increase (decrease) | 57,421 |
| Rate of return | +0.25% | Increase | 153,137 | Increase | 114,853 |
| Rate of return | -0.25% | Decrease | 153,509 | Decrease | 115,132 |

c) Cathay Life (Vietnam)

| 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 |

| For the Year Ended December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | **Scenarios** | **Changes in Income Before Tax** | | **Changes in Equity** | |
| Life table/morbidity | ×1.05 (×0.95) | Decrease (increase) | $ 3,706 | Decrease (increase) | $ 2,965 |
| Expense | ×1.05 (×0.95) | Decrease (increase) | 72,499 | Decrease (increase) | 57,999 |
| Surrender rate | ×1.05 (×0.95) | Increase (decrease) | 17,931 | Increase (decrease) | 14,345 |
| Rate of return | +0.1% | Increase | 23,176 | Increase | 18,541 |
| Rate of return | -0.1% | Decrease | 23,199 | Decrease | 18,559 |

i. Changes in income before tax listed above referred to the effects of income before tax for the years ended December 31, 2022 and 2021. The changes in equity of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.

ii. As an increase (decrease) of 0.1% in discount rates is applied to the liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii. Sensitivity test

i) Mortality/morbidity sensitivity test is executed by multiplying the mortality rate, and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting the rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

2 × (Net investment - Finance costs) ÷ (The beginning balance of available funds + The ending balance of available funds - Net incomes (losses) on investment + Finance costs)

2) Concentration of insurance risks

The Company's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, the Company performs an evaluation on the retained risks by considering the risk characteristics and its risk bearing capacity, which is submitted for approval by authority, and engages in reinsurance business for the excess of risks over the retained. At the same time, the Company considers unexpected human and natural disasters in each year to estimate the reasonable maximum amount of losses based on the retained risks and determines according to the risk characteristics and its bearing capacity whether to adjust the reinsured amount or purchase catastrophe reinsurance. Therefore, the insurance risks to some extent are diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

3) Claim development trend

a) The Company

i. Direct business development trend

| Accident Year | Development Year | | | | | | | Claims Not Yet Filed | Reserve for Claims Not Yet Filed |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| 2016 | $15,940,308 | $19,566,897 | $19,885,388 | $19,971,081 | $20,016,631 | $20,045,358 | $20,062,518 | $ - | $ - |
| 2017 | 17,297,974 | 21,370,269 | 21,769,245 | 21,867,634 | 21,919,891 | 21,957,105 | 21,975,701 | 18,596 | 18,633 |
| 2018 | 19,438,330 | 23,925,964 | 24,359,320 | 24,481,181 | 24,564,887 | 24,604,192 | 24,624,309 | 59,422 | 59,541 |
| 2019 | 21,412,454 | 26,422,361 | 26,916,862 | 27,046,614 | 27,126,599 | 27,170,142 | 27,191,768 | 145,154 | 145,445 |
| 2020 | 21,393,621 | 26,257,168 | 26,769,937 | 26,895,187 | 26,970,526 | 27,013,294 | 27,035,532 | 265,595 | 266,125 |
| 2021 | 19,959,588 | 24,896,544 | 25,339,669 | 25,450,789 | 25,515,629 | 25,555,151 | 25,577,408 | 680,864 | 682,226 |
| 2022 | 21,550,633 | 26,492,411 | 26,967,223 | 27,082,875 | 27,149,796 | 27,201,477 | 27,225,308 | 5,674,675 | 5,686,025 |

| | |
|---|---|
| Expected future payments | $ 6,857,995 |
| Add: Assumed reserve for claims not yet filed | 63,078 |
| Reserve for claims not yet filed | 6,921,073 |
| Add: Claims of pandemic insurance not yet filed | 53,383 |
| Add: Claims filed but not yet paid | 5,212,064 |
| Loss reserve balance | $ 12,186,520 |

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 | | |
| 2016 | $16,051,766 | $19,702,389 | $20,024,753 | $20,110,678 | $20,156,445 | $20,185,309 | $20,202,660 | $ - | $ - |
| 2017 | 17,425,760 | 21,529,927 | 21,929,989 | 22,028,646 | 22,081,062 | 22,118,623 | 22,137,522 | 18,899 | 18,937 |
| 2018 | 19,559,154 | 24,057,586 | 24,492,262 | 24,614,499 | 24,698,757 | 24,738,854 | 24,759,784 | 61,027 | 61,149 |
| 2019 | 21,440,110 | 26,462,299 | 26,958,377 | 27,088,787 | 27,169,087 | 27,213,064 | 27,235,138 | 146,351 | 146,645 |
| 2020 | 21,422,045 | 26,299,912 | 26,816,422 | 26,942,136 | 27,017,853 | 27,061,139 | 27,083,910 | 267,488 | 268,023 |
| 2021 | 19,997,051 | 24,959,116 | 25,405,188 | 25,516,940 | 25,582,295 | 25,622,524 | 25,645,508 | 686,392 | 687,764 |
| 2022 | 21,642,350 | 26,625,009 | 27,105,983 | 27,222,954 | 27,290,948 | 27,344,103 | 27,369,451 | 5,727,101 | 5,738,555 |

| | |
|---|---|
| Expected future payments | $ 6,921,073 |
| Add: Claims of pandemic insurance not yet filed | 53,383 |
| Add: Claims filed but not yet paid | 5,097,796 |
| Retained loss reserve balance | $ 12,072,252 |

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 the Company 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 the specific accident year and 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.

b) Cathay Lujiazui Life

i. Direct business development trend

| Accident Year | Development Year | | | | | | | Expected Future Payment |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2016 | $ 259,979 | $ 486,208 | $ 531,880 | $ 568,660 | $ 568,660 | $ 568,660 | $ 568,660 | $ - |
| 2017 | 267,466 | 484,308 | 528,960 | 528,960 | 528,960 | 528,960 | 528,960 | - |
| 2018 | 286,250 | 325,835 | 458,925 | 458,925 | 458,925 | 458,925 | 458,925 | - |
| 2019 | 365,424 | 517,687 | 699,577 | 699,577 | 699,577 | 699,577 | 699,577 | - |
| 2020 | 382,290 | 541,577 | 784,894 | 797,901 | 797,901 | 797,901 | 797,901 | 13,007 |
| 2021 | 428,087 | 606,456 | 773,445 | 786,263 | 786,263 | 786,263 | 786,263 | 179,807 |
| 2022 | 413,553 | 615,720 | 785,259 | 798,273 | 798,273 | 798,273 | 798,273 | 384,720 |

| | |
|---|---|
| Expected future payments | $ 577,534 |
| Less: Expected claims filed but not yet paid | (71,011) |
| Reserve for claims not yet filed | 506,523 |
| Add: Claims filed but not yet paid | 10,836 |
| Loss reserve balance | $ 517,359 |

ii. Retained business development trend

| Accident Year | Development Year | | | | | | | Expected Future Payment |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| 2016 | $ 246,046 | $ 473,048 | $ 507,712 | $ 507,712 | $ 507,712 | $ 507,712 | $ 507,712 | $ - |
| 2017 | 281,518 | 452,034 | 480,067 | 485,616 | 485,616 | 485,616 | 485,616 | - |
| 2018 | 337,669 | 363,308 | 440,063 | 440,063 | 440,063 | 440,063 | 440,063 | - |
| 2019 | 403,304 | 744,256 | 1,048,246 | 1,048,246 | 1,048,246 | 1,048,246 | 1,048,246 | - |
| 2020 | 395,013 | 559,604 | 822,948 | 824,792 | 824,792 | 824,792 | 824,792 | 1,844 |
| 2021 | 445,412 | 601,306 | 765,254 | 766,969 | 766,969 | 766,969 | 766,969 | 165,663 |
| 2022 | 432,375 | 654,736 | 833,252 | 835,119 | 835,119 | 835,119 | 835,119 | 402,744 |

| | |
|---|---|
| Expected future payments | $ 570,251 |
| Less: Expected claims filed but not yet paid | (71,011) |
| Add: Claims filed but not yet paid | 9,491 |
| Retained loss reserve balance | $ 508,731 |

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

c) Cathay Life (Vietnam)

i. Direct business development trend

| Accident Year | Development Year | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2018 | 85,042 | 97,666 | 97,716 | 97,716 | 97,716 |
| 2019 | 102,418 | 124,171 | 124,171 | 124,171 | 124,171 |
| 2020 | 307,172 | 349,437 | 349,437 | 349,532 | 349,532 |
| 2021 | 457,047 | 541,416 | 541,462 | 541,609 | 541,609 |
| 2022 | 787,565 | 921,581 | 921,658 | 921,909 | 921,909 |

ii. Retained business development trend

| Accident Year | Development Year | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2018 | 85,042 | 97,666 | 97,716 | 97,716 | 97,716 |
| 2019 | 102,418 | 124,171 | 124,171 | 124,171 | 124,171 |
| 2020 | 307,172 | 349,437 | 349,437 | 349,532 | 349,532 |
| 2021 | 457,047 | 541,416 | 541,462 | 541,609 | 541,609 |
| 2022 | 787,565 | 921,581 | 921,658 | 921,909 | 921,909 |

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in a specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in a specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in a specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums by loss ratio based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgment; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company's Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

The credit ratings of the Company's reinsurers are above a certain level, complying with the Company's internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company's total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

**Unit: In 100 of Millions of NTD**

| | Insurance Contracts and Financial Instruments with Discretionary Participation Features | | |
|---|---|---|---|
| | **Within 1 Year** | **1 to 5 Years** | **Over 5 Years** |
| December 31, 2022 | $ 329 | $ 4,805 | $ 182,307 |
| December 31, 2021 | 622 | 4,829 | 175,742 |

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contracts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

## 41. SEGMENT INFORMATION

The Group's life insurance business is operated in accordance with the Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate the resources to the Group as a whole, the Group is considered as a single operating segment.

## 42. CAPITAL MANAGEMENT

a. Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

b. Management policies

In order for sufficient capital to assume all types of risks, the Company applies RBC ratio and the net worth ratio as the management indicator for capital adequacy. The Company calculates RBC ratio and price-book ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as reference for business objectives, asset allocation and dividend policy.

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

   Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

   a) Admitted owner's equity.

   b) Other adjustments prescribed by the authorities.

   Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

   Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

   a) Asset risk.

   b) Insurance risk.

   c) Interest rate risk.

   d) Other risk.

   Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

   1) Periodical calculation

      To implement management of RBC, the RBC ratio and the net worth ratio are inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio and the net worth ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

   2) Aperiodic calculation

      The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

d. Current status of RBC ratio

   The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, and the net worth ratios are above 3% as of the end of the year and semi-period of 2022, which complies with the regulations.

## 43. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|---|---|---|---|---|
| Cathay Power and its subsidiaries | Energy technical services | November 25, 2022 | 70% | $ 982,162 |
| Chen Fong Power | Energy technical services and power of machinery manufacturing generation, transmission, and distribution | December 28, 2022 | 100% | $ 31,000 |

The Company originally held 45% equity shares of Cathay Power, which were recognized as investments accounted for using equity method. On November 25, 2022, the Company 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.

b. Assets acquired and liabilities assumed at the date of acquisition

| | Cathay Power and Subsidiaries | Chen Fong Power |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 583,406 | $ 13,798 |
| Receivables | 172,852 | - |
| Property and equipment | 9,860,540 | - |
| Right-of-use assets | 639,514 | - |
| Intangible assets | 3,799 | - |
| Investments accounted for using the equity method | 18,790 | - |
| Others | 1,578,044 | 16,536 |
| Liabilities | | |
| Payables | (372,242) | (295) |
| Notes payable | (187,190) | - |
| Lease liabilities | (655,651) | - |
| Other financial liabilities | (7,348,409) | - |
| Others | (83,534) | - |
| | $ 4,209,919 | $ 30,039 |

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

| | Cathay Power and Subsidiaries | Chen Fong Power |
|---|---|---|
| Consideration transferred | $ 982,162 | $ 31,000 |
| Add: Non-controlling interests | 1,505,676 | - |
| Add: Fair value of the equity previously held by the Group as of the date of acquisition | 2,240,700 | - |
| | 4,728,538 | 31,000 |
| Less: Fair value of identifiable net assets acquired | (4,209,919) | (30,039) |
| Goodwill recognized on acquisition | $ 518,619 | $ 961 |

The goodwill recognized in the acquisition of Cathay Power and Chen Feng Power 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

| | Cathay Power and its Subsidiaries | Chen Fong Power |
|---|---|---|
| Consideration paid in cash | $ 982,162 | $ 31,000 |
| Less: Cash and cash equivalent balances acquired | (583,406) | (13,798) |
| | $ 398,756 | $ 17,202 |

f. Impact of acquisitions on the results of the Group

The acquisition dates of the financial performances of acquirees, which are included in the consolidated financial statements, do not have a significant impact to the Group.

## 44. OTHERS

a. Impact of the COVID-19 Pandemic

The Group has evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there was no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

The significant financial assets and liabilities denominated in foreign currencies of the entities in the Group aggregated by the foreign currencies other than functional currency and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | **Foreign Currency** | **Exchange Rate** | **New Taiwan Dollars** |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 147,644,015 | 30.708000 | $ 4,533,852,419 |
| AUD | 6,072,463 | 20.827701 | 126,475,448 |
| Non-monetary items | | | |
| USD | 10,495,246 | 30.708000 | 322,288,021 |
| Investments accounted for the using the equity method | | | |
| CNY | 456,178 | 4.417500 | 2,015,164 |
| PHP | 30,799,990 | 0.551200 | 16,976,954 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 1,089,939 | 30.708000 | 33,469,844 |

| | December 31, 2021 | | |
|---|---|---|---|
| | **Foreign Currency** | **Exchange Rate** | **New Taiwan Dollars** |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 139,447,050 | 27.690000 | $ 3,861,288,805 |
| CNY | 22,042,321 | 4.346666 | 95,810,606 |
| AUD | 5,492,243 | 20.093249 | 110,356,998 |
| Non-monetary items | | | |
| USD | 12,948,901 | 27.690000 | 358,555,060 |
| HKD | 7,291,008 | 3.550660 | 25,887,893 |
| Investments accounted for the using the equity method | | | |
| CNY | 450,393 | 4.340660 | 1,954,975 |
| PHP | 29,445,445 | 0.542500 | 15,974,154 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 854,568 | 27.690000 | 23,662,999 |

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

c. Total amount of assets and liabilities expected to recover or settle within/over 12 months

| Items | December 31, 2022 Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 329,638,342 | $ - | $ 329,638,342 |
| Receivables | 90,957,799 | 1,225,955 | 92,183,754 |
| Current tax assets | 15,472 | - | 15,472 |
| Investments | | | |
| Financial assets at FVTPL | 53,903,448 | 1,372,101,544 | 1,426,004,992 |
| Financial assets at FVTOCI | 4,500,902 | 437,971,494 | 442,472,396 |
| Financial assets measured at amortized cost | 27,594,862 | 3,958,986,188 | 3,986,581,050 |
| Financial assets for hedging | 3,217 | 26,674 | 29,891 |
| Investments accounted for using the equity method | - | 29,483,762 | 29,483,762 |
| Investment property | - | 520,893,328 | 520,893,328 |
| Investment property under construction | - | 5,747,767 | 5,747,767 |
| Prepayments for buildings and land - investments | - | 1,501,343 | 1,501,343 |
| Loans | 8,277,624 | 442,018,785 | 450,296,409 |
| Total investments | 94,280,053 | 6,768,730,885 | 6,863,010,938 |
| Reinsurance assets | 625,858 | 1,683,589 | 2,309,447 |
| Property and equipment | - | 40,809,699 | 40,809,699 |
| Right-of-use assets | - | 2,268,417 | 2,268,417 |
| Intangible assets | - | 41,380,113 | 41,380,113 |
| Deferred tax assets | - | 80,501,622 | 80,501,622 |
| Other assets | 8,277,668 | 56,607,513 | 64,885,181 |
| Separate account insurance product assets | 6,036,900 | 649,390,096 | 655,426,996 |
| Total assets | $ 529,832,092 | $ 7,642,597,889 | $ 8,172,429,981 |
| Payables | $ 21,048,349 | $ 1,290,112 | $ 22,338,461 |
| Current tax liabilities | 176,349 | - | 176,349 |
| Financial liabilities at FVTPL | 62,823,518 | 845,644 | 63,669,162 |
| Financial liabilities for hedging | 2,379,095 | 1,336,996 | 3,716,091 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 20,547,570 | 20,547,570 |
| Loss reserve | - | 12,760,061 | 12,760,061 |
| Policy reserve | - | 6,672,193,784 | 6,672,193,784 |
| Special reserve | - | 11,085,733 | 11,085,733 |
| Premium deficiency reserve | - | 8,130,466 | 8,130,466 |
| Other reserve | - | 1,845,253 | 1,845,253 |
| Total insurance liabilities | - | 6,726,562,867 | 6,726,562,867 |

(Continued)

| Items | December 31, 2022 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement over 12 Months | Total |
| Reserve for insurance contracts with the nature of financial products | $ - | $ 18,495,469 | $ 18,495,469 |
| Reserve for foreign exchange valuation | - | 49,503,457 | 49,503,457 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 909,648 | 15,735,600 | 16,645,248 |
| Deferred tax liabilities | - | 52,624,428 | 52,624,428 |
| Other liabilities | 2,626,729 | 7,769,237 | 10,395,966 |
| Separate account insurance product liabilities | 570,928 | 654,856,068 | 655,426,996 |
| Other financial liabilities | 1,064,232 | 5,966,303 | 7,030,535 |
| Total liabilities | $ 91,598,848 | $ 7,615,042,426 | $ 7,706,641,274 |

(Concluded)

| Items | December 31, 2021 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Cash and cash equivalents | $ 465,755,469 | $ - | $ 465,755,469 |
| Receivables | 73,881,704 | 12,414 | 73,894,118 |
| Current tax assets | 56,763 | - | 56,763 |
| Investments | | | |
| Financial assets at FVTPL | 44,234,081 | 1,577,605,859 | 1,621,839,940 |
| Financial assets at FVTOCI | 11,023,279 | 1,297,684,185 | 1,308,707,464 |
| Financial assets measured at amortized cost | 20,870,469 | 2,668,132,036 | 2,689,002,505 |
| Financial assets for hedging | - | 500,642 | 500,642 |
| Investments accounted for using the equity method | - | 29,084,146 | 29,084,146 |
| Investment property | - | 510,358,271 | 510,358,271 |
| Investment property under construction | - | 3,412,376 | 3,412,376 |
| Prepayments for buildings and land - investments | - | 242,642 | 242,642 |
| Loans | 7,845,639 | 472,006,688 | 479,852,327 |
| Total investments | 83,973,468 | 6,559,026,845 | 6,643,000,313 |
| Reinsurance assets | 801,064 | 1,577,932 | 2,378,996 |
| Property and equipment | - | 29,928,347 | 29,928,347 |
| Right-of-use assets | - | 1,740,046 | 1,740,046 |
| Intangible assets | - | 41,492,461 | 41,492,461 |
| Deferred tax assets | - | 58,628,168 | 58,628,168 |
| Other assets | 8,462,310 | 23,613,594 | 32,075,904 |
| Separate account insurance product assets | 7,911,329 | 716,298,905 | 724,210,234 |
| Total assets | $ 640,842,107 | $ 7,432,318,712 | $ 8,073,160,819 |

(Continued)

| Items | December 31, 2021 | | |
|---|---|---|---|
| | Recovery/ Settlement within 12 Months | Recovery/ Settlement Over 12 Months | Total |
| Payables | $ 21,672,040 | $ 1,163,319 | $ 22,835,359 |
| Current tax liabilities | 371,581 | - | 371,581 |
| Financial liabilities at FVTPL | 3,050,197 | - | 3,050,197 |
| Financial liabilities for hedging | - | 20,956 | 20,956 |
| Bonds payable | - | 80,000,000 | 80,000,000 |
| Insurance liabilities | | | |
| Unearned premium reserve | - | 19,496,231 | 19,496,231 |
| Loss reserve | - | 11,763,381 | 11,763,381 |
| Policy reserve | - | 6,334,959,547 | 6,334,959,547 |
| Special reserve | - | 11,085,059 | 11,085,059 |
| Premium deficiency reserve | - | 9,808,215 | 9,808,215 |
| Other reserve | - | 1,865,925 | 1,865,925 |
| Total insurance liabilities | - | 6,388,978,358 | 6,388,978,358 |
| Reserve for insurance contracts with the nature of financial products | - | 15,188,788 | 15,188,788 |
| Reserve for foreign exchange valuation | - | 9,053,726 | 9,053,726 |
| Provisions | - | 56,245 | 56,245 |
| Lease liabilities | 853,428 | 11,227,734 | 12,081,162 |
| Deferred tax liabilities | - | 54,318,203 | 54,318,203 |
| Other liabilities | 3,574,153 | 17,289,046 | 20,863,199 |
| Separate account insurance product liabilities | 299,260 | 723,910,974 | 724,210,234 |
| Total liabilities | $ 29,820,659 | $ 7,301,207,349 | $ 7,331,028,008 |

(Concluded)

d. Information on discretionary investments

1) As of December 31, 2022 and 2021, the Company entrusted securities investment trust companies to provide discretionary investment services on its behalf, and the related investments are as follows:

| Items | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Domestic stocks | $ 142,343,483 | $ 194,785,199 |
| Overseas stocks | 39,134,811 | 63,875,230 |
| Notes and bonds purchased under resale agreements | 2,260,000 | 22,665,650 |
| Cash in banks | 18,202,638 | 61,954,809 |
| Beneficiary certificates | 346,459 | 240,069 |
| Futures and options | 217,004 | 216,823 |
| | $ 202,504,395 | $ 343,737,780 |

The carrying amounts of the financial assets operated discretionarily by securities investment trust enterprises are equal to their fair values.

2) As of December 31, 2022 and 2021, the discretionary investment limits are as follows (in thousands of each currency):

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Monetary items | | |
| NTD | $ 43,079,839 | $ 99,779,839 |
| USD | 396,300 | 1,002,600 |
| HKD | - | 2,084 |

e. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of December 31, 2022 and 2021, the Group 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

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

| **Types of Structured Entity** | **Nature and Purpose** | **Interests Owned** |
|---|---|---|
| Private equity fund | Investment in private equity funds issued by external third parties to receive returns | Investment in units or limited partnership interests issued by the funds |
| Securitization vehicle | Investment in securitization vehicle to receive returns | Investment in asset-backed securities issued by the entities |

b) As of December 31, 2022 and 2021, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

| | December 31, 2022 | |
|---|---|---|
| | **Private Equity Funds** | **Securitization Vehicle** |
| Financial assets at FVTPL | $ 202,700,255 | $ 30,603,875 |
| Financial assets at FVTOCI | - | 36,131,806 |
| Financial assets measured at amortized cost | - | 160,118,682 |
| | $ 202,700,255 | $ 226,854,363 |

| | December 31, 2021 | |
|---|---|---|
| | Private Equity Funds | Securitization Vehicle |
| Financial assets at FVTPL | $ 185,461,478 | $ 34,862,085 |
| Financial assets at FVTOCI | - | 41,608,066 |
| Financial assets measured at amortized cost | - | 107,111,263 |
| | $ 185,461,478 | $ 183,581,414 |

## 45. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

| No. | Description | Explanation |
|---|---|---|
| 1 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 5 |
| 2 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 6 |
| 3 | Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital. | Note 34 |
| 4 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 9 |
| 5 | Trading in derivative instruments. | Notes 8, 10 and 39 |

b. Information of investees

| No. | Description | Explanation |
|---|---|---|
| 1 | Information on investee, including name, location and etc. | Table 1 |
| 2 | Financing provided to others. | Table 2 |
| 3 | Endorsements/guarantees provided. | Table 3 |
| 4 | Marketable securities held. | Table 4 |
| 5 | Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital. | N/A |
| 6 | Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 5 |
| 7 | Disposal of individual real estate at price over $100 million or 20% of the paid-in capital. | Table 6 |
| 8 | Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital | Note 34 |
| 9 | Receivables from related parties amounting over $100 million or 20% of the paid-in capital. | Table 9 |
| 10 | Trading in derivative instruments. | N/A |

c. Information on investments in Mainland China

| No. | Description | Explanation |
|---|---|---|
| 1 | Name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed. | Table 7 |
| 2 | Significant transactions, with investees in mainland China, either directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses. | N/A |
| 3 | Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages. | N/A |
| 4 | The amount of property transactions and the amount of the resulting gains or losses. | N/A |
| 5 | The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds. | N/A |
| 6 | Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. | N/A |

d. The important intercompany transactions among the Group are disclosed in Table 8 following the notes to the consolidated financial statements.

e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A.

**TABLE 1**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Cathay Life Insurance Co., Ltd. | Conning Holdings Limited | UK | Holding company | $ 15,723,539 | $ 15,723,539 | 2,029 | 100.00 | $ 17,250,309 | $ 1,730,175 | $ 1,474,997 | Subsidiary (Note 2) |
| | Cathay Life Insurance (Vietnam) Co., Ltd. | Vietnam | Life insurance | 20,370,930 | 20,370,930 | - | 100.00 | 21,186,984 | 1,649,082 | 1,649,082 | Subsidiary (Note 2) |
| | Cathay Woolgate Exchange Holding 1 Limited | Jersey Island | Real estate investment and operation management | 16,654,013 | 16,654,013 | 326,700 | 100.00 | 12,595,018 | (456,562) | (456,562) | Subsidiary (Note 1) |
| | Cathay Woolgate Exchange Holding 2 Limited | Jersey Island | Real estate investment and operation management | 168,222 | 168,222 | 3,300 | 100.00 | 123,679 | (5,855) | (5,855) | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 1 Limited | Jersey Island | Real estate investment and operation management | 10,189,090 | 10,189,090 | 213,750 | 100.00 | 7,507,617 | (1,012,758) | (1,012,758) | Subsidiary (Note 1) |
| | Cathay Walbrook Holding 2 Limited | Jersey Island | Real estate investment and operation management | 536,268 | 536,268 | 11,250 | 100.00 | 388,636 | (54,879) | (54,879) | Subsidiary (Note 1) |
| | Cathay Industrial Research and Design Center Co., Ltd. | Taiwan | Real estate leasing | 990,000 | 990,000 | 99,000 | 99.00 | 843,708 | (64,787) | (64,140) | Subsidiary (Note 1) |
| | Cathay Power Inc. | Taiwan | Energy technical services | 3,222,862 | 675,000 | 259,264 | 70.00 | 3,223,147 | 71,499 | 32,280 | Subsidiary (Notes 1 and 6) |
| | Rizal Commercial Banking Corporation | Philippines | Banking | 15,683,953 | 15,683,953 | 452,019 | 22.19 | 16,976,954 | 5,857,400 | 1,299,476 | Associate (Note 2) |
| | PT Bank Mayapada Internasional Tbk | Indonesia | Banking | - | 12,504,578 | - | - | - | - | - | Note 3 |
| | Cathay Securities Investment Consulting Co., Ltd. | Taiwan | Securities investment consulting services | 300,000 | 300,000 | 30,000 | 100.00 | 687,870 | 214,519 | 214,519 | Subsidiary (Note 1) |
| | Symphox Information Co., Ltd | Taiwan | Wholesale of information software | 404,432 | 404,432 | 24,511 | 49.12 | 350,320 | (107,639) | (52,873) | Associate (Note 2) |
| | WK Technology Fund VI Co., Ltd. | Taiwan | Venture investment | - | 54,186 | - | - | - | - | - | Associate (Note 4) |
| | Dasheng Venture Capital Co., Ltd. | Taiwan | Venture investment | 357,007 | 425,009 | 35,701 | 25.00 | 611,753 | 1,163,573 | 290,892 | Associate (Note 2) |
| | Dasheng IV Venture Capital Co., Ltd. | Taiwan | Venture investment | 609,615 | 712,500 | 60,962 | 21.43 | 1,147,091 | (20,586) | (4,411) | Associate (Note 2) |
| | CMG International One Co., Ltd. | Taiwan | Lease and development of residence and buildings | 1,575,000 | 675,000 | 157,500 | 45.00 | 1,555,961 | (28,612) | (12,875) | Associate (Note 2) |
| | CMG International Two Co., Ltd. | Taiwan | Lease and development of residence and buildings | 1,800,000 | 675,000 | 180,000 | 45.00 | 1,770,924 | (38,786) | (17,453) | Associate (Note 2) |
| | CM Energy Co., Ltd. | Taiwan | Energy technical services | - | 450,000 | - | - | - | 63,332 | 28,499 | Associate (Notes 2 and 7) |
| | Neo Cathay Power Corp. | Taiwan | Energy technical services | - | 675,000 | - | - | - | 78,126 | 35,155 | Associate (Notes 2 and 7) |
| | DingTeng Co., Ltd. | Taiwan | Sewage treatment | 756,116 | 756,116 | 47,769 | 27.36 | 893,766 | 140,997 | 38,579 | Associate (Note 2) |
| | PSS Co., Ltd. | Taiwan | Parking space management | 785,505 | 832,750 | 20,238 | 33.60 | 963,095 | 276,939 | 97,637 | Associate (Note 2) |
| | Greenhealth Water Resources Co., Ltd. | Taiwan | Sewage treatment | - | 470,916 | - | - | - | 92,388 | 27,717 | Associate (Notes 2 and 5) |
| | Cathay Venture Inc. | Taiwan | Venture investment | 1,567,574 | 1,567,574 | 129,543 | 25.00 | 1,716,700 | 157,016 | 39,254 | Associate (Note 1) |
| | Lin Yuan Property Management Co., Ltd. | Taiwan | Property management services | 63,636 | 63,636 | 1,470 | 49.00 | 58,045 | 63,827 | 31,276 | Associate (Note 2) |
| | TaiYang Solar Power Co., Ltd. | Taiwan | Energy technical services | 495,000 | 427,500 | 49,500 | 45.00 | 501,756 | 38,009 | 17,104 | Associate (Note 2) |
| | ThrivEnergy Co., Ltd. | Taiwan | Energy technical services | 216,000 | - | 21,600 | 30.00 | 215,844 | (521) | (156) | Subsidiary (Note 1) |
| Cathay Power Inc. | Sunrise Pv one Co., Ltd | Taiwan | Energy technical services | 1,000,000 | 1,000,000 | 100,000 | 100.00 | 1,098,462 | 67,868 | Note 8 | Subsidiary (Note 1) |
| | Cathy Sunrise Two Co., Ltd. | Taiwan | Energy technical services | 20,000 | 20,000 | 2,000 | 100.00 | 23,419 | 2,497 | Note 8 | Subsidiary (Note 1) |
| | Bai Yang Energy Co., Ltd. | Taiwan | Energy technical services | 144,241 | 144,241 | 6,500 | 100.00 | 145,260 | 7,308 | Note 8 | Subsidiary (Note 1) |
| | Cathy Sunrise Electric Power Two Co., Ltd. | Taiwan | Energy technical services | 125,000 | 125,000 | 12,500 | 100.00 | 131,902 | 6,776 | Note 8 | Subsidiary (Note 1) |
| | Hong Cheng Sing Tech. Co., Ltd. | Taiwan | Energy technical services | 5,000 | 5,000 | 500 | 100.00 | 3,327 | (1,155) | Note 8 | Subsidiary (Note 1) |
| | Shen Lyu Co., Ltd. | Taiwan | Energy technical services | 100 | - | 10 | 100.00 | (5,113) | (5,213) | Note 8 | Subsidiary (Note 1) |
| | Nan Yang Power Co., Ltd. | Taiwan | Energy technical services | 34,400 | - | 3,440 | 80.00 | 33,951 | (665) | Note 8 | Subsidiary (Note 1) |
| | CM Energy Co., Ltd. | Taiwan | Energy technical services | 754,709 | - | 70,000 | 70.00 | 755,599 | 64,802 | Note 8 | Subsidiary (Notes 1 and 7) |
| | Neo Cathay Power Corp. | Taiwan | Energy technical services | 1,601,400 | - | 150,000 | 100.00 | 1,600,575 | 77,300 | Note 8 | Subsidiary (Notes 1 and 7) |
| | Southern Electricity Corp. | Taiwan | Green electricity purchase and sale service industry | 20,000 | - | 2,000 | 20.00 | 18,519 | (7,406) | (1,481) | Associate (Note 2) |
| Sunrise Pv one Co,. Ltd | Shuguang Energy Co., Ltd. | Taiwan | Energy technical services | 35,000 | 3,500 | 3,500 | 70.00 | 34,706 | (347) | Note 9 | Subsidiary (Note 1) |
| CM Energy Co., Ltd. | Hong Tai Energy Co., Ltd. | Taiwan | Energy technical services | 150,000 | 150,000 | 15,000 | 100.00 | 190,824 | 29,907 | Note 10 | Subsidiary (Note 1) |
| | Tian Ji Energy Co., Ltd. | Taiwan | Energy technical services | 10,000 | 10,000 | 1,000 | 100.00 | 13,449 | 1,981 | Note 10 | Subsidiary (Note 1) |
| | Tian Ji Power Co., Ltd. | Taiwan | Energy technical services | 400,000 | 400,000 | 40,000 | 100.00 | 435,572 | 32,780 | Note 10 | Subsidiary (Note 1) |
| | Chen Fong Power Co., Ltd. | Taiwan | Energy technical services | 31,000 | - | 3,100 | 100.00 | 31,000 | (479) | Note 10 | Subsidiary (Note 1) |
| Hong Tai Energy Co., Ltd. | Hong Tai Power Co., Ltd. | Taiwan | Energy technical services | 50,000 | 50,000 | 5,000 | 100.00 | 59,129 | 6,158 | Note 11 | Subsidiary (Note 1) |
| Neo Cathay Power Corp. | Si Yi Co., Ltd. | Taiwan | Energy technical services | 707,617 | 707,617 | 70,000 | 100.00 | 760,481 | 42,749 | Note 12 | Subsidiary (Note 1) |
| | Da Li Energy Co., Ltd. | Taiwan | Energy technical services | 402,958 | 402,958 | 40,000 | 100.00 | 432,429 | 23,989 | Note 12 | Subsidiary (Note 1) |
| | Yong Han Co., Ltd. | Taiwan | Energy technical services | 272,336 | 272,336 | 25,000 | 100.00 | 285,888 | 13,463 | Note 12 | Subsidiary (Note 1) |

(Continued)

Note 1: Share of profit or loss is recognized on the basis of the financial statements which have been audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statements which have not been audited by an independent auditor.

Note 3: The Company lost significant influence on the investee as the shareholding percentage decreased to less than 20% in March 2022, and reclassified the investment to financial assets at FVTPL.

Note 4: WK Technology Fund VI was dissolved on April 25, 2022 and completed the liquidation procedure.

Note 5: The Company disposed of 100% shareholding in the investee in December 2022.

Note 6: The Company acquired shareholding of Cathay Power Inc. through San Ching Engineering Co., Ltd., increasing the Company's ownership interest to 70%, and obtained control of Cathay Power Inc.

Note 7: In November 2022, Cathay Power Inc. issued ordinary shares to exchange all the interest of Neo Cathay Power Corp. and CM Energy Co., Ltd. that San Ching Engineering and the Group held, and obtained control of Neo Cathay Power Corp. and CM Energy Co., Ltd.

Note 8: The share of profit or loss is recognized with the equity method by Cathay Power Inc.

Note 9: The share of profit or loss is recognized with the equity method by Sunrise Pv One Co., Ltd.

Note 10: The share of profit or loss is recognized with the equity method by CM Energy Co., Ltd.

Note 11: The share of profit or loss is recognized with the equity method by Hong Tai Energy Co., Ltd.

Note 12: The share of profit or loss is recognized with the equity method by Neo Cathay Power Corp.

(Concluded)

# CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**FINANCE PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Cathay Power Inc. | Cathy Sunrise Electric Power Two Co., Ltd. | Other receivables - from related parties | Y | $ 150,000 | $ 140,000 | $ 47,702 | 2 | Short-term financing | $ - | Operating cycle | $ - | - | - | $ 1,583,296 | $ 1,583,296 |
| | | Hong Cheng Sing Tech. Co., Ltd. | Other receivables - from related parties | Y | 60,000 | 1,500 | - | 2 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Sunrise Pv one Co., Ltd. | Other receivables - from related parties | Y | 460,000 | 460,000 | 300,000 | 2 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| | | Shen Lyu Co., Ltd. | Other receivables - from related parties | Y | 369,410 | 15,000 | 11,128 | 2 | Short-term financing | - | Operating cycle | - | - | - | 1,583,296 | 1,583,296 |
| 2 | Neo Cathay Power Corp. | Shu Guang Energy Co., Ltd. | Other receivables - from related parties | Y | 36,000 | 36,000 | - | 2 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Sunrise Pv one Co., Ltd. | Other receivables - from related parties | Y | 100,000 | 100,000 | - | 2 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Hong Cheng Sing Tech. Co., Ltd. | Other receivables - from related parties | Y | 60,000 | - | - | 2 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| | | Nan Yang Power Co., Ltd. | Other receivables - from related parties | Y | 120,000 | 120,000 | 31,500 | 2 | Short-term financing | - | Operating cycle | - | - | - | 640,230 | 640,230 |
| 3 | Yong Han Co., Ltd. | Si Yi Co., Ltd. | Other receivables - from related parties | Y | 100,000 | 100,000 | - | 2 | Short-term financing | - | Operating cycle | - | - | - | 107,270 | 107,270 |
| 4 | CM Energy Co., Ltd. | Tian Ji Energy Co., Ltd. | Other receivables - from related parties | Y | 2,000 | 2,000 | 2,000 | 2 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |
| | | Tian Ji Power Co., Ltd. | Other receivables - from related parties | Y | 71,800 | 71,800 | 70,000 | 2 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |
| | | Hong Tai Power Co., Ltd. | Other receivables - from related parties | Y | 100,000 | 100,000 | 100,000 | 2 | Short-term financing | - | Operating cycle | - | - | - | 431,852 | 431,852 |

Note: The total amount of external funds provided by Cathay Power, Neo Cathay Power, Yong Han and CM Energy are limited to 40% of the net value, and individual loans are limited to 40% of the net value.

TABLE 3

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party | 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 | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship (Note 1) | | | | | | | | | | | |
| 1 | Cathay Power Inc. | Sunrise Pv one Co., Ltd. | b | $ 9,895,599 | $ 2,742,796 | $ 2,444,796 | $ 803,863 | $ - | 61.76 | $ 9,895,599 | (Note 2) | (Note 2) | N | (Note 3) |
| | | Cathy Sunrise Electric Power Two Co., Ltd. | b | 9,895,599 | 223,912 | 73,912 | 73,912 | - | 1.87 | 9,895,599 | (Note 2) | (Note 2) | N | (Note 3) |
| | | Hong Cheng Sing Tech. Co., Ltd. | b | 9,895,599 | 53,000 | 51,000 | 51,000 | - | 1.29 | 9,895,599 | (Note 2) | (Note 2) | N | (Note 3) |
| | | Nan Yang Power Co., Ltd. | b | 9,895,599 | 226,900 | 226,900 | 112,900 | - | 5.73 | 9,895,599 | (Note 2) | (Note 2) | N | (Note 3) |
| 2 | Sunrise Pv one Co., Ltd. | Cathay Power Inc. | c | 2,743,359 | 1,360,000 | 1,005,590 | 489,500 | - | 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 | 1,010,453 | - | 136.55 | 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 | 525,039 | - | 62.59 | 4,001,437 | (Note 2) | (Note 2) | N | (Note 5) |
| | | Yong Han Co., Ltd. | b | 4,001,437 | 462,500 | 462,500 | 325,568 | - | 28.45 | 4,001,437 | (Note 2) | (Note 2) | N | (Note 5) |
| 4 | CM Energy, Inc. | Tian Ji Energy Co., Ltd. | b | 2,699,074 | 29,500 | 29,500 | 23,924 | - | 2.73 | 3,238,889 | (Note 2) | (Note 2) | N | (Note 6) |
| | | Tian Ji Power Co., Ltd. | b | 2,699,074 | 1,827,200 | 1,827,200 | 1,421,528 | - | 169.24 | 3,238,889 | (Note 2) | (Note 2) | N | (Note 6) |
| | | Hong Tai Energy Co., Ltd. | b | 2,699,074 | 706,296 | 706,296 | 501,829 | - | 65.42 | 3,238,889 | (Note 2) | (Note 2) | N | (Note 6) |
| | | Hong Tai Power Co., Ltd. | b | 2,699,074 | 190,000 | 190,000 | 148,680 | - | 17.60 | 3,238,889 | (Note 2) | (Note 2) | N | (Note 6) |
| 5 | Hong Tai Energy Co., Ltd. | Hongtai Power Co., Ltd. | b | 477,006 | 190,000 | 190,000 | 148,680 | - | 99.58 | 477,006 | (Note 2) | (Note 2) | N | (Note 7) |

Note 1: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

a. The Company and guarantee party have business deals
b. The Company directly and indirectly owned over 50% of the guaranteed party's voting stocks.
c. The guaranteed party owned directly and indirectly over 50% of the Company's voting stocks.
d. The Company directly and indirectly owned over 90% of the guaranteed party's voting stocks.
e. The guarantor and guaranteed party are peers in contract projects or co-builders in accordance with contract provisions that require mutual insurance company.
f. Owing to the joint venture funded by all shareholders on the endorsement of its holding company
g. Peers in performance bond joint security of pre-sale house contract under Consumer Protection Act.

Note 2: Non-listed parent company endorsement of subsidiaries or subsidiaries endorsement of listed parent company.

Note 3: The total amount of endorsement provided by Cathay Power was 250% of Cathay Power's net value, and the endorsement limit for a single company is 250% of Cathay Power's net value.

Note 4: The total amount of endorsement provided by Sunrise Pv One was 250% of Sunrise Pv One's net value, and the endorsement limit for a single company is 250% of Sunrise Pv One's net value.

Note 5: The total amount of endorsement provided by Neo Cathy Power was 250% of Neo Cathy Power's net value, and the endorsement limit for a single company is 250% of Neo Cathy Power's net value.

Note 6: The total amount of endorsement provided by CM Energy was 300% of CM Energy's net value, and the endorsement limit for a single company is 250% of CM Energy's net value.

Note 7: The total amount of endorsement provided by Hongtai Energy was 250% of CM Energy's net value, and the endorsement limit for a single company is 250% of Hongtai Energy's net value.

**TABLE 4**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars/In Thousands of Ordinary Shares)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statements Accounts | December 31, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | Preference shares | | | | | | | |
| Conning Inc. | Centerprise Services Inc. | N/A | Financial assets at FVTOCI | 400 | $ 3,233 | 1.76 | $ 3,233 | |
| | Stocks | | | | | | | |
| Symphox Information Co., Ltd. | Fashionguide Co., Ltd. | N/A | Financial assets at FVTOCI | 1,293 | 32,773 | 7.72 | 32,773 | |
| | Buyforyou Co., Ltd. | N/A | Financial assets at FVTOCI | 117 | - | 10.00 | - | |
| | Seaward Card Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 3,000 | 55,918 | 100.00 | 55,918 | |
| | Thinkpower Information Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 9,362 | 465,597 | 63.81 | 465,597 | |
| | Bowl Cut Entertainment Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 2,342 | 31,552 | 100.00 | 31,552 | |
| Southern Electricity Corp. | Nan Yuan Tai Co., Ltd. | Parent and subsidiary | Investments accounted for using the equity method | 100 | 1,000 | 100.00 | 1,000 | |

**TABLE 5**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Buyer | Property | Event Date | Transaction Amount (Note 1) | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| The Company | Superficial rights of land in Qingsheng Section, Zhongli District, Taoyuan City | 2022.03.02 | $ 4,601,136 | Payments by installment according to the contract | ROC. (Managed by TKA) | Non-related party | - | - | - | $ - | Valuation report of appraisers | Real estate investment in accordance with the Insurance Act. | None |

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

**TABLE 6**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Seller | Property | Event Date | Original Acquisition Date | Carrying Amount | Transaction Amount | Collection | Gain on Disposal | Counterparty | Relationship | Purpose of Disposal | Price Reference | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Kaohsiung education center: Kaotan building and land | 2022.11.16 | 1988.07.28, 1992.08.07 | $ 139,182 | $ 148,091 | Payments by installment according to the contract | $ 8,909 | Shan Fang Development Corp. | Non-related party | Real estate disposal in accordance with the Insurance Act. | Valuation report of appraisers | None |
| | 25 Sang shi bai Sec, etc. TDR land | 2022.12.07 | 1973.01.04, 1973.03.03, 1989.09.21, 2020.10.30, 2021.04.14 | 759,044 | 759,044 | Note | Note | Taichung City Government & ROC | Non-related party | Note | Note | None |

Note: The company donated the land to Taichung City Government and the Republic of China for building capacity transfer.

**TABLE 7**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Investee Company | Main Business and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Note 2) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Cathay Lujiazui Life Insurance Co., Ltd. | Life insurance | $13,497,155 | a | $ 6,748,578 | $ - | $ - | $ 6,748,578 | $ 494,472 | 50.00 | $ 247,236 (Note 2,b,2) | $ 6,727,215 | $ - |
| Cathay Insurance Company Limited (China) | Property insurance | 12,196,844 | a | 2,943,663 | - | - | 2,943,663 | 473,379 | 24.50 | 115,978 (Note 2,b,3) | 2,015,164 | - |
| Lin Yuan (Shanghai) Real Estate Co., Ltd. | Office leasing | 7,223,435 | a | 7,223,435 | - | - | 7,223,435 | 141,657 | 100.00 | 129,755 (Note 2,b,2) | 8,243,445 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand) | $16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand) | $274,090,083 |

Note 1: The three methods of investment are as follows:

a. Direct investment in China.
b. Reinvestment in China through the third-region companies.
c. Others.

Note 2: The column of investment profit or loss for the period:

a. If it is in preparation, there are no investment gains and losses, it should be noted.

b. The recognition basis for investment gain (loss) are as follows:

1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
2) Financial statement is audited by the parent company's CPA firm in Taiwan.
3) Other.

(Continued)

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of December 31, 2022, the Company's remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

On October 17, 2007, MOEAIC authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. On November 26, 2019, MOEAIC authorized the Company to remit CNY245,000 thousand to increase the share capital. Since the solvency of Cathay Insurance Company Ltd. (China) was compliant with the regulatory requirements, the Company's board of directors resolved to suspend capital increase on January 26, 2022. On March 3, 2022, MOEAIC authorized the Company to cancel CNY245,000 thousand which was authorized by MOEAIC on November 26, 2019. As of December 31, 2022, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US$47,000) thousand and CNY500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of December 31, 2022, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

TABLE 8

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms (Note 4) | % of Total Operating Revenue or Assets (Note 3) |
| 0 | Cathay Life Insurance Co., Ltd. | Cathay Walbrook Holding 1 Limited | a | Other loans | $ 11,657,692 | Equivalent to general conditions of transactions | 0.14 |
| | | Cathay Walbrook Holding 1 Limited | a | Interest income | 485,905 | Equivalent to general conditions of transactions | 0.07 |
| | | Cathay Walbrook Holding 1 Limited | a | Other receivables | 20,480 | Equivalent to general conditions of transactions | - |
| | | Cathay Walbrook Holding 2 Limited | a | Other loans | 620,780 | Equivalent to general conditions of transactions | 0.01 |
| | | Cathay Walbrook Holding 2 Limited | a | Interest income | 25,875 | Equivalent to general conditions of transactions | - |
| | | Cathay Walbrook Holding 2 Limited | a | Other receivables | 1,091 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Processing fee expense | 1,238,035 | Equivalent to general conditions of transactions | 0.18 |
| | | Conning Holdings Limited | a | Other payables | 285,465 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Administrative expense | 6,249 | Equivalent to general conditions of transactions | - |
| | | Conning Holdings Limited | a | Prepaid expense | 1,587 | Equivalent to general conditions of transactions | - |
| | | Global Evolution Holding ApS | a | Processing fee expense | 78,813 | Equivalent to general conditions of transactions | 0.01 |
| | | Global Evolution Holding ApS | a | Other payables | 18,765 | Equivalent to general conditions of transactions | - |
| | | Cathay Power Inc. | a | Rental income | 459 | Equivalent to general conditions of transactions | - |
| | | Hongtai Energy Co., Ltd. | a | Rental income | 1,311 | Equivalent to general conditions of transactions | - |
| 1 | Lin Yuan (Shanghai) Real Estate | Cathay Life Insurance Co., Ltd. | b | Rental income | 542 | Equivalent to general conditions of transactions | - |
| | | Cathay Life Insurance Co., Ltd. | b | Guarantee deposits received | 141 | Equivalent to general conditions of transactions | - |
| 2 | Cathay Power Inc. | Sunrise Pv one Co,. Ltd | c | Other receivables | 305,721 | Equivalent to general conditions of transactions | - |
| | | Sunrise Pv one Co,. Ltd | c | Administrative revenue | 20,710 | Equivalent to general conditions of transactions | - |
| | | Sunrise Pv one Co,. Ltd | c | Interest income | 734 | Equivalent to general conditions of transactions | - |
| | | Cathy Sunrise Electric Power Two Co., Ltd. | c | Other receivables | 48,589 | Equivalent to general conditions of transactions | - |
| | | Cathy Sunrise Electric Power Two Co., Ltd. | c | Administrative revenue | 2,623 | Equivalent to general conditions of transactions | - |
| | | Cathy Sunrise Electric Power Two Co., Ltd. | c | Other receivables | 234 | Equivalent to general conditions of transactions | - |
| | | Si One Corp. | c | Other receivables | 2,562 | Equivalent to general conditions of transactions | - |
| | | Si One Corp. | c | Administrative revenue | 1,685 | Equivalent to general conditions of transactions | - |
| | | Sunrise White | c | Administrative revenue | 1,514 | Equivalent to general conditions of transactions | - |
| | | Sunrise White | c | Other receivables | 355 | Equivalent to general conditions of transactions | - |
| | | Da Li Energy Co., Ltd. | c | Other receivables | 1,594 | Equivalent to general conditions of transactions | - |
| | | Da Li Energy Co., Ltd. | c | Administrative revenue | 1,048 | Equivalent to general conditions of transactions | - |
| | | Cathy Sunrise Two Co., Ltd. | c | Administrative revenue | 728 | Equivalent to general conditions of transactions | - |
| | | Cathy Sunrise Two Co., Ltd. | c | Other receivables | 171 | Equivalent to general conditions of transactions | - |
| | | Yong Han Ltd. | c | Other receivables | 910 | Equivalent to general conditions of transactions | - |
| | | Yong Han Ltd. | c | Administrative revenue | 598 | Equivalent to general conditions of transactions | - |
| | | TIAN JI POWER CO., LTD. | c | Other receivables | 587 | Equivalent to general conditions of transactions | - |
| | | TIAN JI POWER CO., LTD. | c | Administrative revenue | 587 | Equivalent to general conditions of transactions | - |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms (Note 4) | % of Total Operating Revenue or Assets (Note 3) |
| | | Hongtai Energy Co., Ltd. | c | Other receivables | $ 407 | Equivalent to general conditions of transactions | - |
| | | Hongtai Energy Co., Ltd. | c | Administrative revenue | 407 | Equivalent to general conditions of transactions | - |
| | | Hongsheng New Technology Co., Ltd. | c | Interest income | 621 | Equivalent to general conditions of transactions | - |
| | | Hongsheng New Technology Co., Ltd. | c | Administrative revenue | 120 | Equivalent to general conditions of transactions | - |
| | | Hongsheng New Technology Co., Ltd. | c | Other receivables | 30 | Equivalent to general conditions of transactions | - |
| | | Hongtai Power Co., Ltd. | c | Other receivables | 108 | Equivalent to general conditions of transactions | - |
| | | Hongtai Power Co., Ltd. | c | Administrative revenue | 108 | Equivalent to general conditions of transactions | - |
| | | Shuguang Energy Co., Ltd. | c | Administrative revenue | 100 | Equivalent to general conditions of transactions | - |
| | | Shuguang Energy Co., Ltd. | c | Other receivables | 30 | Equivalent to general conditions of transactions | - |
| | | Shen Green Co., Ltd. | c | Other receivables | 11,191 | Equivalent to general conditions of transactions | - |
| | | Shen Green Co., Ltd. | c | Interest income | 3,179 | Equivalent to general conditions of transactions | - |
| | | Shen Green Co., Ltd. | c | Administrative revenue | 30 | Equivalent to general conditions of transactions | - |
| | | Nan Yang Power., Ltd. | c | Other receivables | 30 | Equivalent to general conditions of transactions | - |
| | | Nan Yang Power., Ltd. | c | Administrative revenue | 30 | Equivalent to general conditions of transactions | - |
| | | TIAN JI ENERGY CO., LTD. | c | Other receivables | 23 | Equivalent to general conditions of transactions | - |
| | | TIAN JI ENERGY CO., LTD. | c | Administrative revenue | 23 | Equivalent to general conditions of transactions | - |
| | | Neo Cathy Power Corp. | c | Other receivables | 30 | Equivalent to general conditions of transactions | - |
| | | Neo Cathy Power Corp. | c | Administrative revenue | 20 | Equivalent to general conditions of transactions | - |
| | | CM Energy, Inc. | c | Other receivables | 10 | Equivalent to general conditions of transactions | - |
| | | CM Energy, Inc. | c | Administrative revenue | 10 | Equivalent to general conditions of transactions | - |
| 3 | Neo Cathy Power Corp. | Nan Yang Power., Ltd. | c | Other receivables | 31,685 | Equivalent to general conditions of transactions | - |
| 4 | CM Energy, Inc. | Hongtai Energy Co., Ltd. | c | Other receivables | 100,219 | Equivalent to general conditions of transactions | - |
| | | Hongtai Energy Co., Ltd. | c | Interest income | 219 | Equivalent to general conditions of transactions | - |
| | | TIAN JI POWER CO., LTD. | c | Other receivables | 70,082 | Equivalent to general conditions of transactions | - |
| | | TIAN JI POWER CO., LTD. | c | Interest income | 82 | Equivalent to general conditions of transactions | - |
| | | TIAN JI ENERGY CO., LTD. | c | Other receivables | 2,004 | Equivalent to general conditions of transactions | - |
| | | TIAN JI ENERGY CO., LTD. | c | Interest income | 4 | Equivalent to general conditions of transactions | - |

Note 1: Parent is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.

(Concluded)

**TABLE 9**

## CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Cathay Life Insurance Co., Ltd. | Cathay Financial Holding Co., Ltd. | Parent Company | $ 14,465,582 (Note 1) | - | $ - | - | $ - | $ - |
| Conning Holdings Limited | Cathay Life Insurance Co., Ltd. | Parent Company | 285,465 (Note 2) | - | - | - | 285,465 | - |
| Cathay Power Inc. | Sunrise Pv one Co,. Ltd | Parent Company | 305,721 (Note 3) | - | - | - | 5,359 | - |
| CM Energy, Inc. | Hongtai Energy Co., Ltd. | Parent Company | 100,219 (Note 3) | - | - | - | - | - |
| Cathay Life Insurance Co., Ltd. | Cathay Venture Inc. | Fellow subsidiary | 961,728 (Note 4) | - | - | - | 961,728 | - |
| | Cathay Century Insurance Co., Ltd. | Fellow subsidiary | 131,089 (Note 5) | - | - | - | - | - |
| Cathay Life Insurance (Vietnam) Co., Ltd. | Indovina Bank Limited | Same ultimate parent entity | 111,737 (Note 6) | - | - | - | 3,093 | - |

Note 1: The ending balance mainly comprises refundable taxes under the integrated income tax system.

Note 2: The ending balance mainly comprises service fee receivables.

Note 3: The ending balance mainly comprises loans and interest receivables.

Note 4: The ending balance mainly comprises the disposal of financial assets receivable.

Note 5: The ending balance mainly comprises integrated marketing receivables.

Note 6: The ending balance mainly comprises interest receivables.

**ISSUER**

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