

**China Development Financial Holding  
Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
China Development Financial Holding Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the guidelines issued by the authority 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries 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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2021 are as follows:

#### Estimated Impairment of Discounts and Loans

The management assesses impairment of discounts and loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") issued by the FSC of the ROC and IFRS 9, respectively, and then recognizes the higher estimated amount as a reserve for asset impairment. Under the Procedures, impairment is based on the length of time overdue and the status of the collaterals; and, under IFRS 9, impairment is assessed by considering the probability of default and loss given default estimated based on historical experience, present market situation and forward-looking information. The estimation of impairment requires the use of critical judgments and estimates and impairment has significant impact on the financial statements; therefore, the impairment of discounts and loans is deemed to be a key audit matter for the year ended December 31, 2021.

Refer to Notes 4 (8) , 5 and 54 for the significant accounting policies, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

Our key audit procedures performed in respect of the above matter included the following:

We understood the accounting policies and internal controls related to the recognition of impairment. We verified that the impairment assessment procedures including the classification of the credit assets, the length of time overdue and the status of the collaterals complied with the Procedures. We evaluated that the methodology, assumptions and parameters adopted in the impairment model conform to IFRS 9 and had appropriately reflected the actual situation of the discounts and loans. We selected samples of discounts and loans and evaluated the reasonableness of recognized impairment.

#### Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd. (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on a reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the year ended December 31, 2021.

Refer to Notes 4 (17) , 5 and 53 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

We understood and assessed China Life Insurance's internal controls related to insurance liabilities and liability adequacy reserve. We requested and our internal actuarial specialists assisted us in performing our audit procedures regarding insurance liability including the evaluation of the rationale of relevant assumptions and actuarial models adopted by management. As for the liability adequacy reserve, we assessed the reasonableness of the underlying assumptions and outcomes.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control 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 audit of the Group. 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, 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 accepted and 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.*

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 167,862,826	5	\$ 121,169,093	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7 and 49)	48,914,268	1	31,864,661	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 18, 48 and 49)	554,548,173	16	543,495,816	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10, 49 and 54)	507,374,321	15	712,962,077	21
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 11, 18, 48 and 54)	1,220,278,781	35	1,064,332,087	31
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 12)	259,267	-	102,479	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 13)	28,315,799	1	50,409,959	1
RECEIVABLES, NET (Notes 4, 14, 48, 49 and 54)	130,448,138	4	138,547,338	4
CURRENT TAX ASSETS (Note 4)	123,419	-	705,864	-
DISCOUNTS AND LOANS, NET (Notes 4, 15, 48 and 54)	407,601,578	12	408,444,192	12
REINSURANCE ASSETS, NET (Notes 4 and 16)	891,059	-	740,256	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 17 and 18)	20,227,991	1	15,175,924	-
OTHER FINANCIAL ASSETS (Notes 19, 48 and 49)	154,951,789	4	141,118,874	4
INVESTMENT PROPERTY, NET (Notes 4, 20 and 49)	35,299,898	1	29,953,756	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 49)	34,051,875	1	35,343,870	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 22)	12,590,590	-	14,049,764	-
INTANGIBLE ASSETS, NET (Note 23)	18,742,494	1	19,537,371	1
DEFERRED TAX ASSETS (Notes 4 and 44)	14,003,281	-	12,399,965	-
OTHER ASSETS, NET (Notes 24 and 48)	<u>102,154,401</u>	<u>3</u>	<u>94,265,129</u>	<u>3</u>
<b>TOTAL</b>	<u>\$ 3,458,639,948</u>	<u>100</u>	<u>\$ 3,434,618,475</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from the Central Bank and financial institutions (Notes 25 and 48)	\$ 20,823,546	-	\$ 11,426,738	-
Funds from the Central Bank and financial institutions	129,490	-	76,030	-
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 48)	57,698,157	2	116,142,567	3
Financial liabilities for hedging (Notes 4 and 12)	73,006	-	641,307	-
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11 and 26)	101,884,810	3	134,864,245	4
Commercial paper payable, net (Notes 27 and 49)	21,214,240	1	11,564,804	-
Payables (Notes 28 and 48)	102,849,601	3	103,096,646	3
Current tax liabilities (Note 4)	3,789,560	-	4,143,209	-
Deposits and remittances (Notes 29 and 48)	483,502,457	14	486,707,951	14
Bonds payable (Note 30)	92,441,122	3	62,981,293	2
Other borrowings (Notes 31 and 49)	22,557,523	1	25,477,711	1
Provisions (Notes 4 and 32)	1,993,971,267	58	1,902,468,183	55
Other financial liabilities (Note 34)	171,923,171	5	163,252,229	5
Lease liabilities (Note 22)	4,455,216	-	4,454,005	-
Deferred tax liabilities (Notes 4 and 44)	9,007,624	-	15,311,370	1
Other liabilities (Note 48)	<u>79,208,406</u>	<u>2</u>	<u>59,384,100</u>	<u>2</u>
Total liabilities	<u>3,165,529,196</u>	<u>92</u>	<u>3,101,992,388</u>	<u>90</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 35, 36 and 37)</b>				
Capital				
Common stock	171,896,598	5	149,729,414	4
Preferred stock	18,930,436	-	-	-
Advance receipts for capital stock	31,175	-	3,298	-
Capital surplus	36,147,480	1	1,627,728	-
Retained earnings				
Legal reserve	10,035,815	-	8,816,167	-
Special reserve	298,120	-	565,041	-
Unappropriated earnings	52,021,923	2	24,809,292	1
Other equity	12,490,292	-	18,363,815	1
Treasury shares	<u>(9,071,501)</u>	<u>-</u>	<u>(1,178,647)</u>	<u>-</u>
Total equity attributable to owners of the parent	292,780,338	8	202,736,108	6
NON-CONTROLLING INTERESTS (Notes 35 and 36)	<u>330,414</u>	<u>-</u>	<u>129,889,979</u>	<u>4</u>
Total equity	<u>293,110,752</u>	<u>8</u>	<u>332,626,087</u>	<u>10</u>
<b>TOTAL</b>	<u>\$ 3,458,639,948</u>	<u>100</u>	<u>\$ 3,434,618,475</u>	<u>100</u>

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

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 38 and 48)	\$ 69,225,228	36	\$ 72,343,871	32	(4)
INTEREST EXPENSE (Notes 38 and 48)	<u>(3,572,965)</u>	<u>(2)</u>	<u>(5,639,918)</u>	<u>(2)</u>	(37)
INTEREST PROFIT, NET	<u>65,652,263</u>	<u>34</u>	<u>66,703,953</u>	<u>30</u>	(2)
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 19, 39 and 48)	5,990,728	3	2,860,816	1	109
Net income from insurance operations (Notes 40 and 48)	65,550,089	34	132,742,272	59	(51)
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss, net (Notes 8, 41 and 48)	49,617,253	26	49,725,270	22	-
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Note 42)	18,570,778	10	9,864,231	4	88
Gain (loss) on disposal of financial assets measured at amortized cost (Note 11)	4,210,914	2	(313,090)	-	1,445
Foreign exchange gain (loss), net	(29,644,909)	(15)	(40,901,014)	(18)	(28)
Impairment loss on assets, net	(596,975)	-	17,668	-	(3,479)
Share of the profit (loss) of associates and joint ventures	910,463	-	(160,801)	-	666
Gain (loss) on reclassification using the overlay approach (Note 8)	(1,608,063)	(1)	910,761	-	(277)
Net gain (loss) on disposal of property	8,377,876	4	458	-	1,829,131
Other miscellaneous net income (loss) (Notes 48 and 50)	<u>5,247,753</u>	<u>3</u>	<u>3,373,903</u>	<u>2</u>	56
Total noninterest profits and gains, net	<u>126,625,907</u>	<u>66</u>	<u>158,120,474</u>	<u>70</u>	(20)
TOTAL NET REVENUE	<u>192,278,170</u>	<u>100</u>	<u>224,824,427</u>	<u>100</u>	(14)

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# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENTS AND GUARANTEES	\$ (186,398)	-	\$ (398,637)	-	(53)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	(104,875,754)	(55)	(174,464,035)	(78)	(40)
OPERATING EXPENSES (Notes 22, 33, 43 and 48)					
Employee benefits	(22,255,924)	(11)	(17,553,584)	(8)	27
Depreciation and amortization	(3,631,430)	(2)	(3,454,115)	(1)	5
Other general and administrative expenses	(9,128,965)	(5)	(7,005,663)	(3)	30
Total operating expenses	(35,016,319)	(18)	(28,013,362)	(12)	25
NET PROFIT BEFORE INCOME TAX	52,199,699	27	21,948,393	10	138
INCOME TAX EXPENSE (Note 44)	(5,100,224)	(3)	(1,272,107)	(1)	301
NET PROFIT FOR THE YEAR	47,099,475	24	20,676,286	9	128
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans	(312,013)	-	(280,384)	-	11
Share of the other comprehensive income (loss) of associates and joint ventures	132,225	-	(266,320)	-	150
Gain (loss) on equity instruments measured at fair value through other comprehensive income	1,766,371	1	9,521,220	4	(81)
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 44)	789,341	-	(722,307)	-	209

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# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of financial statements of foreign operations	\$ (1,099,473)	(1)	\$ (1,719,022)	(1)	(36)
Share of the other comprehensive income (loss) of associates and joint ventures	(162,854)	-	(334,378)	-	(51)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 44)	6,626,229	4	(2,897,807)	(1)	329
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(42,292,509)	(22)	23,235,688	10	(282)
Other comprehensive income (loss) on reclassification using the overlay approach (Note 8)	<u>1,608,063</u>	<u>1</u>	<u>(910,761)</u>	<u>-</u>	277
Other comprehensive income (loss) for the year, net of income tax	<u>(32,944,620)</u>	<u>(17)</u>	<u>25,625,929</u>	<u>12</u>	(229)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 14,154,855</u>	<u>7</u>	<u>\$ 46,302,215</u>	<u>21</u>	(69)
<b>NET PROFIT ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 35,043,431	18	\$ 12,655,277	6	177
Non-controlling interests	<u>12,056,044</u>	<u>6</u>	<u>8,021,009</u>	<u>3</u>	50
	<u>\$ 47,099,475</u>	<u>24</u>	<u>\$ 20,676,286</u>	<u>9</u>	128
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 16,764,244	9	\$ 21,658,668	10	(23)
Non-controlling interests	<u>(2,609,389)</u>	<u>(2)</u>	<u>24,643,547</u>	<u>11</u>	(111)
	<u>\$ 14,154,855</u>	<u>7</u>	<u>\$ 46,302,215</u>	<u>21</u>	(69)

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# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (Note 45)					
Basic	<u>\$2.34</u>		<u>\$0.87</u>		
Diluted	<u>\$2.34</u>		<u>\$0.87</u>		

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

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent							Other Equity					Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
	Capital			Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares			
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2020	\$ 149,663,721	\$ -	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128	\$ 108,940,026	\$ 296,465,154
Appropriation of the 2019 earnings	-	-	-	-	1,254,763	-	(1,254,763)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	1,254,763	-	(1,254,763)	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	(10,232,858)	10,232,858	-	-	-	-	-	(8,982,659)	-	(8,982,659)
Cash dividends - NTS\$0.6 per share	-	-	-	-	-	-	(8,982,659)	-	-	-	-	-	-	-	(8,982,659)
	-	-	-	-	1,254,763	(10,232,858)	(4,564)	-	-	-	-	-	(8,982,659)	-	(8,982,659)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	12,655,277	-	-	-	-	-	12,655,277	8,021,009	20,676,286
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(206,043)	(2,023,803)	11,423,752	(190,515)	-	-	9,003,391	16,622,538	25,625,929
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	12,449,234	(2,023,803)	11,423,752	(190,515)	-	-	21,658,668	24,643,547	46,302,215
Disposal of the Corporation shares, as treasury shares	-	-	-	318,648	-	-	-	-	-	-	-	1,958,631	2,277,279	1,164,350	3,441,629
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	-	221,591	-	-	-	-	-	-	-	-	221,591	-	221,591
Share-based payments	65,693	-	(17,061)	(6,256)	-	-	(7,771)	-	-	-	-	-	34,605	-	34,605
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,860,744)	(4,860,744)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(246,478)	-	246,478	-	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	-	1,496	-	-	-	-	-	1,496	2,800	4,296
BALANCE AT DECEMBER 31, 2020	149,729,414	-	3,298	1,627,728	8,816,167	565,041	24,809,292	(3,814,286)	21,020,859	1,157,242	-	(1,178,647)	202,736,108	129,889,979	332,626,087
Appropriation of the 2020 earnings	-	-	-	-	1,219,648	-	(1,219,648)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	1,219,648	-	(1,219,648)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	3,790	(3,790)	-	-	-	-	-	-	-	-
Cash dividends - NTS\$0.55 per share	-	-	-	-	-	-	(8,244,420)	-	-	-	-	-	(8,244,420)	-	(8,244,420)
	-	-	-	-	1,219,648	3,790	(9,467,858)	-	-	-	-	-	(8,244,420)	-	(8,244,420)
Special reserve reversed	-	-	-	-	-	(270,711)	270,711	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	(240)	-	-	(365)	-	-	-	-	-	(605)	-	(605)
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	35,043,431	-	-	-	-	-	35,043,431	12,056,044	47,099,475
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(251,756)	(1,266,145)	(18,446,104)	1,684,818	-	-	(18,279,187)	(14,665,433)	(32,944,620)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	34,791,675	(1,266,145)	(18,446,104)	1,684,818	-	-	16,764,244	(2,609,389)	14,154,855
Disposal of the Corporation shares, as treasury shares	-	-	-	214,147	-	-	-	-	-	-	-	1,655,484	1,869,631	1,896,155	3,765,786
Difference between consideration and carrying amount of subsidiaries acquired or disposed	20,745,684	18,930,436	-	33,961,473	-	-	-	(46,118)	12,824,783	2,564,263	-	(9,548,338)	79,432,183	(127,956,347)	(48,524,164)
Share-based payments	1,421,500	-	27,877	344,372	-	-	(58,544)	-	-	-	(1,458,485)	-	276,720	-	276,720
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(846,724)	(846,724)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	1,730,535	-	(1,730,535)	-	-	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	-	(53,523)	-	-	-	-	-	(53,523)	(43,260)	(96,783)
BALANCE AT DECEMBER 31, 2021	\$ 171,896,598	\$ 18,930,436	\$ 31,175	\$ 36,147,480	\$ 10,035,815	\$ 298,120	\$ 52,021,923	\$ (5,126,549)	\$ 13,669,003	\$ 5,406,323	\$ (1,458,485)	\$ (9,071,501)	\$ 292,780,338	\$ 330,414	\$ 293,110,752

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

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 52,199,699	\$ 21,948,393
Adjustments for reconciliation with net profit		
Depreciation expenses	2,332,632	2,116,730
Amortization expenses	1,301,380	1,340,407
Allowance for bad debts and losses on commitments and guarantees, net	186,398	398,637
Gain on financial assets and liabilities measured at fair value through profit or loss, net	(38,426,941)	(38,459,376)
Interest expense	3,573,057	5,640,018
Interest revenue	(69,225,228)	(72,343,871)
Dividend income	(13,042,130)	(12,500,196)
Net changes in insurance liabilities	91,874,878	158,414,609
Net changes in reserve for changes in foreign exchange valuation	(671,883)	1,655,968
Share of loss (profit) of associates and joint ventures	(908,896)	168,276
Loss (gain) on reclassification using the overlay approach	1,608,063	(910,761)
Loss (gain) on disposal of property and equipment	(8,349,848)	331
Gain on disposal of investments	(20,105,772)	(6,543,446)
Unrealized loss (gain) on foreign currency exchange	36,772,309	40,180,375
Others	582,580	(16,678)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	(1,872,256)	(1,999,257)
Financial assets at fair value through profit or loss	1,192,810	44,701,310
Financial assets at fair value through other comprehensive income	2,217,306	(68,157,014)
Debt investments measured at amortized cost	(1,542,292)	(415,801)
Receivables	6,755,545	(31,086,684)
Discounts and loans	895,313	(32,228,971)
Other financial assets	3,455,202	(14,495,375)
Other assets	(7,716,779)	(33,484,858)
Deposits from the Central Bank and financial institutions	9,396,808	(11,538,522)
Financial liabilities at fair value through profit or loss	(34,478,657)	(38,221,773)
Notes and bonds issued under repurchase agreements	(32,979,435)	38,726,914
Payables	19,860,399	11,386,783
Deposits and remittances	(3,205,494)	90,846,949
Other financial liabilities	(7,463,566)	6,925,797
Other liabilities	(152,074)	19,482,337
Cash generated from (used in) operations	<u>(5,936,872)</u>	<u>81,531,251</u>
Interest received	67,319,059	80,472,556
Dividends received	12,405,024	12,223,292
Interest paid	(3,062,579)	(8,649,289)
Income tax paid	<u>(5,240,326)</u>	<u>(1,991,904)</u>
Net cash generated from operating activities	<u>65,484,306</u>	<u>163,585,906</u>

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (25,759,566)	\$(172,973,517)
Proceeds from sale of financial assets at fair value through other comprehensive income	193,484,526	100,512,107
Acquisition of financial assets measured at amortized cost	(302,911,707)	(305,944,643)
Proceeds from sale of financial assets measured at amortized cost	104,681,027	185,798,127
Principal from financial assets measured at amortized cost	25,601,205	44,354,875
Acquisition of financial assets at fair value through profit or loss	(2,224,321)	(333,555)
Acquisition of investments accounted for using equity method	(5,103,416)	(131,271)
Acquisition of property and equipment	(1,872,123)	(3,244,575)
Proceeds from sale of property and equipment	9,338,281	63,148
Acquisition of investment properties	(3,401,003)	(12,439)
Others	<u>875,269</u>	<u>1,403,312</u>
Net cash used in investing activities	<u>(7,291,828)</u>	<u>(150,508,431)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(2,640,889)	2,674,632
Increase in funds from the central bank and financial institutions	53,460	76,030
Increase (decrease) in commercial paper payable	9,649,436	(1,069,880)
Proceeds from corporate bonds	24,570,000	23,430,000
Repayments of corporate bonds	-	(12,800,000)
Proceeds from bank debentures	5,000,000	10,800,000
Repayments of bank debentures	-	(1,000,000)
Proceeds from long-term borrowings	300,323	739,719
Repayments of long-term borrowings	(579,622)	(500,265)
Repayments of the principal portion of lease liabilities	(949,750)	(968,526)
Cash dividends paid	(8,244,420)	(8,761,068)
Sale of treasury shares	3,765,786	3,441,629
Acquisition of ownership interests in subsidiaries	(48,524,164)	-
Net changes in non-controlling interests	(846,724)	(4,767,736)
Others	<u>239,197</u>	<u>34,727</u>
Net cash ( used in ) generated from financing activities	<u>(18,207,367)</u>	<u>11,329,262</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(263,213)</u>	<u>(277,121)</u>
		(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<b>2021</b>	<b>2020</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 39,721,898	\$ 24,129,616
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>190,342,413</u>	<u>166,212,797</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 230,064,311</u>	<u>\$ 190,342,413</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents in consolidated balance sheets	\$ 167,862,826	\$ 121,169,093
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined in IAS 7	33,940,712	18,763,361
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined in IAS 7	<u>28,260,773</u>	<u>50,409,959</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 230,064,311</u>	<u>\$ 109,342,413</u>

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

(Concluded)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Development Financial Holding Corporation (the Corporation) was established by CDIB Capital Group (formerly China Development Industrial Bank) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group became a wholly owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation (First Taiwan) and Grand Cathay Securities Corporation (Grand Cathay) through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the survivor company after the merger.

On April 30, 2012, the Corporation's board of the directors approved the acquisition of 100% shares of KGI Securities Co., Ltd. (KGI Securities) through a tender offer. The Corporation acquired 81.73% of KGI Securities' shares during the public tender offer period. The Corporation acquired KGI Securities' remaining shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On September 15, 2014, the Corporation acquired KGI Bank Co., Ltd. (KGI Bank) through a share swap. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

On March 13, 2017, the Corporation hold 100% equity interests of China Development Asset Management Corporation, which was previously held by CDIB Capital Group. China Development Asset Management Corporation has merged with its subsidiaries, including Development Industrial Bank Asset Management Corp., Chung Hwa Growth 3 Asset Management Corp. and Chung Hwa Growth 4 Asset Management Corp. on July 1, 2019. Chung Hwa Growth 3 Asset Management Corp. was the surviving company after the merger and was renamed as China Development Asset Management Corporation on the same day.

On August 15, 2017, the Corporation's board of directors approved the acquisition of 25.33% shares of China Life Insurance. After the Corporation acquired ordinary shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. On March 25, 2019, the Corporation's board of directors approved to apply for the participation of capital increase by cash of China Life Insurance. After the Corporation acquired ordinary shares, the Corporation held 26.17% of the ordinary shares of China Life Insurance. On November 27, 2020, the Corporation's board of directors approved the acquisition of 21.13% shares of China Life Insurance through public tender offer. After the Corporation acquired ordinary shares through public tender offer, the Corporation held 47.30% of the ordinary shares of China Life Insurance. On October 1, 2021, the Corporation's extraordinary general shareholders meeting approved the acquisition of 52.70% shares of China Life Insurance (including 8.65% share of China Life Insurance held by a subsidiary, KGI Securities) through a share swap. The Corporation in exchange for China Life Insurance shares at a share swap ratio of 1 China Life Insurance common share being in exchange for 0.80 the Corporation's common shares, 0.73 the Corporation's preferred shares and NT\$11.5. On December 30, 2021, the Corporation acquired China Life Insurance through a share swap. Thus, China Life Insurance became the Corporation's wholly owned subsidiary.

The Corporation invests in and manages the businesses of finance-related institutions and investees.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TSE).

CDIB Capital Group was incorporated under the Corporation Act and relevant regulations and started operations on May 14, 1959. Effective January 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

On May 1, 2015, CDIB Capital Group's board of the directors approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in the CDIB Capital Group's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation.

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and CDIB Capital Group will continue to expand its assets management business. The Financial Supervisory Commission (FSC) approved the conversion on March 10, 2017 with Official Letter No. 10600025880.

CDIB Capital Group's main operations included securities investment, investment financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2021, KGI Securities had 74 branches, which included head office.

KGI Securities operates as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and other related business as approved by authorities.

KGI Bank was established on January 14, 1992. As of December 31, 2021, KGI Bank had an international banking department, a trust department, insurance department, various business departments, an offshore banking unit (OBU), and 51 domestic branches.

KGI Bank engages in banking operations are regulated under the banking Act.

China Development Asset Management Corporation (formerly Chung Hwa Growth 3 Asset Management Corp.) was established on November 5, 2003, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of December 31, 2021, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

On October 19, 2017, China Life Insurance's board of directors approved the acquisition of the following from Allianz Taiwan Life Insurance Co., Ltd.: A portion of the traditional insurance policies and additional attachments valued at NT\$1 dollar. This acquisition has been approved by the FSC on February 27, 2018, and then the delivery was completed on May 18, 2018.

China Life Insurance is mainly engaged in the business of life insurance, offshore life insurance paid and received for foreign currency and other insurance-related businesses approved by competent authorities.

For more information on the organization and business of the consolidated entities, please refer to Table 10 (attached).

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on March 14, 2022.

## 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 Financial Holding Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

The related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRSs) did not have any material impact on the Group's accounting policies, except for the following:

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

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

For the hedging relationships that are subject to the reform, the Group applies the following temporary exceptions:

- 1) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
- 2) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.
- 3) The Group allocates the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and designates the hedged benchmark rate separately.

Initial application of the aforementioned amendments does not have material impact on the Group's assets, liabilities and equity on January 1, 2021. Please refer to Note 54 for the information regarding interest rate benchmark reform.

Amendments to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Please refer to Note 4 for the relevant accounting policies of the practical expedient.

The Group applied the amendment from January 1, 2021.

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

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group and subsidiaries assessed the possible impact that the application of the standards mentioned above and interpretations will have no 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate, i.e. the Group’s share of the gain or loss is eliminated.

2) IFRS 17 “Insurance Contract” and its amendments

IFRS 17 establishes the principle for the accounting treatment of insurance contracts and supersedes IFRS 4 “Insurance Contract”. The principle is as follows:

Level of aggregation

An entity shall identify portfolios of insurance contracts. A portfolio comprises contracts that are subject to similar risks and managed together. Contracts within a particular product line, such as motor policies, are expected to have similar risks, and if they are managed together would be in the same portfolio. For all issued insurance contracts in a portfolio, any entity shall divide it into:

- a) A group of contracts that are onerous at initial recognition, if any;
- b) A group of contracts that at initial recognition have no significant risk of becoming onerous, if any, and
- c) A group of the remaining contracts in the portfolio, if any.

An entity is permitted to divide portfolios into more groups than required above. However, groups cannot include contracts issued more than one year apart.

Recognition

An entity shall recognize a group of insurance contracts it issues from the earliest of:

- a) The beginning of the coverage period of a group of insurance contracts;
- b) The date when the first payment from a policyholder of the group becomes due; and
- c) When the Group becomes onerous.

### Measurement

On initial recognition, an entity shall measure a group of contracts at the total of the amount of fulfilment cash flows (“FCF”) and the contractual service margin (“CSM”). FCF comprises the estimate of future cash flow, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows and risk adjustment for non-financial risk. The CSM represents the unearned profit the entity will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from:

- a) The initial recognition of an amount for the FCF;
- b) The cash inflows and outflows arising from the contracts in the Group at that date; and
- c) The derecognition at that date of below items for acquisition cash flows
  - i. Any asset recognized for acquisition cash flows; and
  - ii. Any other asset or liability related to a group of contracts which had been recognized for cash flows before.

### Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage and the liability for incurred claims, both determined as at that date. The liability for remaining coverage comprises the fulfilment cash flows related to the allocated future service and the contractual service margin; the liability for incurred claims comprises the fulfilment cash flows related to the allocated past service. If a group of insurance contracts becomes onerous (or more onerous) on subsequent measurement, the Group recognizes loss immediately.

### Onerous contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the Group being equal to the FCF and the CSM of the Group being zero. The CSM 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.

### Premium allocation approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach (PAA) on the condition that:

- a) The entity reasonably expects that this will be an approximation of General Model; or
- b) The coverage period of each contract in the group is one year or less.

If at the inception of the Group, an entity expects significant variance in the FCF during the period before a claim is incurred, such contracts are not eligible to condition (a).

Using the PAA, the liability for remaining coverage shall be:

- a) Initially recognized at the premiums

- b) Received at initial recognition, minus any insurance acquisition cash flows if any; and
- c) The derecognition at that date of below items for acquisition cash flows
  - i. Any asset recognized for acquisition cash flows; and
  - ii. Any other asset or liability related to a group of contracts which had been recognized for cash flows before

#### Investment contracts with a discretionary participation feature

An investment contract with a discretionary participation feature (DPF) is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of IFRS 17 only if the issuer also issues insurance contracts.

#### Modification and derecognition

If the terms of an insurance contract are modified, an entity shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

An entity shall de-recognize an insurance contract when it is extinguished or substantially modified.

#### Transition

An entity shall apply IFRS 17 retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Fair value approach shall be used if the information is not reasonable and supportable information.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

#### Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which applied IFRS 9 may redesignate and reclassify financial assets that meet the requirements of paragraph C29 of IFRS 17. The entity is not required to restate comparative information to reflect changes due to the reclassification of these assets, so the difference between the previous carrying amount of these financial assets and their carrying amount at the date of initial application is recognized in the initial retained earnings (or other equity as appropriate) at the date of initial application. If an entity restates the comparative information, the restatement must reflect the requirements of IFRS 9 for these affected financial assets.

In addition, for enterprises that have applied IFRS 9 before the initial application of IFRS 17, for financial assets that have been delisted in the comparative period on the date of initial application of IFRS 17, the enterprise could choose to apply the classification overlay method on the basis of individual financial assets. requirements 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 that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

##### **Statement of Compliance**

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All the consolidated accounts in the financial statements were categorized according to the nature of each account and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

##### **Principles for Preparing Consolidated Financial Statements**

The consolidated financial statements include the financial statements of the Group. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The accounting policies of the subsidiary are applied consistently with the Corporation.

The functional currency of the Corporation is the New Taiwan dollar, and the consolidated financial statements are presented in New Taiwan dollars.

As of December 31, 2021 and 2020, the consolidated entities included in the consolidated financial statements included 59 and 57 companies, respectively (please refer to the attached Table 10).

##### **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. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests 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. The choice of the measurement basis is made on a transaction-by-transaction basis.

According to the Official Letter No. 10302153881 issued by the FSC on February 10, 2015, the insurance enterprises recognizes the increase in retained earnings arising from bargain purchase gain due to mergers and acquisitions, and should provide the same amount of special surplus reserve. The special surplus reserve can cover the losses after one full years since the recognition date. When the value of the assets under evaluation of the merger is similar to that at the time of merger and acquisition, and there is no unanticipated significant impairment, then it would be transferred to paid-in capital.

### **Foreign Currencies**

The Group recognizes 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 occurred.

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 on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognized in other comprehensive income (attributed to the shareholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or 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 are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to 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.

### **Cash Equivalents**

Cash equivalents include time deposits that can be terminated on demand without reducing principal, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## **Investments in Associates and Joint Ventures**

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. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group uses the equity method to account for its investments in associates and joint ventures

The Group uses the equity method to account for their investments in associates and joint ventures. Subsidiaries in the Group with venture capital can choose to measure investments in associates and joint ventures by equity method or by fair value through profit or loss.

Under the equity method, investments in an associate and a joint venture 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 and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint ventures.

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 and a joint venture recognized 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 the associate and joint venture 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 and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had 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 by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), 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 and joint venture.

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 it ceases to have significant influence over the associate and joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

Investment in associates and joint ventures measured by fair value through profit or loss are recognized as financial assets at fair value through profit or loss and the change in fair value is recognized in profit or loss.

## **Financial Instruments**

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

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

### Financial assets and liabilities

All regular way purchases or sales of financial assets and liabilities are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

##### 1) Financial assets or liabilities at FVTPL

Financial assets or liabilities are classified as at FVTPL when such financial assets or liabilities are mandatorily classified or designated as at FVTPL. Financial assets or liabilities mandatorily classified as at FVTPL include 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.

A financial asset or liability may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 52.

##### 2) Financial assets at amortized cost

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

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

- b) 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:

- a) 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
- b) 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.

### 3) Investments in debt instruments at FVTOCI

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

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

### 4) 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. Margin loans and stock loans

“Receivable amount for margin loans” is the margin loans extended to the customers to buy securities. The securities bought by the customers are held as pledges on the loan provided, and these securities are recorded as “securities deposited by customers” using memo entries.

The securities refinance customer loans from securities finance companies, and the related amount is recorded as “refinancing borrowings” and is pledged with the underlying securities bought by the customers.

The subsidiaries of the Corporation provide financing to customers for the short sale of pledged securities from margin loans or short sale of securities borrowed from securities finance companies. The proceeds from short sale of securities borrowed by customers, net of commissions and securities transaction tax, are retained by the subsidiaries and recorded as “deposit payable for securities financing.” In addition, the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC requires that customers should make a guarantee deposit to the subsidiaries or provide securities in lieu of cash deposit, which are recorded as “securities financing guarantee deposit.”

c. Guarantee deposits received on futures contracts and customers’ equity accounts - futures

Margin deposits received from clients are debited to “guarantee deposits received on futures contracts” and credited to “customers’ equity accounts - futures” for futures transactions as required by the regulations. Margin deposit balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels. The debit balance of “customers’ equity accounts - futures” which results from losses on futures transactions in excess of the margin deposit, is recorded as “accounts receivable - futures guarantee deposits.” Customer’s equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

d. Impairment of financial assets

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

For 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.

Expected credit losses 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 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.

Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers’/clients’ financial condition and delinquency record on interest payments.

These assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business. The minimum allowance for credit assets on or off balance sheet is equal to the book value of the above listed.

Based on the Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage toward collateral and exposures in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets before 2016. Based on the Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit loss reserve is 1.5% of the credit include short-term trade finance that were granted to companies based in Mainland China before 2015 and classified as normal assets.

Credit deemed uncollectable may be written off under the approval of the board of directors.

In accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”, China Life Insurance is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

- 1) Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated.
- 2) 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
- 3) Total unsecured portion of loans overdue and receivable on demand.
- 4) If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts. If the authorities in order to increase the ability to bear the loss of specific loan asset and demand the Group to increase the allowance for bad debts of specific loan assets according to the criteria and time limit specified by them, the Group shall cooperate with it.

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Corporation to raise loan loss provision for specific loan assets in specified criteria and deadlines.

e. Derecognition of financial assets

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.

f. 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 Corporation'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 Corporation's own equity instruments.

g. Derivative financial instruments

Derivatives are initially recognized at fair value at the date 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 hedge 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 host that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets 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.

h. 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.

i. Adoption of overlay approach on financial assets

China Life Insurance chose to express profit or loss of the designated financial assets in overlay approach in accordance with IFRS 4 "Insurance Contract" since the application of IFRS 9. To those designated financial assets, the Corporation classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

- 1) The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and

- 2) The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

- 1) In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Corporation applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and
- 2) The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 “Insurance Contract”.

A Financial asset is eligible for the overlay approach if either of the following conditions is met:

- 1) The asset is accounted for on initial recognition; or
- 2) The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract” but previously did not.

China Life Insurance shall continuously adopt overlay approach to those designated financial assets until derecognition. However, China Life Insurance shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract”. In addition, at the beginning date of any annual reporting year, the Corporation is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

## **Hedge Accounting**

The Group designate certain hedging instruments as fair value hedges.

At the start of a hedge relationship, the Group document the relationship between the hedging instrument and the hedged item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Group document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair value or cash flows of the hedged item. Note 12 sets out the details of the fair value of the derivative instruments used for hedging purposes.

### Fair value hedges

The change in the fair value of the hedging instrument (e.g., derivative) and the change 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 discontinue 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.

## **Securities Purchased and Sold Under Resell and Repurchase Agreements**

For securities purchased under resell agreements, the payment to a counter-party is treated as a financing transaction. For securities sold under repurchase agreements, the payment by a counter-party and the related interest revenue or interest expense are recognized on the accrual basis.

## **Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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 method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

## **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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.

## **Collaterals Assumed**

Collaterals assumed (recognized as other assets) are recorded at cost, which includes the price and the expenditure for placing the collateral in a position to be sold, and are evaluated at their fair value as of the end of the period. An impairment loss is recognized when the cost of collaterals exceeds the fair value.

## **Intangible Assets**

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

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

### **b. Intangible assets acquired in a business combination**

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

### **c. Derecognition of intangible assets**

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

## **Impairment of Non-financial Assets**

The Group evaluates the possibility of impairment loss on non-financial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Group recognizes an impairment loss whenever the recoverable amount of the asset or the cash-generating unit is below the carrying amount of an asset, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future years at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

A cash-generating unit (“CGU”), which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

## **Separate-account Products**

China Life Insurance sells investment-linked insurance products, of which the applicant pays the premium according to the agreed amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. The value of these specific accounts is determined based on their fair value on the applicable date and the net worth is computed in accordance with the relevant regulations and the IFRSs.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities representing the rights and obligations of the applicants, whether arising from an insurance contract or insurance policy with features of financial instruments, are recognized separately as “separate-account product assets” and “separate-account product liabilities”. The revenues and expenses of separate-account insurance products in accordance with IFRS 4 Insurance Contracts, separately recognized as “separate-account product revenues” and “separate-account product expenses.”

## **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. The Group does not recognize contingent liabilities but disclose them in accordance with related rules instead.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize contingent assets but disclose them in accordance with related rules when the inflow of economic benefits is probable.

### **Insurance Liabilities and Reserve for Insurance Contracts with Feature of Financial Instruments**

China Life Insurance's reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." Furthermore, the reserved funds have been validated by the certified actuarial professionals approved by the Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the Order No. Financial Supervisory-Insurance-Corporate-10704504821 and No. Financial Supervisory-Insurance-Corporate-11004925801. Reserved amount for the rest of other provisions is addressed below:

Moreover, China Life Insurance's insurance contract with discretionary participation feature is classified as liability.

a. Unearned premium reserve

For the insurance policy whose term is within one year and has not met the due date or for the injury insurance policy whose term is over one year, the amount of reserve required is based upon the unexpired risk calculation.

b. Reserve for claims

It is a reserve mainly for the reported but not paid claims and unreported claims. The reported but not paid claims reserve is assessed based on relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited based on the past experiences and expenses occurred and in accordance with the actuarial principles.

c. Reserve for life insurance liabilities

Based on the life table and projected interest rates in the manual provided by the authority for each type of insurance, the dollar amount of life insurance reserve is calculated and deposited according to the calculation method listing on Article 12 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and the manual published by each authority of insurance products.

Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the Order No. Financial Supervisory-Insurance-Corporate-800484251, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

d. Special reserve

- 1) For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, “Special Capital Reserve - Special Reserve for Major Incidents” and “Special Capital Reserve - Special Reserve for Fluctuation of Risks.” The dollar amount of reserve required is addressed as follows:

- a) Special capital reserve - special reserve for major incidents

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of NT\$30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, China Life Insurance could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference.

- b) Special capital reserve - special reserve for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15% of this difference should be reserved in special reserve for fluctuation of risks. When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the special reserve for fluctuation of risks for specified type of insurance is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purpose. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30% of self-retention earned premium within one year, the exceeded amount will be recovered.

For special reserves for major incidents and special reserve for fluctuation of risks addressed previously, the balance of the annual reserve net of tax, the post-tax amount of appropriated and written-down or recovery would be recorded in the special capital reserve under equity.

- 2) China Life Insurance sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating/non-participating policy”, the Corporation is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Corporation shall set aside the same amount of special reserve.

e. Premium deficiency reserve

For the contracts over one year of life, health, or annuities insurance commencing on January 1, 2001, the following rules apply: When the gross premium is less than the valuation net premium, a deficiency reserve is required to be set aside with the value of an annuity, the amount of which shall equal the difference between such premiums and the term of which in years shall equal the number of future annual payments due on such insurance at the date of the valuation.

In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules apply: If the probable indemnities and expenses are greater than the aggregate of unearned premium reserves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof.

f. Other reserve

Pursuant to IFRS 3 “Business Combination”, the Corporation shall set aside other reserve for identifiable assets required and liabilities assumed recorded at fair value in order to reflect the fair value of the insurance contract assumed.

g. Liability adequacy reserve

This is the reserve that is set aside based on the adequacy test of liability required by IFRS 4 Insurance Contracts.

h. Reserves for insurance contracts with feature of financial instruments

Financial products without discretionary participation features follows “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Depository Accounting.

### **Foreign Exchange Valuation Reserve**

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of China Life Insurance’s foreign exchange valuation reserve is NT\$1,745,679 thousand which has to recognize special reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve may be used to increase the share capital or offset deficit. According to “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” Article 9 and the Official Letter No. 1090490453 issued by the FSC on February 17, 2020, since the Insurance Company set aside the earnings appropriation of 2019, if the Corporation has annual net tax earning, then it should appropriate 10% of that earning to special reserve after shareholders’ meeting.

### **Employee Benefits**

a. Short-term employee benefits

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings 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 plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

According to the Income Tax Law in the ROC, an additional tax 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.

The Corporation and its eligible subsidiaries use the linked-tax system in the filing of tax returns. The accounting treatment applied by the Group to the income tax is to adjust in the Corporation's and its subsidiaries' book by a prorated share amount the difference between the combined current/deferred taxes and the total of each Group member's current/deferred taxes. Related payables and receivables are recorded in each of the Group members' books.

Based on the "Basic Income Tax Act," if the basic income tax is greater than the amount of regular income tax, the income tax payable should be the basic income tax. The incremental tax payable is recorded as current income tax expense.

b. Deferred tax

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 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 asset 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 liability is settled or the asset 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 expected, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax 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.

### **Revenue Recognition**

Interest revenue arisen from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Group.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which are caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Revenue from rendering services - brokerage and underwriting commissions and fees, stock transaction agent fees, futures trading commissions and fees - is recognized on the basis of the stage of completion of related services as of the balance sheet dates.

### **Insurance Premium Income and Expenses**

Insurance contract and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue after collection and underwriting procedures, and subsequent session of collection are completed, respectively. In terms of the acquisition cost such as commission expense and brokerage expenses, the related expense will be recognized in that period after commencement of the insurance contract.

For non-separate-account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contracts with feature of financial instruments.” The related acquisition costs will be written-down in that period after commencement of the insurance contract under “reserves for insurance contracts with feature of financial instruments.”

### **Leases**

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

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

Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the installment accounts receivable and lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are 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.

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. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. 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 occurs, and makes a corresponding adjustment to the lease liability.

## **Share-based Payment Arrangements**

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award.

## **Reinsurance**

Premiums ceded to reinsurers and reinsurance commission income generated from ceded reinsurance business and due to reinsurers and ceding companies are recognized in the same period with income or expense of the related insurance contract. As the net right of holding reinsurance contract includes reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, they are recognized according to the method of signed reinsurance contract and related insurance contract liabilities. The assets, liabilities, income and expense of reinsurance contract cannot offset with the income and expense of related insurance liabilities and insurance contract.

China Life Insurance holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers-net and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidence demonstrate that such rights after initial recognition may lead to China Life Insurance not recovering all contractual terms of the amount due; and the above events can be recovered from reinsurers at the impacted amount, then China Life Insurance can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

For the classification of reinsurance contracts, China Life Insurance assesses whether the transfer of significant insurance risk to the re-insurer has occurred. If the transfer of significant insurance risk is not apparent, then the contract is recognized and evaluated with deposit accounting.

For reinsurance contracts that have their significant insurance risk transferred, if China Life Insurance can separate and measure the individual deposit component, then the reinsurance contracts need to be recognized separately as the insurance component and the deposit component. That is, China Life Insurance receives (or pays) the contract's value minus the insurance component, recognizing it as financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value approach and uses the present value of future cash flow as the basis for the fair value approach.

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

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group took the consideration of the economic impact of COVID-19. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment loss on discounts and loans

The management regularly reviews discounts and loans to assess impairment in accordance with IFRS 9. To determine whether an impairment loss should be recognized, the management assesses whether there has been a significant increase in credit risk or credit impairment has already occurred. When analyzing expected future cash flows, the management takes into account past events, present condition and future economic circumstances of the assets with similar credit risks. The management also regularly reviews the methodology and assumptions adopted for both expected future cash flows and their timing to decrease the difference between estimated and actual amount of impairment loss. In addition, the management assures that the impairment loss meets the standard based on the Regulations Governing the Procedures for Banking Institutions. In addition, due to the uncertainty of the subsequent development of the COVID-19 and the impact of financial market fluctuations on credit risk in 2021, the estimates of the probability of default and the loss given default are relatively uncertain.

b. Assessment of insurance liabilities and liability adequacy reserve

Management uses actuarial model and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance. The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash in banks	\$ 154,814,397	\$ 107,170,639
Due from banks	6,554,062	7,868,405
Others	<u>6,494,367</u>	<u>6,130,049</u>
	<u>\$ 167,862,826</u>	<u>\$ 121,169,093</u>

Cash and cash equivalents as of December 31, 2021 and 2020 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information.

## 7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Call loans to financial institutions	\$ 27,017,500	\$ 10,982,290
Deposit reserve - demand accounts	11,198,024	10,886,761
Deposit reserve - checking accounts	7,545,247	7,835,775
Due from the Central Bank - interbank settlement funds	3,003,971	2,005,892
Deposit reserve - foreign currencies	<u>149,526</u>	<u>153,943</u>
	<u>\$ 48,914,268</u>	<u>\$ 31,864,661</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve is determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the certificates deposit issued by the Central Bank of the ROC pledged as collaterals for the Group, please refer to Note 49.

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial instrument		
Currency swap and forward exchange contracts	\$ 9,117,191	\$ 20,811,834
Options and futures contracts	5,654,299	12,559,095
Interest rate swap contracts	3,783,166	34,364,342
Others	1,456,290	4,689,745
Non-derivative financial assets		
Shares	207,350,016	164,336,478
Mutual funds	168,819,138	157,902,410
Operating securities (Note 9)	67,945,917	71,245,478
Bank debentures	39,906,323	31,757,722
Corporate bonds	12,776,587	15,558,816
Commercial paper	10,260,772	11,935,774
Others	<u>22,737,962</u>	<u>16,101,646</u>
	<u>549,807,661</u>	<u>541,263,340</u>
<u>Financial assets designated as at FVTPL</u>		
Government bonds	-	206,349
Others	<u>4,740,512</u>	<u>2,026,127</u>
	<u>4,740,512</u>	<u>2,232,476</u>
Financial assets at FVTPL	<u>\$ 554,548,173</u>	<u>\$ 543,495,816</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities held for trading</u>		
Derivative financial instrument		
Options and futures contracts	\$ 6,553,181	\$ 14,452,997
Currency swap and forward exchange contracts	5,739,505	19,591,009
Interest rate swap contracts	3,999,440	35,608,849
Others	6,914,894	8,314,244
Non-derivative financial liabilities		
Borrowed securities payable	11,012,190	18,701,768
Others	<u>3,829,439</u>	<u>1,012,055</u>
	<u>38,048,649</u>	<u>97,680,922</u>
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	10,354,365	11,077,401
Structured products	9,294,131	7,383,477
Others	<u>1,012</u>	<u>767</u>
	<u>19,649,508</u>	<u>18,461,645</u>
Financial liabilities at FVTPL	<u>\$ 57,698,157</u>	<u>\$ 116,142,567</u> (Concluded)

As of December 31, 2021 and 2020, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	December 31		Issuance Period	Method of Paying Principles and Interests	Interest Rate
	2021	2020			
P18KGIB1	\$ 5,538,000	\$ 5,701,600	January 30, 2018 - January 30, 2048 (Note 1)	Principal due on maturity	0%
P18KGIB2	<u>4,430,400</u>	<u>4,561,280</u>	February 27, 2018 - February 27, 2048 (Note 1)	Principal due on maturity	0%
Valuation adjustments	9,968,400 <u>385,965</u>	10,262,880 <u>814,521</u>			
	<u>\$ 10,354,365</u>	<u>\$ 11,077,401</u>			

Note 1: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after five years from the issue date (inclusive).

China Life Insurance elected to adopt the overlay approach in expressing financial assets designated as at FVTPL under IFRS 4 “Insurance Contracts” starting from application of IFRS 9. Investment of financial assets relating insurance contracts issued by China Life Insurance designated as at adoption of the overlay approach financial assets were as follows:

Financial assets mandatorily classified as at FVTPL

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares	\$ 192,878,435	\$ 151,560,864
Mutual funds	167,750,597	156,345,531
Bank debentures	39,664,048	31,232,773
Corporate bonds	11,482,356	14,648,671
Others	<u>18,302,596</u>	<u>8,573,890</u>
	<u>\$ 430,078,032</u>	<u>\$ 362,361,729</u>

For the years ended December 31, 2021 and 2020, reclassification amount under profit or loss and other comprehensive income of designated as at adoption of the overlay approach financial assets is described as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) on application of IFRS 9	\$ 27,928,446	\$ 24,761,407
Loss (gain) on application of IAS 39	<u>(26,320,383)</u>	<u>(25,672,168)</u>
Gain (loss) on reclassification using the overlay approach	<u>\$ 1,608,063</u>	<u>\$ (910,761)</u>

Due to the adjustment of the overlay approach, gain on financial assets measured at FVTPL decreased from \$49,617,253 thousand to gain of \$48,009,190 thousand for the year ended December 31, 2021; and gain on financial assets measured at FVTPL increased from \$49,725,270 thousand to gain of \$50,636,031 thousand for the year ended December 31, 2020.

The contract (nominal) amounts of the Group’s outstanding derivative financial instruments as of December 31, 2021 and 2020 are summarized as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Currency swap and forward exchange contracts	\$ 1,922,416,963	\$ 1,956,133,999
Interest rate swap contracts	445,570,514	920,537,191
Non-deliverable forward contracts	326,900,182	328,712,408
Options and futures contracts	241,576,309	666,062,367
Assets swap contracts	31,432,825	21,112,907
Structured products contracts	15,625,743	14,987,302
Cross-currency swap contracts	14,061,476	18,017,594
Credit default swap contracts	1,877,380	2,030,625
Commodity swap contracts	151,744	69,665
Equity derivative financial contracts	-	109,682

As of December 31, 2021 and 2020, financial assets at fair value through profit or loss with aggregate carrying values of \$37,656,259 thousand and \$34,510,392 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 49.

## 9. OPERATING SECURITIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Dealing		
Overseas securities	\$ 16,825,482	\$ 21,096,025
Corporate bonds	11,958,948	15,608,053
Listed, OTC and emerging market stock	5,933,071	5,937,060
Government bonds	2,702,579	2,033,169
Others	<u>3,679,142</u>	<u>2,627,943</u>
	<u>41,099,222</u>	<u>47,302,250</u>
Underwriting		
Corporate bonds	1,033,616	703,837
Listed, OTC and emerging market stock	180,291	192,131
Others	-	46,800
	<u>1,213,907</u>	<u>942,768</u>
Hedge positions		
Corporate bonds	9,107,818	8,216,644
Listed, OTC and emerging market stock	7,787,157	3,528,009
Overseas securities	5,069,175	5,442,253
Mutual funds	3,537,691	5,475,471
Others	<u>130,947</u>	<u>338,083</u>
	<u>25,632,788</u>	<u>23,000,460</u>
	<u>\$ 67,945,917</u>	<u>\$ 71,245,478</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in debt instruments at FVTOCI		
Government bonds	\$ 157,406,737	\$ 205,871,829
Corporate bonds	120,320,655	227,059,644
Bank debentures	93,029,108	151,466,965
Negotiable certificates of deposit	70,115,980	64,927,048
Others	<u>2,042,848</u>	<u>1,962,487</u>
	<u>442,915,328</u>	<u>651,287,973</u>
Investments in equity instruments at FVTOCI		
Common stocks	52,091,487	49,317,068
Preferred stocks	<u>12,367,506</u>	<u>12,357,036</u>
	<u>64,458,993</u>	<u>61,674,104</u>
	<u>\$ 507,374,321</u>	<u>\$ 712,962,077</u>

### a. Investments in debt instruments at FVTOCI

As of December 31, 2021 and 2020, investments in debt instruments at FVTOCI, with aggregate carrying values of \$64,467,623 thousand and \$87,318,772 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 49.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 54.

b. Investments in equity instruments at FVTOCI

For the years ended December 31, 2021 and 2020, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$15,501,813 thousand and \$6,369,049 thousand, respectively. The Group transferred a gain of \$1,730,535 thousand and a loss of \$246,478 thousand from other equity related-unrealized gain or loss on financial assets at fair value through other comprehensive income to retained earnings.

For the years ended December 31, 2021 and 2020, dividend income for \$1,855,323 thousand and \$1,238,830 thousand, respectively, and those related to investment held as of December 31, 2021 and 2020 were \$1,419,363 thousand and \$951,339 thousand, respectively, and those related to investment derecognized for the years ended December 31, 2021 and 2020 were \$435,960 thousand and \$287,491 thousand, respectively.

There are no investments in equity instruments at FVTOCI pledged as collateral for the Group.

## 11. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank debentures	\$ 626,551,255	\$ 575,283,742
Corporate bonds	430,054,733	367,482,396
Government bonds	152,535,613	104,377,621
Others	<u>11,137,180</u>	<u>17,188,328</u>
	<u>\$ 1,220,278,781</u>	<u>\$ 1,064,332,087</u>

As of December 31, 2021 and 2020, investments in debt instruments at amortized cost, with aggregate carrying values of \$263,055 thousand and \$270,826 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the years ended December 31, 2021 and 2020, Financial assets at amortized cost are derecognized, because of the agreement acquisition by issuers, the credit risk are increasing, seldomly selling, or both individually and totally amounts is lower than the materiality, corporation respectively recognizes the gain on disposal \$4,210,914 thousand, and the loss on disposal \$313,090 thousand.

There are no investments in debt instruments at amortized cost that are pledged as collateral for the Group.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at amortized cost, please refer to Note 54.

## 12. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 259,267</u>	<u>\$ 102,479</u>
<u>Financial liabilities for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 73,006</u>	<u>\$ 641,307</u>

### Fair Value Hedges

The Group is exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Group enters into interest rate swap contracts to hedge against this risk.

The following tables summarize the information relating to the hedges for interest rate risk.

#### December 31, 2021

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	<u>Carrying Amount</u>	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 37,752,632	2022.05.03- 2031.09.14	Financial assets and liabilities for hedging	\$ 259,267	\$ 73,006
				<u>Accumulated Amount of Fair Value Adjustments</u>	
Hedged Items				<u>Asset</u>	<u>Liability</u>
Fair value hedge					
Financial assets at fair value through other comprehensive income		\$ 23,135,245	\$ -	\$ (198,510)	\$ -
Bank debentures		-	15,791,122	-	(8,878)

#### December 31, 2020

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	<u>Carrying Amount</u>	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 23,993,502	2022.05.03- 2030.08.07	Financial assets and liabilities for hedging	\$ 102,479	\$ 641,307
				<u>Accumulated Amount of Fair Value Adjustments</u>	
Hedged Items				<u>Asset</u>	<u>Liability</u>
Fair value hedge					
Financial assets at fair value through other comprehensive income		\$ 14,720,977	\$ -	\$ 640,119	\$ -
Bank debentures		-	10,901,293	-	101,293

### 13. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Corporate bonds	\$ 15,007,379	\$ 16,044,250
Government bonds	9,905,720	7,655,039
Commercial paper	2,098,902	19,304,690
Bank debentures	1,303,798	2,614,775
Negotiable certificates of deposit	<u>-</u>	<u>4,791,205</u>
	<u>\$ 28,315,799</u>	<u>\$ 50,409,959</u>
Resold amounts	<u>\$ 28,321,100</u>	<u>\$ 50,417,337</u>
Last maturity date	March 2022	February 2021

### 14. RECEIVABLES, NET

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Margin loans receivable, securities financing refundable deposits and deposits payable for securities financing	\$ 39,096,851	\$ 37,068,689
Receivable accounts for settlement	33,581,605	39,313,255
Interest receivable	18,125,119	18,045,666
Accounts receivable factoring without recourse	8,152,050	7,566,727
Trading securities receivable	7,330,973	4,393,215
Exchange clearing receivable	6,683,802	8,302,502
Accounts receivable - forfeiting	5,624,574	11,629,327
Others	<u>13,939,914</u>	<u>14,102,728</u>
	132,534,888	140,422,109
Less: Allowance for bad debts	(1,779,479)	(1,637,556)
Unrealized interest revenue	<u>(307,271)</u>	<u>(237,215)</u>
	<u>\$ 130,448,138</u>	<u>\$ 138,547,338</u>

For the amount of receivables pledged as collateral for the Group, please refer to Note 49.

For the information on credit risk management and impairment loss analysis of receivables, please refer to Note 54.

### 15. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Short-term loans	\$ 73,846,711	\$ 76,925,133
Medium-term loans	210,621,400	218,311,143
Long-term loans	94,213,623	84,822,252
Loans reclassified to nonperforming loans	278,416	465,508

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Export negotiations	\$ 32,089	14,513
Policy loans	27,839,905	\$ 27,137,356
Automatic premium loans	<u>5,702,046</u>	<u>5,845,356</u>
	412,534,190	413,521,261
Less: Allowance for bad debts	(4,880,384)	(5,005,037)
Discounts on loans	<u>(52,228)</u>	<u>(72,032)</u>
	<u>\$ 407,601,578</u>	<u>\$ 408,444,192</u>
		(Concluded)

For the information on credit risk management and impairment loss analysis of discounts and loans, please refer to Note 54.

#### 16. REINSURANCE ASSETS, NET

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Claims recoverable from reinsurers	\$ 782,484	\$ 646,949
Due from reinsurers and ceding companies	20,653	10,718
Reinsurance reserve assets		
Ceded unearned premium reserve	67,418	61,774
Ceded reserve for claims	<u>20,504</u>	<u>20,815</u>
	<u>87,922</u>	<u>82,589</u>
	<u>\$ 891,059</u>	<u>\$ 740,256</u>

No impairment loss was recognized for reinsurance assets.

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

Associates that are not individually material:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-public entities		
CDIB & Partners Investment Holding Corporation	\$ 6,069,630	\$ 5,871,970
Suyin KGI Consumer Finance Co., Ltd.	4,113,459	-
CDIB Capital Asia Partners L.P.	2,805,614	3,037,253
KGI Securities (Thailand) Public Company Limited	2,568,241	2,422,459
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,152,431	1,199,488
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	755,448	844,123
CDIB Capital Health Ventures Limited	668,398	811,644
Others	<u>2,094,770</u>	<u>988,987</u>
	<u>\$ 20,227,991</u>	<u>\$ 15,175,924</u>

As of December 31, 2021 and 2020, financial assets designated as at FVTPL of associates that are not individually material were \$4,740,512 thousand and \$1,854,964 thousand, respectively.

Summarized financial information in respect of the not individually material associates was set out below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
The Group's share of:		
Net profit (loss) for the year	\$ 1,513,724	\$ (269,950)
Other comprehensive income (loss)	<u>42,199</u>	<u>(592,457)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,555,923</u>	<u>\$ (862,407)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the financial statements audited by the auditors.

There are no investments under equity method was pledged as collateral for the Group.

## 18. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### a. Investment in structured entities

The Corporation's subsidiaries have equities of structured entities which the Corporation's subsidiaries do not have significant influence but rights and obligations in accordance with the contract.

#### December 31, 2021

	<b>Partnership Fund</b>	<b>Asset Securitization</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 20,859,385	\$ 4,587,146	\$ 25,446,531
Financial assets at fair value through other comprehensive income	-	280,424	280,424
Debt instruments measured at amortized cost	-	6,321,505	6,321,505
Maximum exposure	20,859,385	11,189,075	32,048,460

#### December 31, 2020

	<b>Partnership Fund</b>	<b>Asset Securitization</b>	<b>Total</b>
Financial assets at fair value through profit or loss	\$ 12,274,019	\$ 4,641,441	\$ 16,915,460
Financial assets at fair value through other comprehensive income	-	284,284	284,284
Debt instruments measured at amortized cost	-	14,507,834	14,507,834
Maximum exposure	12,274,019	19,433,559	31,707,578

b. Management on structured entities

The Corporation's subsidiaries have the equities of structured entities as well as the obligations to their investment and management. The Corporation's subsidiaries have significant influence over the above investments.

The funds of unconsolidated structured entities are from the Corporation's subsidiaries and external third parties.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Management on partnership equity fund</u>		
Total assets	\$ 24,692,188	\$ 21,556,752
Total liabilities	10,545	18,052
Investments accounted for using the equity method	5,342,078	5,469,661
Financial assets designated as at FVTPL	4,378,248	1,551,906
Maximum exposure	9,720,326	7,021,567

**19. OTHER FINANCIAL ASSETS**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Separate-account insurance products	\$ 101,041,555	\$ 84,564,106
Customer margin accounts	50,774,121	53,677,381
Others	<u>3,136,113</u>	<u>2,877,387</u>
	<u>\$ 154,951,789</u>	<u>\$ 141,118,874</u>

**Separate Account Insurance Products**

a. Separate account insurance products - assets and liabilities

	<u>Assets</u>	
	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash in banks	\$ 2,446,188	\$ 2,886,939
Financial assets at fair value through profit or loss	98,563,221	81,612,016
Other receivables	<u>32,146</u>	<u>65,151</u>
	<u>\$ 101,041,555</u>	<u>\$ 84,564,106</u>
	<u>Liabilities</u>	
	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Reserve for separate account	\$ 101,025,859	\$ 84,401,006
Other payables	<u>15,696</u>	<u>163,100</u>
	<u>\$ 101,041,555</u>	<u>\$ 84,564,106</u>

b. Separate account insurance products - revenues and expenses

	<b>Revenues</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Premium income	\$ 6,375,009	\$ 5,941,537
Gain from financial assets and liabilities at fair value through profit or loss	5,320,327	4,364,449
Interest income	213	106
Other revenues	172,092	175,853
Foreign exchange losses	<u>(331,794)</u>	<u>(960,387)</u>
	<u>\$ 11,535,847</u>	<u>\$ 9,521,558</u>

  

	<b>Expenses</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Insurance claim payments	\$ 5,369,877	\$ 5,175,461
Net change in separate account reserve	3,876,503	2,306,385
Custodian fee	<u>2,289,467</u>	<u>2,039,712</u>
	<u>\$ 11,535,847</u>	<u>\$ 9,521,558</u>

- c. The rebate from counterparties in the investment-linked insurance business, which recognized as service fee revenue, for the years ended December 31, 2021 and 2020 was \$306,884 thousand and \$397,954 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 49.

**20. INVESTMENT PROPERTY, NET**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 22,191,682	\$ 20,339,730
Buildings and facilities	8,423,583	6,511,336
Right-of-use assets - superficies of royalties	4,197,532	2,777,176
Right-of-use assets - land	<u>487,101</u>	<u>325,514</u>
	<u>\$ 35,299,898</u>	<u>\$ 29,953,756</u>

The changes in the Group's investment properties were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<u>Cost</u>		
Beginning balance	\$ 31,971,958	\$ 26,451,916
Additions	3,401,003	255,595
Disposals	(154,102)	(96,133)
Effect of different group entities	-	(139,833)
Reclassification	<u>2,909,635</u>	<u>5,500,413</u>
Ending balance	<u>38,128,494</u>	<u>31,971,958</u>
<u>Accumulated depreciation</u>		
Beginning balance	(1,521,158)	(614,432)
Depreciation	(474,175)	(280,858)
Disposals	2,932	694
Effect of different group entities	-	23,462
Reclassification	<u>(287,083)</u>	<u>(650,024)</u>
Ending balance	<u>(2,279,484)</u>	<u>(1,521,158)</u>
<u>Accumulated impairment</u>		
Beginning balance	(497,044)	(495,928)
Reversal (reserve) of impairment loss	<u>(52,068)</u>	<u>(1,116)</u>
Ending balance	<u>(549,112)</u>	<u>(497,044)</u>
Carrying amount	<u>\$ 35,299,898</u>	<u>\$ 29,953,756</u>

The above items of investment property are depreciated on a straight-line basis at estimated economic lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years
Right-of-use assets - superficies of royalties	70 years
Right-of-use assets - land	70 years

The fair values of the Group's investment property as of December 31, 2021 and 2020 were \$35,646,522 thousand and \$29,659,155 thousand, respectively. Investment property was categorized into Level 3.

The Corporation's subsidiaries had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was \$2,470,235 thousand and \$2,519,944 thousand, respectively, on December 31, 2021 and 2020. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

Valuation of fair values above mentioned, except the fair values of investment properties held by KGI Securities and or the year ended December 31, 2021, and the fair values of partial investment properties held by CDIB Capital Group for the year ended December 31, 2020 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales

comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

The Group's investment property is mainly based on leased building with lease terms of 1 to 20 years and some lessees have priority to rent the leased building. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 582,030	\$ 470,842
Year 2	671,857	371,490
Year 3	614,829	292,014
Year 4	518,770	245,226
Year 5	398,749	212,312
Year 5 onwards	<u>3,934,971</u>	<u>565,604</u>
	<u>\$ 6,721,106</u>	<u>\$ 2,157,488</u>

The investment property leased by the Group for operating leases is depreciated on a straight-line basis over their estimated useful lives as follows:

	<b>Estimated Useful Lives</b>
Buildings and facilities	30-60 years

All of the Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged for the Group to secure borrowings were reflected in Note 49.

## 21. PROPERTY AND EQUIPMENT, NET

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 19,228,612	\$ 20,265,436
Buildings and facilities	11,407,520	12,719,584
Machinery and computer equipment	1,476,229	1,383,010
Other equipment	340,940	308,412
Leasehold improvements	319,049	283,067
Transportation equipment	<u>74,567</u>	<u>169,170</u>
	32,846,917	35,128,679
Prepayments for acquisition of properties	<u>1,204,958</u>	<u>215,191</u>
	<u>\$ 34,051,875</u>	<u>\$ 35,343,870</u>
Assets used by the Group	\$ 33,662,194	\$ 34,852,725
Assets leased under operating leases	<u>389,681</u>	<u>491,145</u>
	<u>\$ 34,051,875</u>	<u>\$ 35,343,870</u>

	Land	Buildings and Facilities	Machinery and Computer Equipment	Other Equipment	Leasehold Improvements	Transportation Equipment	Prepayments for Acquisition of Properties	Total
<b>Cost</b>								
Balance at January 1, 2020	\$ 20,225,383	\$ 8,632,374	\$ 2,743,156	\$ 1,192,583	\$ 890,700	\$ 484,146	\$ 6,554,704	\$ 40,723,046
Additions	545,398	345,694	285,970	75,172	57,857	19,430	2,270,602	3,600,123
Disposals	(88,041)	(164,472)	(366,121)	(132,838)	(120,032)	(183,765)	(1,681)	(1,056,950)
Reclassification	(228,730)	6,793,901	(35,558)	187,943	292	169	(8,608,434)	(1,890,417)
Effects of different group entities	(138,506)	(83,503)	(3,005)	(1,334)	-	-	-	(226,348)
Effect of exchange rate changes	-	-	(42,808)	(9,139)	(13,139)	(241)	-	(65,327)
Balance at December 31, 2020	<u>20,315,504</u>	<u>15,523,994</u>	<u>2,581,634</u>	<u>1,312,387</u>	<u>815,678</u>	<u>319,739</u>	<u>215,191</u>	<u>41,084,127</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	(50,022)	(2,736,137)	(1,390,988)	(879,727)	(566,181)	(195,679)	-	(5,818,734)
Additions	(26,084)	(305,304)	(320,970)	(128,851)	(101,745)	(80,101)	-	(963,055)
Disposals	-	79,877	362,396	132,193	119,463	125,228	-	819,157
Reclassification	26,038	119,751	116,290	(135,787)	3,574	(169)	-	129,697
Effects of different group entities	-	37,403	1,648	854	-	-	-	39,905
Effect of exchange rate changes	-	-	33,000	7,343	12,278	152	-	52,773
Balance at December 31, 2020	<u>(50,068)</u>	<u>(2,804,410)</u>	<u>(1,198,624)</u>	<u>(1,003,975)</u>	<u>(532,611)</u>	<u>(150,569)</u>	<u>-</u>	<u>(5,740,257)</u>
Balance at December 31, 2020, net	<u>\$ 20,265,436</u>	<u>\$ 12,719,584</u>	<u>\$ 1,383,010</u>	<u>\$ 308,412</u>	<u>\$ 283,067</u>	<u>\$ 169,170</u>	<u>\$ 215,191</u>	<u>\$ 35,343,870</u>
<b>Cost</b>								
Balance at January 1, 2021	\$ 20,315,504	\$ 15,523,994	\$ 2,581,634	\$ 1,312,387	\$ 815,678	\$ 319,739	\$ 215,191	\$ 41,084,127
Additions	-	34,511	293,787	95,713	67,681	1,982	1,378,449	1,872,123
Disposals	(759,708)	(571,749)	(173,208)	(177,120)	(171,387)	(141,862)	(54,283)	(2,049,317)
Reclassification	(264,632)	(862,640)	143,059	54,327	44,571	-	(334,399)	(1,219,714)
Effect of exchange rate changes	-	-	(28,488)	(8,078)	(6,602)	(121)	-	(43,289)
Balance at December 31, 2021	<u>19,291,164</u>	<u>14,124,116</u>	<u>2,816,784</u>	<u>1,277,229</u>	<u>749,941</u>	<u>179,738</u>	<u>1,204,958</u>	<u>39,643,930</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	(50,068)	(2,804,410)	(1,198,624)	(1,003,975)	(532,611)	(150,569)	-	(5,740,257)
Additions	(12,491)	(359,586)	(335,051)	(115,661)	(80,659)	(54,078)	-	(957,526)
Disposals	-	446,658	171,487	176,060	167,297	99,382	-	1,060,884
Reclassification	7	742	(1,043)	370	8,852	-	-	8,928
Effect of exchange rate changes	-	-	22,676	6,917	6,229	94	-	35,916
Balance at December 31, 2021	<u>(62,552)</u>	<u>(2,716,596)</u>	<u>(1,340,555)</u>	<u>(936,289)</u>	<u>(430,892)</u>	<u>(105,171)</u>	<u>-</u>	<u>(5,592,055)</u>
Balance at December 31, 2021, net	<u>\$ 19,228,612</u>	<u>\$ 11,407,520</u>	<u>\$ 1,476,229</u>	<u>\$ 340,940</u>	<u>\$ 319,049</u>	<u>\$ 74,567</u>	<u>\$ 1,204,958</u>	<u>\$ 34,051,875</u>

The construction project with respect to the superficies, which was awarded to China Life Insurance, on the land owned by Taipei Academy had been completed in the third quarter of 2020 and was reclassified from the construction in progress to the buildings and facilities. Part of the buildings and right-of-use assets were subsequently recognized as investment properties depending on its nature. These had been respectively recognized as “investment property”, “property, plant and equipment” and “right-of-use asset” by the Groups’ holding purpose, please refer to Notes 20 and 22.

The above items of self-use property and equipment are depreciated on a straight-line basis over the estimated economic lives as follows:

Buildings and facilities	3-60 years
Machinery and computer equipment	3-15 years
Transportation equipment	4-10 years
Other equipment	3-15 years
Leasehold improvements	Depend on the age or the durable life of lease, whichever is shorter

The operating lease of the group’s subsidiaries are mainly based on leased light passenger vehicle with lease terms of 1 to 5 years without an option to extend for any additional years.

The maturity analysis of lease payments receivable was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 23,532	\$ 64,168
Year 2	2,476	22,580
Year 3	174	2,475
Year 4	-	174
Year 5	-	-
	<u>\$ 26,182</u>	<u>\$ 89,397</u>

The investment property leased by the Group for operating leases is depreciated on a straight-line basis based over their estimated useful lives as follows:

	<b>Estimated Useful Lives</b>
Machinery equipment	4-20 years
Transportation equipment	2-5 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 49.

## 22. LEASE ARRANGEMENTS

### a. Right-of-use assets, net

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amounts		
Royalty-surface rights	\$ 8,685,772	\$ 9,997,238
Buildings and facilities	2,644,249	2,622,125
Land	1,018,139	1,171,915
Computer equipment	150,617	183,014
Other equipment	47,416	36,977
Transportation equipment	<u>44,397</u>	<u>38,495</u>
	<u>\$ 12,590,590</u>	<u>\$ 14,049,764</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 1,051,516</u>	<u>\$ 734,358</u>
Depreciation of right-of-use assets		
Buildings and facilities	\$ 777,833	\$ 818,207
Royalty-surface rights	158,558	191,593
Computer equipment	44,358	65,170
Transportation equipment	20,934	18,516
Land	18,642	23,448
Other equipment	<u>18,406</u>	<u>15,535</u>
	<u>\$ 1,038,731</u>	<u>\$ 1,132,469</u>

The depreciation expense of the right-of-use asset recognized in profit or loss for the years ended December 31, 2021 and 2020 were \$1,036,149 thousand and \$977,619 thousand, respectively.

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amounts	<u>\$ 4,455,216</u>	<u>\$ 4,454,005</u>

The interest expense of the lease liabilities recognized in profit or loss for the years ended December 31, 2021 and 2020 were \$89,192 thousand and \$66,714 thousand, respectively.

Range of discount rate for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings and facilities	0.50%-9.79%	0.65%-9.79%
Land	0.77%-3.50%	0.77%-3.50%
Computer equipment	0.56%-1.07%	0.77%-1.07%
Transportation equipment	0.49%-1.32%	0.55%-1.44%
Other equipment	0.51%-1.03%	0.53%-1.20%

The maturity analysis of lease liabilities were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Not later than 1 year	\$ 681,809	\$ 889,224
Later than 1 year and not later than 5 years	2,175,345	1,790,637
Later than 5 years and not later than 10 years	788,636	935,950
Later than 10 years	<u>3,152,758</u>	<u>3,213,328</u>
	<u>\$ 6,798,548</u>	<u>\$ 6,829,139</u>

c. Material lease-in activities and terms

The Group leases land, building and facilities, computer equipment, transportation equipment and other equipment with lease terms of 1 to 15 years. In the contract, the Group has options to lease the building at the end of the lease terms. The lease contract for the right of superficies has been established indicates that China Life Insurance also leases land with lease terms of 70 years.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment for the Group, please refer Notes 20 and 21, respectively.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 36,727</u>	<u>\$ 35,969</u>
Expenses relating to low-value asset leases	<u>\$ 3,026</u>	<u>\$ 3,316</u>
Total cash outflow for leases	<u>\$ 1,017,530</u>	<u>\$ 1,030,993</u>

The Group leases certain assets which qualify as short-term leases and certain assets which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 23. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Purchase policy value	\$ 11,721,285	\$ 12,053,755
Goodwill	3,089,780	3,135,653
Operation rights	2,439,695	2,974,042
Computer software	1,488,726	1,370,913
Others	<u>3,008</u>	<u>3,008</u>
	<u>\$ 18,742,494</u>	<u>\$ 19,537,371</u>

The changes in the Group's intangible assets were as follows:

	<u>Purchase Policy Value</u>	<u>Goodwill</u>	<u>Operation Rights</u>	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 13,320,077	\$ 3,190,820	\$ 8,542,562	\$ 2,221,233	\$ 51,994	\$ 27,326,686
Additions	-	-	-	410,937	-	410,937
Decreases	-	-	-	(95,726)	-	(95,726)
Reclassification	-	-	-	92,239	-	92,239
Effects of different group entities	-	-	-	-	(33,388)	(33,388)
Effects of exchange rate changes	-	(55,167)	-	8	-	(55,159)
Balance at December 31, 2020	<u>13,320,077</u>	<u>3,135,653</u>	<u>8,542,562</u>	<u>2,628,691</u>	<u>18,606</u>	<u>27,645,589</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2020	(918,015)	-	(4,988,162)	(963,277)	(15,598)	(6,885,052)
Amortization	(348,307)	-	(580,358)	(387,679)	-	(1,316,344)
Decreases	-	-	-	93,209	-	93,209
Effects of exchange rate changes	-	-	-	(31)	-	(31)
Balance at December 31, 2020	<u>(1,266,322)</u>	<u>-</u>	<u>(5,568,520)</u>	<u>(1,257,778)</u>	<u>(15,598)</u>	<u>(8,108,218)</u>
Balance at December 31, 2020, net	<u>\$ 12,053,755</u>	<u>\$ 3,135,653</u>	<u>\$ 2,974,042</u>	<u>\$ 1,370,913</u>	<u>\$ 3,008</u>	<u>\$ 19,537,371</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 13,320,077	\$ 3,135,653	\$ 8,542,562	\$ 2,628,691	\$ 18,606	\$ 27,645,589
Additions	-	-	-	498,277	-	498,277
Decreases	-	-	-	(102,635)	-	(102,635)
Reclassification	-	-	-	54,026	-	54,026
Effects of exchange rate changes	-	(45,873)	-	(55)	-	(45,928)
Balance at December 31, 2021	<u>13,320,077</u>	<u>3,089,780</u>	<u>8,542,562</u>	<u>3,078,304</u>	<u>18,606</u>	<u>28,049,329</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2021	(1,266,322)	-	(5,568,520)	(1,257,778)	(15,598)	(8,108,218)
Amortization	(332,470)	-	(534,347)	(434,476)	-	(1,301,293)
Decreases	-	-	-	102,635	-	102,635
Effects of exchange rate changes	-	-	-	41	-	41
Balance at December 31, 2021	<u>(1,598,792)</u>	<u>-</u>	<u>(6,102,867)</u>	<u>(1,589,578)</u>	<u>(15,598)</u>	<u>(9,306,835)</u>
Balance at December 31, 2021, net	<u>\$ 11,721,285</u>	<u>\$ 3,089,780</u>	<u>\$ 2,439,695</u>	<u>\$ 1,488,726</u>	<u>\$ 3,008</u>	<u>\$ 18,742,494</u>

Apart from the purchase policy value is amortized on present value of annuity of expected remaining policies over effective period of policies, the other items of intangible assets above are amortized on a straight-line basis over the estimated economic lives as follows:

Operation rights	7-20 years
Computer software	3-6 years

#### 24. OTHER ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Security borrowing margins	\$ 40,699,598	\$ 42,151,143
Overseas custodian accounts	27,409,184	26,684,588
Cash and cash equivalents-receipts under custody from customers	15,755,321	2,237,762
Operating guarantee deposits	8,585,515	8,275,495
Guarantee deposits paid	3,785,779	8,529,704
Others	<u>5,919,004</u>	<u>6,386,437</u>
	<u>\$ 102,154,401</u>	<u>\$ 94,265,129</u>

The fund deposited in foreign securities is mainly for foreign subsidiaries transaction.

#### 25. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Call loans from financial institutions	\$ 20,633,400	\$ 11,236,592
Deposits from Chunghwa Post Co., Ltd.	<u>190,146</u>	<u>190,146</u>
	<u>\$ 20,823,546</u>	<u>\$ 11,426,738</u>

#### 26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Corporate bonds	\$ 56,891,519	\$ 79,091,959
Bank debentures	24,903,171	27,655,313
Government bonds	20,090,120	27,867,001
Commercial paper	<u>-</u>	<u>249,972</u>
	<u>\$ 101,884,810</u>	<u>\$ 134,864,245</u>
Repurchased amounts	<u>\$ 101,935,509</u>	<u>\$ 134,922,573</u>
Last maturity date	April 2022	March 2021

## 27. COMMERCIAL PAPER PAYABLE, NET

	December 31	
	2021	2020
Commercial paper payable	\$ 21,216,060	\$ 11,566,577
Less: Unamortized discount	<u>(1,820)</u>	<u>(1,773)</u>
	<u>\$ 21,214,240</u>	<u>\$ 11,564,804</u>
Range of rate	0.26%-1.06%	0.20%-1.31%

As of December 31, 2021, China Bills Finance Corporation, Taiwan Finance Corporation, and Grand Bills, guaranteed the above commercial paper. However, some commercial paper which amounted to \$21,154,260 thousand, had no guarantee.

As of December 31, 2020, Dah Chung Bills Finance Corporation, Mega Bills Finance Corporation, Ta Ching Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Taiwan Finance Corporation, China Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper which amounted to \$10,989,967 thousand, had no guarantee.

## 28. PAYABLES

	December 31	
	2021	2020
Accounts payable for settlement	\$ 47,196,758	\$ 55,348,420
Accrued expenses and payable on insurance policies	20,238,854	16,900,293
Deposits payable for securities financing	12,525,783	10,281,198
Exchange clearing payable	6,678,293	4,076,453
Others	<u>16,209,913</u>	<u>16,490,282</u>
	<u>\$ 102,849,601</u>	<u>\$ 103,096,646</u>

## 29. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Time deposits	\$ 226,306,526	\$ 245,828,422
Saving deposits	143,663,711	131,860,446
Demand deposits	106,786,423	101,562,258
Negotiable CDs	4,578,300	5,956,700
Checking deposits	1,906,700	1,457,609
Inward remittance	<u>260,797</u>	<u>42,516</u>
	<u>\$ 483,502,457</u>	<u>\$ 486,707,951</u>

### 30. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Corporate bonds payable	\$ 67,200,000	\$ 42,630,000
Bank debentures payable	<u>25,241,122</u>	<u>20,351,293</u>
	<u>\$ 92,441,122</u>	<u>\$ 62,981,293</u>

#### Corporate Bonds Payable

Name	<u>December 31</u>		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	<u>2021</u>	<u>2020</u>			
1st corporate bonds in 2017 - the Corporation	\$ 10,000,000	\$ 10,000,000	Bond A 2017.09.08-2024.09.08 Bond B 2017.09.08-2027.09.08 Bond C 2017.09.08-2032.09.08	Interest payable annually; Principal due on maturity	Bond A 1.75% Bond B 1.90% Bond C 2.10%
1st corporate bonds in 2019 - the Corporation	5,000,000	5,000,000	Bond A 2019.08.08-2026.08.08 Bond B 2019.08.08-2029.08.08	Interest payable annually; Principal due on maturity	Bond A 0.88% Bond B 1.00%
1st corporate bonds in 2020 - the Corporation	8,000,000	8,000,000	Bond A 2020.05.20-2025.05.20 Bond B 2020.05.20-2035.05.20	Interest payable annually; Principal due on maturity	Bond A 0.75% Bond B 0.95%
2nd corporate bonds in 2020 - the Corporation	6,000,000	6,000,000	Bond A 2020.11.30-2030.11.30 Bond B 2020.11.30-2035.11.30	Interest payable annually; Principal due on maturity	Bond A 1.25% Bond B 1.50%
3rd corporate bonds in 2020 - the Corporation	4,000,000	-	Bond A 2021.01.14-2028.01.14 Bond B 2021.01.14-2031.01.14	Interest payable annually; Principal due on maturity	Bond A 0.50% Bond B 0.59%
1st corporate bonds in 2021 - the Corporation	15,000,000	-	Bond A 2021.12.20-2026.12.20 Bond B 2021.12.20-2028.12.20 Bond C 2021.12.20-2031.12.20	Interest payable annually; Principal due on maturity	Bond A 0.59% Bond B 0.65% Bond C 0.75%
1st corporate bonds in 2019 - KGI Securities	4,200,000	4,200,000	Bond A 2019.11.22-2022.11.22 Bond B 2019.11.22-2024.11.22 Bond C 2019.11.22-2026.11.22	Interest payable annually; Principal due on maturity	Bond A 0.73% Bond B 0.78% Bond C 0.83%
1st corporate bonds in 2021 - KGI Securities	5,000,000	-	Bond A 2021.07.09-2026.07.09 Bond B 2021.07.09-2028.07.09	Interest payable annually; Principal due on maturity	Bond A 0.51% Bond B 0.55%
1st corporate bonds in 2020 - China Life Insurance	<u>10,000,000</u>	<u>9,430,000</u>	2020.12.28, no maturity date	Interest payable annually (Note)	2.70%
Net amount	<u>\$ 67,200,000</u>	<u>\$ 42,630,000</u>			
Fair value	<u>\$ 68,262,697</u>	<u>\$ 43,949,621</u>			

Note: China Life Insurance has the right to redeem the bonds after 10 years from the issue date if its self-owned capital adequacy ratio is twice as higher as the required risk based capital ratio set by the competent authority. China Life Insurance is allowed to redeem the bonds based on the carrying value of each bond plus interest after being approved by the competent authority.

#### Bank Debentures Payable

Name	<u>December 31</u>		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	<u>2021</u>	<u>2020</u>			
P07 KGIB 1	\$ 3,000,000	\$ 3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; Principal due on maturity	1.68%
P08 KGIB 1	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; Principal due on maturity	1.40%
P09 KGIB 1	1,200,000	1,200,000	2020.03.05-2027.03.05	Interest payable annually; Principal due on maturity	0.75%
P09 KGIB 2	4,800,000	4,800,000	2020.03.05-2030.03.05	Interest payable annually; Principal due on maturity	0.80%
P09 KGIB 3	4,800,000	4,800,000	2020.08.07-2030.08.07	Interest payable annually; Principal due on maturity	0.71%
P10 KGIB 1	4,300,000	-	2021.02.04-2031.02.04	Interest payable annually; Principal due on maturity	0.57%
P10 KGIB 2	<u>700,000</u>	<u>-</u>	2021.05.18-2024.05.18	Interest payable annually; Principal due on maturity	0.40%
	25,250,000	20,250,000			
Valuation adjustment	<u>(8,878)</u>	<u>101,293</u>			
Net amount	<u>\$ 25,241,122</u>	<u>\$ 20,351,293</u>			
Fair value	<u>\$ 25,349,007</u>	<u>\$ 20,408,787</u>			

Note: KGI Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in accordance with the requirements set by the competent authority. KGI Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

### 31. OTHER BORROWINGS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term credit borrowings	\$ 12,117,211	\$ 13,737,182
Short-term secured borrowings	4,459,750	4,739,049
Note issuance facility	3,488,462	6,317,288
Call loans from banks	<u>2,492,100</u>	<u>684,192</u>
	<u>\$ 22,557,523</u>	<u>\$ 25,477,711</u>
Range of rate	0.28%-5.95%	0.23%-5.65%
Last maturity date	November 2023	November 2023

For the information on collateral of other borrowings listed, please refer to Note 49.

### 32. PROVISIONS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Insurance liabilities	\$ 1,988,686,889	\$ 1,896,680,430
Foreign exchange valuation reserve	3,351,124	4,023,007
Provisions for employee benefits	1,396,134	1,235,579
Others	<u>537,120</u>	<u>529,167</u>
	<u>\$ 1,993,971,267</u>	<u>\$ 1,902,468,183</u>

#### **Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature**

As at December 31, 2021 and 2020, China Life Insurance's movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Reserve for life insurance liabilities	\$ 1,952,465,847	\$ 1,859,860,159
Unearned premium reserve	4,699,485	4,509,133
Reserve for claims	2,605,570	2,463,643
Special reserve	7,747,818	6,633,515
Premium deficiency reserve	2,435,334	4,139,991
Other reserve	<u>18,732,835</u>	<u>19,073,989</u>
	<u>\$ 1,988,686,889</u>	<u>\$ 1,896,680,430</u>

a. Reserve for life insurance liabilities:

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Life insurance	\$ 1,593,122,492	\$ 54,305,280	\$ 1,647,427,772
Health insurance	155,648,698	-	155,648,698
Annuity insurance	664,492	146,776,781	147,441,273
Investment-linked insurance	<u>1,801,647</u>	<u>-</u>	<u>1,801,647</u>
	<u>\$ 1,751,237,329</u>	<u>\$ 201,082,061</u>	<u>\$ 1,952,319,390</u>

Note: The total amount of liability reserve is \$1,952,465,847 thousand on December 31, 2021 after reserve for life insurance-accrued paid is added.

	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Life insurance	\$ 1,499,223,671	\$ 57,268,258	\$ 1,556,491,929
Health insurance	144,514,146	-	144,514,146
Annuity insurance	641,776	156,307,556	156,949,332
Investment-linked insurance	<u>1,763,565</u>	<u>-</u>	<u>1,763,565</u>
	<u>\$ 1,646,143,158</u>	<u>\$ 213,575,814</u>	<u>\$ 1,859,718,972</u>

Note: The total amount of liability reserve is \$1,859,860,159 thousand on December 31, 2020 after reserve for life insurance-accrued paid is added.

There is no ceded liability reserve for the above insurance contracts of China Life Insurance.

Movement in reserve for life insurance liabilities is summarized below:

	<b>For the Year Ended December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 1,646,143,158	\$ 213,575,814	\$ 1,859,718,972
Reserve	218,282,661	5,194,905	223,477,566
Recover	(100,837,598)	(16,925,519)	(117,763,117)
Losses (gains) on foreign exchange	<u>(12,350,892)</u>	<u>(763,139)</u>	<u>(13,114,031)</u>
Ending balance (Note)	<u>\$ 1,751,237,329</u>	<u>\$ 201,082,061</u>	<u>\$ 1,952,319,390</u>

Note: Reserve for life insurance liabilities were \$1,952,465,847 thousand at December 31, 2021 after adding the payment of reserve for life insurance-accrued.

**For the Year Ended December 31, 2020**

	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 1,476,881,001	\$ 221,716,576	\$ 1,698,597,577
Reserve	261,010,188	8,636,345	269,646,533
Recover	(76,970,863)	(15,374,710)	(92,345,573)
Losses (gains) on foreign exchange	<u>(14,777,168)</u>	<u>(1,402,397)</u>	<u>(16,179,565)</u>
Ending balance (Note)	<u>\$ 1,646,143,158</u>	<u>\$ 213,575,814</u>	<u>\$ 1,859,718,972</u>

Note: Reserve for life insurance liabilities were \$1,859,860,159 thousand at December 31, 2020 after adding the payment of reserve for life insurance-accrued.

b. Unearned premium reserve

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 937	\$ -	\$ 937
Individual injury insurance	1,550,612	-	1,550,612
Individual health insurance	2,452,741	-	2,452,741
Group insurance	627,188	-	627,188
Investment - linked insurance	67,996	-	67,996
Annuity insurance	<u>-</u>	<u>11</u>	<u>11</u>
	<u>4,699,474</u>	<u>11</u>	<u>4,699,485</u>
Less ceded unearned premium reserve			
Individual life insurance	17,620	-	17,620
Individual injury insurance	961	-	961
Individual health insurance	40,911	-	40,911
Group insurance	2,892	-	2,892
Investment - linked insurance	<u>5,034</u>	<u>-</u>	<u>5,034</u>
	<u>67,418</u>	<u>-</u>	<u>67,418</u>
Net amount	<u>\$ 4,632,056</u>	<u>\$ 11</u>	<u>\$ 4,632,067</u>

<b>December 31, 2020</b>			
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 1,003	\$ -	\$ 1,003
Individual injury insurance	1,518,042	-	1,518,042
Individual health insurance	2,355,619	-	2,355,619
Group insurance	571,942	-	571,942
Investment - linked insurance	62,500	-	62,500
Annuity insurance	<u>-</u>	<u>27</u>	<u>27</u>
	<u>4,509,106</u>	<u>27</u>	<u>4,509,133</u>
Less ceded unearned premium reserve			
Individual life insurance	16,630	-	16,630
Individual injury insurance	1,778	-	1,778
Individual health insurance	33,812	-	33,812
Group insurance	4,596	-	4,596
Investment - linked insurance	<u>4,958</u>	<u>-</u>	<u>4,958</u>
	<u>61,774</u>	<u>-</u>	<u>61,774</u>
Net amount	<u>\$ 4,447,332</u>	<u>\$ 27</u>	<u>\$ 4,447,359</u>

Movement in unearned premium reserve is summarized below:

<b>For the Year Ended December 31, 2021</b>			
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 4,509,106	\$ 27	\$ 4,509,133
Reserve	4,699,476	11	4,699,487
Recover	(4,509,106)	(27)	(4,509,133)
Losses (gains) on foreign exchange	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Ending balance	<u>4,699,474</u>	<u>11</u>	<u>4,699,485</u>
Less ceded unearned premium reserve			
Beginning balance	61,774	-	61,774
Increase	67,427	-	67,427
Decrease	(61,774)	-	(61,774)
Losses (gains) on foreign exchange	<u>(9)</u>	<u>-</u>	<u>(9)</u>
Ending balance	<u>67,418</u>	<u>-</u>	<u>67,418</u>
Net amount	<u>\$ 4,632,056</u>	<u>\$ 11</u>	<u>\$ 4,632,067</u>

**For the Year Ended December 31, 2020**

	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 4,291,354	\$ 75	\$ 4,291,429
Reserve	4,509,108	27	4,509,135
Recover	(4,291,354)	(75)	(4,291,429)
Losses (gains) on foreign exchange	(2)	-	(2)
Ending balance	<u>4,509,106</u>	<u>27</u>	<u>4,509,133</u>
Less ceded unearned premium reserve			
Beginning balance	55,487	-	55,487
Increase	61,781	-	61,781
Decrease	(55,487)	-	(55,487)
Losses (gains) on foreign exchange	(7)	-	(7)
Ending balance	<u>61,774</u>	<u>-</u>	<u>61,774</u>
Net amount	<u>\$ 4,447,332</u>	<u>\$ 27</u>	<u>\$ 4,447,359</u>

c. Reserve for claims

**December 31, 2021**

	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance			
Reported but not paid claim	\$ 167,345	\$ 31,109	\$ 198,454
Unreported claim	553	-	553
Individual injury insurance			
Reported but not paid claim	43,547	-	43,547
Unreported claim	546,033	-	546,033
Individual health insurance			
Reported but not paid claim	130,114	-	130,114
Unreported claim	985,368	-	985,368
Group insurance			
Reported but not paid claim	81,546	-	81,546
Unreported claim	466,506	-	466,506
Investment - linked insurance			
Reported but not paid claim	101,716	-	101,716
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	3,801	47,901	51,702
Unreported claim	-	31	31
	<u>2,526,529</u>	<u>79,041</u>	<u>2,605,570</u>

(Continued)

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Less ceded reserve for claims			
Individual life insurance	\$ 3,781	\$ -	\$ 3,781
Individual injury insurance	-	-	-
Individual health insurance	15,223	-	15,223
Group insurance	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>20,504</u>	<u>-</u>	<u>20,504</u>
Net amount	<u>\$ 2,506,025</u>	<u>\$ 79,041</u>	<u>\$ 2,585,066</u> (Concluded)

	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance			
Reported but not paid claim	\$ 173,157	\$ 3,935	\$ 177,092
Unreported claim	2,260	-	2,260
Individual injury insurance			
Reported but not paid claim	42,446	-	42,446
Unreported claim	532,065	-	532,065
Individual health insurance			
Reported but not paid claim	114,688	-	114,688
Unreported claim	988,920	-	988,920
Group insurance			
Reported but not paid claim	98,924	-	98,924
Unreported claim	446,078	-	446,078
Investment - linked insurance			
Reported but not paid claim	19,724	-	19,724
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	41,382	41,382
Unreported claim	<u>-</u>	<u>64</u>	<u>64</u>
	<u>2,418,262</u>	<u>45,381</u>	<u>2,463,643</u>
Less ceded reserve for claims			
Individual life insurance	2,274	-	2,274
Individual injury insurance	2,237	-	2,237
Individual health insurance	10,304	-	10,304
Group insurance	<u>6,000</u>	<u>-</u>	<u>6,000</u>
	<u>20,815</u>	<u>-</u>	<u>20,815</u>
Net amount	<u>\$ 2,397,447</u>	<u>\$ 45,381</u>	<u>\$ 2,442,828</u>

Movement in reserve for claims is summarized below:

	<b>For the Year Ended December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 2,418,262	\$ 45,381	\$ 2,463,643
Reserve	2,527,055	79,070	2,606,125
Recover	(2,418,262)	(45,381)	(2,463,643)
Losses (gains) on foreign exchange	<u>(526)</u>	<u>(29)</u>	<u>(555)</u>
Ending balance	<u>2,526,529</u>	<u>79,041</u>	<u>2,605,570</u>
Less ceded unearned premium reserve			
Beginning balance	20,815	-	20,815
Increase	20,506	-	20,506
Decrease	(20,815)	-	(20,815)
Losses (gains) on foreign exchange	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Ending balance	<u>20,504</u>	<u>-</u>	<u>20,504</u>
Net amount	<u>\$ 2,506,025</u>	<u>\$ 79,041</u>	<u>\$ 2,585,066</u>

	<b>For the Year Ended December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 2,061,831	\$ 163,516	\$ 2,225,347
Reserve	2,418,602	45,507	2,464,109
Recover	(2,061,831)	(163,516)	(2,225,347)
Losses (gains) on foreign exchange	<u>(340)</u>	<u>(126)</u>	<u>(466)</u>
Ending balance	<u>2,418,262</u>	<u>45,381</u>	<u>2,463,643</u>
Less ceded unearned premium reserve			
Beginning balance	13,755	-	13,755
Increase	20,815	-	20,815
Decrease	<u>(13,755)</u>	<u>-</u>	<u>(13,755)</u>
Ending balance	<u>20,815</u>	<u>-</u>	<u>20,815</u>
Net amount	<u>\$ 2,397,447</u>	<u>\$ 45,381</u>	<u>\$ 2,442,828</u>

China Life Insurance's reported but not paid claims are reserved according to insurance type and claims department's estimates based on each individual case's related information without exceeding promised insurance amount for covered accidents. Those reported but not paid reserve is reasonably assessed, sufficient to reflect actual claims paid. In addition, some types of claims are not expected to close shortly because these claims usually depend on court judgments before the closure. China Life Insurance's legal department tracks the development of these claims and reasonably estimates claims reserve. The actuarial department assesses final unreported claims based on past claims experience with consideration of claims development trends for past closed cases, and then develop the final claims based on homogeneous features of each insurance through Bornhuetter-Ferguson Method. Reserve for unreported and unclosed claims changes according to external environment, such as, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

d. Special reserve

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Participating policies dividend reserve	\$ 7,747,818	\$ -	\$ 7,747,818
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,747,818</u>	<u>\$ -</u>	<u>\$ 7,747,818</u>
	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Participating policies dividend reserve	\$ 6,633,515	\$ -	\$ 6,633,515
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,633,515</u>	<u>\$ -</u>	<u>\$ 6,633,515</u>

Movement in special reserve is summarized below:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Insurance Contract</b>	<b>Insurance Contract</b>
Beginning balance	\$ 6,633,515	\$ 6,907,466
Reserve for participating policy dividend revenue	2,822,982	1,633,619
Recover for participating policy dividend revenue	(1,829,657)	(1,902,200)
Gain (loss) on equity instruments from participating dividend policy measured at FVTOCI	<u>120,978</u>	<u>(5,370)</u>
Ending balance	<u>\$ 7,747,818</u>	<u>\$ 6,633,515</u>

e. Special capital reserve for major incidents and fluctuation of risks

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 2,107	\$ -	\$ 2,107
Individual injury insurance	913,200	-	913,200
Individual health insurance	2,831,791	-	2,831,791
Group insurance	3,493,939	-	3,493,939
Annuity insurance	<u>-</u>	<u>390</u>	<u>390</u>
	<u>\$ 7,241,037</u>	<u>\$ 390</u>	<u>\$ 7,241,427</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 2,028	\$ -	\$ 2,028
Individual injury insurance	884,209	-	884,209
Individual health insurance	2,673,733	-	2,673,733
Group insurance	3,360,666	-	3,360,666
Annuity insurance	<u>-</u>	<u>476</u>	<u>476</u>
	<u>\$ 6,920,636</u>	<u>\$ 476</u>	<u>\$ 6,921,112</u>

f. Premium deficiency reserve

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 2,326,325	\$ -	\$ 2,326,325
Individual health insurance	<u>109,009</u>	<u>-</u>	<u>109,009</u>
	<u>\$ 2,435,334</u>	<u>\$ -</u>	<u>\$ 2,435,334</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Individual life insurance	\$ 4,023,859	\$ -	\$ 4,023,859
Individual health insurance	<u>116,132</u>	<u>-</u>	<u>116,132</u>
	<u>\$ 4,139,991</u>	<u>\$ -</u>	<u>\$ 4,139,991</u>

Premium deficiency reserve was not ceded in the above insurance contracts of China Life Insurance.

Movement in premium deficiency reserve is summarized as below:

	<b>For the Year Ended December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 4,139,991	\$ -	\$ 4,139,991
Reserve	521,115	-	521,115
Recover	(2,154,772)	-	(2,154,772)
Losses (gains) on foreign exchange	<u>(71,000)</u>	<u>-</u>	<u>(71,000)</u>
Ending balance	<u>\$ 2,435,334</u>	<u>\$ -</u>	<u>\$ 2,435,334</u>

	<b>For the Year Ended December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 6,627,546	\$ -	\$ 6,627,546
Reserve	862,173	-	862,173
Recover	(3,268,916)	-	(3,268,916)
Losses (gains) on foreign exchange	<u>(80,812)</u>	<u>-</u>	<u>(80,812)</u>
Ending balance	<u>\$ 4,139,991</u>	<u>\$ -</u>	<u>\$ 4,139,991</u>

g. Other reserve

	<b>December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Others	<u>\$ 18,732,835</u>	<u>\$ -</u>	<u>\$ 18,732,835</u>

	<b>December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Others	<u>\$ 19,073,989</u>	<u>\$ -</u>	<u>\$ 19,073,989</u>

Movement in other reserve is summarized as below:

	<b>For the Year Ended December 31, 2021</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 19,073,989	\$ -	\$ 19,073,989
Recover	<u>(341,154)</u>	<u>-</u>	<u>(341,154)</u>
Ending balance	<u>\$ 18,732,835</u>	<u>\$ -</u>	<u>\$ 18,732,835</u>

	<b>For the Year Ended December 31, 2020</b>		
	<b>Insurance Contract</b>	<b>Financial Instruments with Discretionary Participation Feature</b>	<b>Total</b>
Beginning balance	\$ 19,467,292	\$ -	\$ 19,467,292
Recover	<u>(393,303)</u>	<u>-</u>	<u>(393,303)</u>
Ending balance	<u>\$ 19,073,989</u>	<u>\$ -</u>	<u>\$ 19,073,989</u>

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

h. Liability adequacy reserve

	<b>Insurance Contract and Financial Instruments with Discretionary Participation Feature</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Reserve for life insurance liabilities	\$ 1,952,319,390	\$ 1,859,718,972
Unearned premium reserve	4,699,485	4,509,133
Premium deficiency reserve	2,435,334	4,139,991
Special reserve	7,747,818	6,633,515
Other reserve	<u>18,732,835</u>	<u>19,073,989</u>
Book value of insurance liabilities	<u>\$ 1,985,934,862</u>	<u>\$ 1,894,075,600</u>
Estimated present value of cash flows	<u>\$ 1,573,602,103</u>	<u>\$ 1,465,210,122</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

<b>December 31, 2021</b>	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2020), and discount rates were evaluated with consideration of current information.

<b>December 31, 2020</b>	
Test method	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2019), and discount rates were evaluated with consideration of current information.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

China Life Insurance Co., Ltd. consistently adjusts the hedge ratios to establish an adequate risk exposure planning based on the new foreign exchange valuation exposure principle by integrating the exchange rate and interest rate trends of domestic and foreign financial markets. However, changes in the hedge and risk exposure ratios should follow the internal risk control to alert and adjust hedge strategy in advance to meet the optimal hedge considerations.

2) Adjustment in foreign exchange valuation reserve

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 4,023,007	\$ 2,367,039
Reserve		
Compulsory reserve	1,997,251	2,334,944
Extra reserve	<u>1,003,823</u>	<u>5,609,102</u>
	3,001,074	7,944,046
Recover	<u>(3,672,957)</u>	<u>(6,288,078)</u>
Ending balance	<u>\$ 3,351,124</u>	<u>\$ 4,023,007</u>

3) Effects due to foreign exchange valuation reserve of China Life Insurance

<b>Item</b>	<b>For the Year Ended December 31, 2021</b>		
	<b>Inapplicable Amount</b>	<b>Applicable Amount</b>	<b>Effects</b>
Net income	\$ 28,002,732	\$ 28,540,238	\$ 537,506
Earnings per share (dollar)	5.69	5.80	0.11
Foreign exchange valuation reserve	-	3,351,124	3,351,124
Equity	178,347,549	177,009,712	(1,337,837)

<b>Item</b>	<b>For the Year Ended December 31, 2020</b>		
	<b>Inapplicable Amount</b>	<b>Applicable Amount</b>	<b>Effects</b>
Net income	\$ 16,872,610	\$ 15,547,836	\$ (1,324,774)
Earnings per share (dollar)	3.43	3.16	(0.27)
Foreign exchange valuation reserve	-	4,023,007	4,023,007
Equity	181,532,548	179,657,205	(1,875,343)

### 33. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were \$696,837 thousand and \$635,366 thousand for the years ended December 31, 2021 and 2020, respectively.

The Corporation’s foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$2,181 thousand and \$2,716 thousand for the years ended December 31, 2021 and 2020, respectively.

b. Defined benefit plans

The Corporation and domestic subsidiaries adopted a defined benefit pension plan for all formal employees based on the Labor Standards Act. Benefit payments are based on service periods and basic salaries and wages at the time of retirement.

Under the defined benefit plan, CDIB Capital Group has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB Capital Group changed the contribution rate from 13% to 4.5% and then further adjusted the contribution rate from 4.5% to 3.14% in November 2008. The fund is managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, CDIB Capital 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, CDIB Capital Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Securities and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, KGI 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, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Bank places its monthly contributions to the non-managers' pension fund at authorized ratios in the Employees' Pension Reserve, which is deposited in the Bank of Taiwan. Managers' pension funds are managed by the Employee Retirement Fund Management Committee and deposited in KGI Bank's Zhonghe Branch in the committee's name. Before the end of each year, KGI Bank 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, KGI Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year.

China Life Insurance adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. China Life Insurance contributes monthly a proportion amount of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, China Life Insurance 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, China Life Insurance is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 3,389,240	\$ 3,379,741
Fair value of plan assets	<u>(2,019,685)</u>	<u>(2,168,700)</u>
Net defined benefit liabilities	<u>\$ 1,369,555</u>	<u>\$ 1,211,041</u>

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

The Group

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2021	<u>\$ 3,379,741</u>	<u>\$ (2,168,700)</u>	<u>\$ 1,211,041</u>
Service cost			
Current service cost	18,993	-	18,993
Net interest expense (income)	<u>14,400</u>	<u>(9,444)</u>	<u>4,956</u>
Recognized in profit or loss	<u>33,393</u>	<u>(9,444)</u>	<u>23,949</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,395)	(11,395)
Actuarial loss - changes in demographic assumptions	51,807	-	51,807
Actuarial gain - changes in financial assumptions	(41,387)	-	(41,387)
Actuarial loss (gain) - experience adjustments	<u>322,100</u>	<u>(9,112)</u>	<u>312,988</u>
Recognized in other comprehensive income	<u>332,520</u>	<u>(20,507)</u>	<u>312,013</u>
Contributions from the employer	-	(177,318)	(177,318)
Benefits paid	(356,284)	356,284	-
Change in exchange rate	<u>(130)</u>	<u>-</u>	<u>(130)</u>
Balance at December 31, 2021	<u>\$ 3,389,240</u>	<u>\$ (2,019,685)</u>	<u>\$ 1,369,555</u>
Balance at January 1, 2020	<u>\$ 3,169,236</u>	<u>\$ (2,126,435)</u>	<u>\$ 1,042,801</u>
Service cost			
Current service cost	15,412	-	15,412
Past service cost	1,515	-	1,515
Net interest expense (income)	<u>25,387</u>	<u>(17,539)</u>	<u>7,848</u>
Recognized in profit or loss	<u>42,314</u>	<u>(17,539)</u>	<u>24,775</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(26,655)	(26,655)
Actuarial loss - changes in demographic assumptions	46,422	-	46,422
Actuarial loss - changes in financial assumptions	147,831	-	147,831
Actuarial loss (gain)- experience adjustments	<u>132,203</u>	<u>(19,417)</u>	<u>112,786</u>
Recognized in other comprehensive income	<u>326,456</u>	<u>(46,072)</u>	<u>280,384</u>
Contributions from the employer	-	(136,803)	(136,803)
Benefits paid	(158,149)	158,149	-
Change in exchange rate	<u>(116)</u>	<u>-</u>	<u>(116)</u>
Balance at December 31, 2020	<u>\$ 3,379,741</u>	<u>\$ (2,168,700)</u>	<u>\$ 1,211,041</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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 were as follows:

The Corporation

	<u>Valuation at</u> <u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.45%	0.25%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.45%	0.25%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.48%-7.00%	0.31%-6.50%
Expected rates of salary increase	2.00%-4.00%	2.00%-4.00%

KGI Bank and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.450%-0.625%	0.250%-0.500%
Expected rates of salary increase	2.500%-3.000%	2.500%-3.000%

China Life Insurance

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.80%	0.45%
Expected rates of salary increase	0.00%-2.29%	0.00%-1.58%

China Development Asset Management Corporation

	<b>Valuation at</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.45%	0.25%
Expected rates of salary increase	2.50%	2.50%

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

The Group

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25-0.50% increase	<u>\$ (154,922)</u>	<u>\$ (155,951)</u>
0.25-0.50% decrease	<u>\$ 165,693</u>	<u>\$ 167,136</u>
Expected rate(s) of salary increase		
0.25-1.00% increase	<u>\$ 191,587</u>	<u>\$ 182,533</u>
0.25-1.00% decrease	<u>\$ (177,398)</u>	<u>\$ (168,740)</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 145,585</u>	<u>\$ 93,035</u>
The average duration of the defined benefit obligation	7.00-16.25 years	6.29-17.23 years

### 34. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Separate-account product liabilities	\$ 101,041,555	\$ 84,564,106
Customers' equity accounts - futures	49,718,102	52,541,011
Principal received on structured products	21,163,514	25,792,877
Others	<u>-</u>	<u>354,235</u>
	<u>\$ 171,923,171</u>	<u>\$ 163,252,229</u>

### 35. EQUITY

#### a. Capital

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares authorized (in thousands)(Note)	<u>25,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 250,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)(Note)		
Common stock	<u>17,192,777</u>	<u>14,973,271</u>
Preferred stock	<u>1,893,044</u>	<u>-</u>
Shares issued	<u>\$ 190,858,209</u>	<u>\$ 149,732,712</u>

Note: Par value of NT\$10.

The Corporation's issuance of new restricted employee shares was approved by the Financial Supervisory Commission. In 2021, the Corporation issued 109,991 thousand common shares, with a par value of NT\$10. On November 19, 2021, the Corporation's board of the directors approved the record date for the capital increase as December 1, 2021.

On October 1, 2021, in order to meet the scale of capital needs for the future, the Corporation's extraordinary general shareholders' meeting amended the Articles of Incorporation which increased the Corporation's authorized capital from \$200,000,000 thousand to \$250,000,000 thousand, and increase the Corporation's authorized capital shares from 20,000,000 thousand shares to 25,000,000 thousand shares. The Corporation's extraordinary general shareholders' meeting also approved the acquisition of China Life Insurance through a share swap. Thus, China Life Insurance became the Corporation's 100%-owned subsidiary. According to the share swap agreement, the Corporation issued 2,074,568 thousand newly common shares and 1,893,044 thousand preferred shares, with a par value of NT\$10. On November 16, 2021, the Corporation's board of the directors approved the record date for the capital increase as December 31, 2021.

### Issuance of preferred shares

On October 1, 2021, the Corporation adopted a resolution of the extraordinary shareholders' meeting to take China Life Insurance as a 100%-owned subsidiary through share conversion. The Corporation issued 1,893,044 thousand preferred shares B, with a par value of NT\$10. The issue price is NT\$10 per share. According to the resolution of the board of directors was November 16, 2021, the date of the capital increase was December 30, 2021; the preferred shares are classified under equity. The rights and obligations are as follows:

- 1) If the Corporation has a surplus after the year-end final accounts, it should first pay taxes and make up the losses accumulated from preceding years. After setting aside the legal reserve and setting aside or reversing the special reserve as required by law, if there is any remaining balance, it may first distribute the dividends for the year to which the preferred shares are entitled.
- 2) The dividend on the preferred shares is calculated at an annual rate of 3.55% (seven-year IRS 0.75% + 2.80%) based on the issue price per share. The seven-year IRS rate will reset on the business day following the seventh year from the issue date and every seven years thereafter. The interest rate reset record date is two Taiwan bank days prior to the interest rate reset date. The interest rate index seven-year IRS is the arithmetic average of Reuter's TAIFXIRS and COSMOS3 seven-year interest rate swap quotes priced at 11:00 a.m. on the interest rate reset record date. If such quotes are not available on the interest rate reset record date, the Corporation will decide in good faith and based on reasonable market conditions.
- 3) The dividend on the preferred shares is paid annually in cash after the board of directors set the record date for the distribution of the preceding year's dividend after the financial report is approved by the shareholders at the annual general meeting. The number of dividends paid in the year of issuance and the number of dividends received in the year of recovery are calculated based on the actual number of days the preferred shares are outstanding in that year.
- 4) The Corporation has the discretion to distribute dividends on the preferred shares. If the Corporation has no or insufficient surplus to distribute dividends on the preferred shares in its annual accounts, or if the distribution of dividends on the preferred shares will cause the Corporation's capital adequacy ratio to fall below the minimum requirements set by law or by the competent authorities, or if there are other necessary considerations, the Corporation may resolve not to distribute dividends on the preferred shares and the preferred shareholders shall not dissent.
- 5) The preferred shares are noncumulative, and any undistributed or under-distributed dividends will not be accumulated and deferred in coming years.
- 6) The preferred shareholders shall not participate in the distribution of earnings and capital surplus in cash and capitalization of common shares, except for receiving the dividends set forth in 2).
- 7) The preferred shareholders shall have priority in the distribution of the residual property of the Corporation over the common shareholders, and the shareholders of each class of preferred shares shall be paid in the same order, provided that such distribution shall not exceed the original amount of issuance.
- 8) The preferred shareholders shall not have voting rights at general shareholders' meetings, but may be elected as directors, and shall have voting rights at shareholders' meetings of preferred shares and at shareholders' meetings concerning the rights and obligations of preferred shareholders.
- 9) Preferred shares shall not be converted into common shares.

10) The preferred shares issued by the Corporation have no expiration date and the preferred shareholders have no right to require the Corporation to buy back the preferred shares held thereby. On the day following the expiration of seven years from the date of issuance, the Corporation may redeem all or part of the preferred shares issued at the actual issue price, and the un-redeemed preferred shares shall continue to be subject to the rights and obligations of the aforementioned terms of issuance. If the Corporation decides to pay dividends in the current year, the dividends payable as of the date of recovery are calculated based on the actual number of days the preferred shares are outstanding in that year.

11) When the Corporation issues new shares for cash, the preferred shareholders have the same right of first refusal to purchase the new shares as the common shareholders.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Additional paid-in capital	\$ 15,559,230	\$ -
Arising from treasury stock transactions	1,682,294	1,468,147
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	18,483,237	80,994
Others	<u>422,719</u>	<u>78,587</u>
	<u>\$ 36,147,480</u>	<u>\$ 1,627,728</u>

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

The capital surplus from long-term investments may not be used for any purpose.

Under Order No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion comes from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, the surplus may be distributed as cash dividends or transferred to capital in the period of conversion, and the distribution is exempted from the appropriation restrictions of Article 41 of the Securities and Exchange Act and Article 8 of the Securities and Exchange Act Enforcement Rules.

c. Special revenue

According to Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, Grand Cathay and GCFC reclassified the default reserve and the trading loss reserve that had been set up until December 31, 2010 to special reserve. The Group also recognizes special revenue according to the percentage of holdings by the Group to subsidiaries directly and indirectly.

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital or according to Rule No. 09900738571 issued by FSC, the Corporation reclassified the legal reserve which exceed paid-in capital, then reversed the surpass part to retained earnings in line with the approval of FSC.

Under a directive issued by the SFB, whenever the components of shareholders' equity which includes unrealized gains or losses on financial instruments and cumulative translation adjustment but not treasury stock have debit balances, a special reserve equal to the total debit balance should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

When transitioning to IFRSs, the Corporation recognizes or reserves special revenue, under Rule No. 1010012865 issued by the FSC, Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Appropriation of earnings

Considering the necessity of business development and earnings enhancement, as well as in compliance with the relevant laws and regulations, the Corporation adopts a residual dividends policy. Cash dividend may not be less than 10% of total dividend.

Where the Corporation made profit after annual final accounting, the profit shall be first utilized for paying taxes, making up losses for previous years, setting aside legal reserve as well as setting aside or reversing special reserve in accordance with the laws and regulations, and then the remaining of the profit together with the addition of adjusted undistributed retained earnings in the beginning of the period shall be used as the basis for the distribution of dividends and bonus to shareholders. After the distribution of preferred share dividends according to the Articles of Incorporation, the remaining is subject to the range from 30% to 100% of the basis for the distribution as dividend for common shareholders. The distribution plan shall be proposed by the Board of Directors and resolved in the annual general shareholders meeting.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The appropriation of earnings of 2020 and 2019 was approved in the shareholders' meeting on July 20, 2021 and June 12, 2020 as follows:

	<b>Earnings Appropriation</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Earnings appropriation</u>				
Legal reserve	\$ 1,219,648	\$ 1,254,763		
Appropriation (reversal) of special reserve	3,790	(10,232,858)		
Cash dividends	8,244,420	8,982,659	\$0.55	\$0.6

Related information can be accessed at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Non-controlling interests

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 129,889,979	\$ 108,940,026
Attributable to non-controlling interests		
Share of profit for the year	12,056,044	8,021,009
Exchange differences on translation of financial statements of foreign operations <sup>400</sup>	3,819	(29,595)
Actual losses arising from defined benefit plans	(11,495)	(27,850)
Gain on equity instruments measured at FVTOCI	1,271,896	5,197,154
Gain (loss) on debt instrument measured at FVTOCI	(16,327,592)	11,839,468
Other comprehensive income (loss) reclassified using the overlay approach	397,939	(356,639)
Effect of changes on consolidated subsidiary	-	(312,981)
Reduction of cash capital by subsidiaries	-	(2,961,375)
Payment of cash dividends by subsidiaries	(846,724)	(1,806,361)
Changes in percentage of ownership interests in subsidiaries	(127,956,347)	-
Changes in non-controlling interests arising from paying dividends to subsidiaries	-	219,973
Disposal the Corporation shares	1,896,155	1,164,350
Others	(43,260)	2,800
Ending balance	<u>\$ 330,414</u>	<u>\$ 129,889,979</u>

**36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS**

<b>Subsidiaries</b>	<b>The Main Place of Business</b>	<b>Non-controlling Interests Held by the Proportion of Equity December 31, 2020</b>
China Life Insurance	Taipei	65.18%
		<b>Net Income Attributed to Non-controlling Interests For the Year Ended December 31, 2020</b>
China Life Insurance		<u>\$ 7,982,781</u>

	<b>Non-controlling Interests</b>
	<b>December 31, 2020</b>
China Life Insurance	<u>\$ 129,573,647</u>

The following aggregated financial information was prepared based on the amount before the intercompany transaction sales, and it has reflected the impact of the purchase method when the Corporation acquired China Life Insurance.

China Life Insurance

	<b>December 31, 2020</b>
Total assets	\$ 2,241,243,129
Total liabilities	<u>2,043,455,904</u>
Equity	<u>\$ 197,787,225</u>
Equity attributable to:	
Owners of parent	\$ 68,213,578
Non-controlling interest	<u>129,573,647</u>
	<u>\$ 197,787,225</u>
	<b>For the Year Ended December 31, 2020</b>
Revenue	<u>\$ 320,010,492</u>
Net profit for the period	\$ 12,247,155
Other comprehensive income	<u>25,500,843</u>
Total comprehensive income	<u>\$ 37,747,998</u>
Net profit attributable to:	
Owners of parent	\$ 4,264,374
Non-controlling interest	<u>7,982,781</u>
	<u>\$ 12,247,155</u>
Comprehensive income attributable to:	
Owners of parent	\$ 13,143,589
Non-controlling interest	<u>24,604,409</u>
	<u>\$ 37,747,998</u>

(Continued)

	<b>For the Year Ended December 31, 2020</b>
Cash flows	
From operating activities	\$ 156,538,868
From investing activities	(148,265,239)
From financing activities	<u>7,175,163</u>
Net increase in cash	<u>\$ 15,448,792</u>
Dividend payment to non-controlling interests	<u>\$ 1,745,638</u> (Concluded)

### 37. TREASURY SHARES

<b>Reason for Repurchase</b>	<b>Shares at Beginning of the Period (In Thousands)</b>	<b>Share Increase During the Period (In Thousands)</b>	<b>Share Decrease During the Period (In Thousands)</b>	<b>Shares at End of the Period (In Thousands)</b>
For the year ended <u>December 31, 2021</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment				
Common Stock	<u>126,329</u>	<u>340,417</u>	<u>126,329</u>	<u>340,714</u>
Preferred Stock	<u>-</u>	<u>310,901</u>	<u>-</u>	<u>310,901</u>
For the year ended <u>December 31, 2020</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>378,493</u>	<u>-</u>	<u>252,164</u>	<u>126,329</u>

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition were treated as treasury stock. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to CTBC. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. CTBC had finished the deal in December 2020. For the year ended 2021, China Life Insurance became the Corporation's 100% owned subsidiary through a share swap. KGI Securities held the Corporation's shares. The Corporation converted the shares into treasury shares at the price of the share conversion. The market price of the shares was \$8,944,032 thousand on December 31, 2021. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized at book value based on the proportion of shares acquired on the date of acquisition. China Life Insurance completed the deal in May 2021. The market price of the shares was \$1,174,857 thousand on December 31, 2020.

Under the Securities and Exchange Act, the Corporation should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Corporation should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Corporation should not use treasury shares to secure any of its obligations and should not exercise any shareholders' rights on those shares.

### 38. INTEREST PROFIT, NET

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Interest revenues</u>		
Securities	\$ 55,682,962	\$ 57,857,759
Discounts and loans	9,913,791	10,424,471
Others	<u>3,628,475</u>	<u>4,061,641</u>
	<u>69,225,228</u>	<u>72,343,871</u>
<u>Interest expenses</u>		
Deposits	1,720,824	3,100,952
Corporate bonds	729,481	394,084
Notes and bonds issued under repurchase agreements	348,036	929,976
Borrowing interest expense	246,216	388,190
Bank debentures	181,717	226,316
Others	<u>346,691</u>	<u>600,400</u>
	<u>3,572,965</u>	<u>5,639,918</u>
Interest profit, net	<u>\$ 65,652,263</u>	<u>\$ 66,703,953</u>

### 39. SERVICE FEE AND COMMISSION, NET

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Service fee revenue and commission income</u>		
Brokerage	\$ 16,415,959	\$ 12,159,002
Security lending	1,396,380	808,424
Trust	1,050,061	741,687
Commission income - insurance	514,016	462,127
Others	<u>2,889,232</u>	<u>2,461,351</u>
	<u>22,265,648</u>	<u>16,632,591</u>
<u>Service fee expense and commission expense</u>		
Commission expense - insurance	10,910,098	8,859,808
Brokerage	2,693,460	1,856,834
Others	<u>2,671,362</u>	<u>3,055,133</u>
	<u>16,274,920</u>	<u>13,771,775</u>
Service fee and commission, net	<u>\$ 5,990,728</u>	<u>\$ 2,860,816</u>

#### 40. NET INCOME FROM INSURANCE OPERATIONS

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Insurance business income</u>		
Premium income	\$ 199,992,701	\$ 244,262,124
Reinsurance premium expense	(1,533,969)	(1,436,951)
Changes in unearned premium reserve	<u>(184,701)</u>	<u>(211,412)</u>
Retained earned premium	198,274,031	242,613,761
Separate-account insurance products revenues	<u>11,535,847</u>	<u>9,521,558</u>
	<u>209,809,878</u>	<u>252,135,319</u>
<u>Insurance business expense</u>		
Insurance claim payments	(133,876,216)	(108,542,178)
Claims recovered from reinsures	<u>826,668</u>	<u>747,249</u>
Retained claim payments	(133,049,548)	(107,794,929)
Brokerage expense	(6,968)	(8,198)
Disbursements toward industry stability fund	(339,309)	(412,394)
Changes in foreign exchange valuation reserve	671,883	(1,655,968)
Separate-account insurance products expenses	<u>(11,535,847)</u>	<u>(9,521,558)</u>
	<u>(144,259,789)</u>	<u>(119,393,047)</u>
Insurance business, net	<u>\$ 65,550,089</u>	<u>\$ 132,742,272</u>

#### 41. GAIN (LOSS) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Stocks	\$ 30,978,858	\$ 17,023,045
Derivatives	13,711,731	14,295,997
Operating securities	5,573,320	6,639,505
Bonds	(1,898,609)	3,058,664
Mutual funds	484,170	5,615,392
Others	<u>767,783</u>	<u>3,092,667</u>
	<u>\$ 49,617,253</u>	<u>\$ 49,725,270</u>

For the years ended December 31, 2021 and 2020, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$2,857,374 thousand and \$3,182,919 thousand, respectively, dividend income of \$11,186,807 thousand and \$11,261,366 thousand, respectively and interest expense of \$436,782 thousand and \$758,748 thousand, respectively.

**42. REALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on bond disposal	\$ 16,712,114	\$ 8,614,283
Dividend income	1,855,323	1,238,830
Others	<u>3,341</u>	<u>11,118</u>
	<u>\$ 18,570,778</u>	<u>\$ 9,864,231</u>

**43. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES**

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employee benefit expense		
Salaries and wages	\$ 17,988,652	\$ 14,435,157
Employee insurance	1,212,645	1,093,369
Pension	722,967	693,285
Others	<u>2,331,660</u>	<u>1,331,773</u>
	<u>\$ 22,255,924</u>	<u>\$ 17,553,584</u>
Depreciation and amortization expenses	<u>\$ 3,631,430</u>	<u>\$ 3,454,115</u>

The Company's Articles of Incorporation stipulate to distribute compensation of employees and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration to directors and supervisors. For the years ended December 31, 2021 and 2020, the compensation of employees was \$357,000 and \$134,000 thousand. The remuneration of directors and supervisors was \$355,000 and 133,000 thousand.

The compensation of employees and remuneration to directors and supervisors for 2020 and 2019 which have been approved by the board of directors on March 22, 2021 and March 30, 2020, respectively, were as follows. The compensation of employees and remuneration of directors and supervisors for 2020 and 2019 which were reported in the shareholders meeting on July 20, 2021 and June 12, 2020, respectively.

	<b>For the Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 134,000	\$ 127,000
Remuneration of directors and supervisors	133,000	126,000

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

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

The information on the proposed and approved compensation to employees and directors and supervisor is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

#### 44. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries holding over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings in accordance with Article 49 of Financial Holding Company Act and Article 40 of Business Mergers and Acquisitions Act. Thus, the Corporation adopted the linked-tax system for income tax filing with its eligible subsidiaries, income tax and unappropriated earnings tax filings.

The principle adopted by the Group under the linked-tax system is to reduce the income tax liabilities of the Group and to consider the fairness of the tax borne by all the companies in order to maximize the synergy of the Group. The Group adopt the linked-tax system for tax filings. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation with its qualified subsidiaries are allocated and adjusted to income tax expense/benefit on the Corporation and each subsidiary pro rata; related amounts are recognized as receivables from parent or payable on parent.

a. Income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax		
Current period	\$ 5,579,951	\$ 4,802,305
Prior years	(233,664)	(137,932)
Income tax on unappropriated earnings	136,820	658,208
Others	<u>686</u>	<u>(164,787)</u>
	5,483,793	5,157,794
Deferred income tax	<u>(383,569)</u>	<u>(3,885,687)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,100,224</u>	<u>\$ 1,272,107</u>

b. The reconciliation of accounting income and current income tax expense adjustments were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expenses at the statutory rate	\$ 10,439,940	\$ 4,389,679
Effect of different tax rates of group entities operating in other jurisdictions	266,886	130,522
Permanent differences	(7,084,109)	(5,198,662)
Unrecognized temporary differences	(249,542)	(41,053)
Loss carryforwards	-	4,802
Prior year's adjustments	(235,599)	(137,932)
Additional income tax under the Alternative Minimum Tax Act	1,400,043	1,281,430
Income tax on unappropriated earnings	136,820	658,208
Others	<u>425,785</u>	<u>185,113</u>
	<u>\$ 5,100,224</u>	<u>\$ 1,272,107</u>

c. Income tax expense (benefit) recognized in other comprehensive income were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax		
(Gain) loss on equity instruments at fair value through other comprehensive income	\$ 194,549	\$ (38,858)
Deferred income tax		
(Gain) loss on debt instruments at fair value through other comprehensive income	(6,151,535)	3,261,415
(Gain) loss on equity instruments at fair value through other comprehensive income	(937,414)	806,442
Actuarial gain (loss) on defined benefit plans	(46,476)	(45,277)
(Gain) loss on reclassification using the overlay approach	<u>(474,694)</u>	<u>(363,608)</u>
Income tax expense (benefit)	<u>\$ (7,415,570)</u>	<u>\$ 3,620,114</u>

d. Income tax expense (benefit) recognized in equity were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax		
Disposal of equity instruments at fair value through other comprehensive income	\$ (86,626)	\$ (62,300)
Income tax of participating insurance recognized in equity	(24,195)	-
Deferred income tax		
Gain (loss) on equity instruments at fair value through other comprehensive income	86,626	62,300
Deferred income tax related to tax losses and reversals	<u>-</u>	<u>(14,395)</u>
Income tax benefit	<u>\$ (24,195)</u>	<u>\$ (14,395)</u>

e. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax assets</u>		
Unrealized loss on foreign exchange	\$ 11,358,097	\$ 10,662,456
Loss carryforwards	6,221	34,878
Allowance for bad debts	491,301	516,110
Financial products valuation	1,602,195	690,395
Others	<u>545,466</u>	<u>496,126</u>
	<u>\$ 14,003,280</u>	<u>\$ 12,399,965</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax liabilities</u>		
Financial products valuation	\$ 2,861,521	\$ 8,984,327
Purchase policy value	2,344,257	2,410,751
Goodwill	986,155	986,154
Investment property	1,151,968	1,106,173
Debt instruments measured at amortized cost	603,277	709,738
Land value increment tax	533,346	768,050
Others	<u>527,100</u>	<u>346,177</u>
	<u>\$ 9,007,624</u>	<u>\$ 15,311,370</u>

(Concluded)

f. Income tax assessments

The Corporation's income tax returns through 2016 had been examined by the tax authorities. The Corporation did not agree with the assessment of the taxes in 2015, and was in the process of administrative remedy.

The income tax returns of KGI bank through 2016 had been examined by the tax authorities. The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp. through 2019 had been examined by the tax authorities.

The income tax returns of KGI Securities through 2016 had been examined by the tax authorities. KGI Securities did not agree with the assessment of the taxes in 2015 and 2016, and was in the process of administrative remedy.

The income tax returns of KGI Futures Co., KGI Securities Investment Trust Co., Ltd. and KGI Venture Capital Co., Ltd., through 2019 had been examined by the tax authorities.

The income tax returns of KGI Insurance Brokers Co., Ltd., KGI Securities Investment Advisory Co., Ltd. and KGI Information Technology Co., Ltd. through 2020 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2016 had been examined by the tax authorities.

The income tax returns of CDIB Capital Management Inc., through 2019 had been examined by the tax authorities. The income tax returns of CDIB Venture Capital Corp. through 2018 had been examined by the tax authorities.

The income tax returns of China Development Asset Management Corp.(formerly CHG3) through 2019 had been examined by the tax authorities. The income tax returns of CHG4 and Development Industrial Bank Asset Management Corp. through 2018 had been examined by the tax authorities. The income tax returns of formerly China Development Asset Management Corp. through 2017 and 2019 had been examined by the tax authorities.

China Life Insurance's the income tax returns through 2019 had been examined by the tax authorities.

#### 45. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
Basic EPS	<u>\$ 2.34</u>	<u>\$ 0.87</u>
Diluted EPS	<u>\$ 2.34</u>	<u>\$ 0.87</u>

The earnings and weighted average number of common shares outstanding in the computation of EPS were as follows:

##### Net Profit for the Period

	For the Years Ended December 31	
	2021	2020
Earnings used in the computation of EPS	<u>\$ 35,043,431</u>	<u>\$ 12,655,277</u>

##### Weighted Average Number of Common Shares Outstanding (In Thousand Shares)

	For the Years Ended December 31	
	2021	2020
Weighted average number of common shares outstanding in computation of basic EPS	14,969,971	14,615,571
Effect of dilutive potentially common shares:		
Employee share options	9,799	7,767
Restricted shares	<u>-</u>	<u>31</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,979,770</u>	<u>14,623,369</u>

#### 46. SHARE-BASED PAYMENT ARRANGEMENTS

##### a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 and 11,088 thousand options on conversion date, September 15, 2014. Each option entitles the holder to subscribe for one common share of the Corporation. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now. The unexercised units of the options granted have passed its expiration date in May and August 2021, respectively.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Corporation. The options granted are valid for 7 years and exercisable 2 years after the issuance date. The unexercised units of the options granted in October 2014 have passed its expiration date in October 2021.

For any subsequent changes in the Corporation's issued common stocks, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Years Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	44,109	\$ 6.92	50,514	\$ 7.33
Options exercised	(34,947)	6.83	(4,864)	7.11
Options invalid	<u>(9,167)</u>	6.92	<u>(1,541)</u>	7.11
Balance at December 31	<u><u>-</u></u>		<u><u>44,109</u></u>	6.92
Options exercisable, end of period	<u><u>-</u></u>		<u><u>44,109</u></u>	6.92
Weighted-average remaining contractual life (years)	-		0.58	

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2021 and 2020 were \$12.07 and \$9.80, respectively.

Options granted on conversion date were priced using the trinomial trees model and the inputs to the model were as follows:

Grant-date share price	\$9.54-\$10
Exercise price	\$7.68-\$9.99
Expected volatility	14.94%-15.45%
Expected life	6.64-7 years
Expected dividend yield	1.50%
Risk-free interest rate	1.5647%-1.6283%
Early exercise of the multiplier	1.63

Expected volatility was based on the historical share price volatility over the past 1 year.

Compensation costs for the years ended December 31, 2021 and 2020 were \$0 thousand and \$16 thousand, respectively.

b. Issuance of restricted shares

The board of directors of the Corporation has decided to issue restricted shares for \$13,216 thousand in total, and with a par value of \$10 per share, i.e., a total of 1,322 thousand shares at issue price of \$0 (free issuance) on January 19, 2017. Further, the board of directors made January 25, 2017 as the record date for the issuance of shares.

On November 19, 2021, the board of directors of the Corporation has decided to issue restricted shares for \$1,099,910 thousand in total, and with a par value of 10 per share, i.e., a total of 109,991 thousand shares at issue price of \$0 (free issuance). Further, the board of directors made December 1, 2021 as the record date for the issuance of shares. The fair value of the stock on the grant date is measured by performance indicators.

The vesting portion of shares was measured according to the achievement of the performance indicators, and the vesting rate of the shares is 40%, 30% and 30% in installments. Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, asking the Corporation to buy them back or in any other way dispose of these shares except inheritance. Besides, employees do not have preemptive rights when capital increase but do share the same rights of issued common stock (which includes but not confined to cash dividend, stock dividend, capital decrease, capital surplus cash (stock) or any rights that was originated from legal subject such as consolidation, split or stock-exchange which we called “allocated rights” thereafter). Allocated rights have to be in the trust before meeting the vesting conditions.

After the restricted shares are allocated to employees, the Corporation will retrieve and cancel the stocks with no reimbursement if the vesting conditions are not met. The Corporation will also retrieve the allocated rights at the rate of shares of vesting conditions not met divided by shares allocated, with no reimbursement. If it is stocks that are retrieved, they shall be cancelled in each year of the vesting period.

For the years ended December 31, 2021 and 2020, the Corporation recognized \$37,910 thousand and \$0 thousand as compensation cost.

#### 47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In February 2021, the Corporation acquired 1,000,000 thousand ordinary shares of China Life Insurance through public tender offer, resulting in an increase of its equity interests in China Life Insurance from 34.82% to 55.95%. On December 30, 2021, the share conversion was completed, and each ordinary share of China Life Insurance was exchanged for 0.8 ordinary shares, 0.73 preferred shares and NT\$11.5 in cash, resulting in an increase in the combined shareholding ratio from 55.95% to 100%.

The above transactions were accounted for as equity transactions, since there is no change of the Group’s control over China Life Insurance.

	<b>For the Year Ended December 31, 2021</b>
Cash consideration received	\$ (48,524,164)
Shares consideration received	(46,163,849)
Changes in non-controlling interests	127,956,347
Reattribution of other equity to (from) non-controlling interests	
- exchange differences on translation of financial statements of foreign operations	46,118
- unrealized gain (loss) on financial assets at FVTOCI	(12,824,783)
- other comprehensive income reclassified using the overlay approach	(2,564,263)
Treasury shares	<u>476,837</u>
Differences recognized from equity transactions	<u>\$ 18,402,243</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus	<u>\$ 18,402,243</u>

#### 48. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Others	Other related parties

b. Significant transactions with related-parties

- 1) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	<b>Amount</b>
December 31, 2021	\$ 9,201,707
December 31, 2020	10,851,339

- 2) Revenue receivable (recognized as receivables, net)

	<b>Amount</b>
December 31, 2021	\$ 482,423
December 31, 2020	572,760

- 3) Receivable on margin loans (recognized as receivables, net)

	<b>Amount</b>
December 31, 2021	\$ 67,513
December 31, 2020	36,243

- 4) Credit card receivable (recognized as receivables, net)

	<b>Amount</b>
December 31, 2021	\$ 20,006
December 31, 2020	16,218

- 5) Other receivables (recognized as receivables, net)

	<b>Amount</b>
December 31, 2021	\$ 20,306
December 31, 2020	9,757

6) Discounts and loans, net

KGI Bank

	Amount	Interest Rate (%)
December 31, 2021	\$ 993,280	0.00-10.99
December 31, 2020	1,029,731	0.00-15.00

For the years ended December 31, 2021 and 2020, the interest revenues from discounts and loans were \$12,561 thousand and \$14,705 thousand, respectively.

**For the Year Ended December 31, 2021**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	37	\$ 35,672	\$ 19,064	\$ 19,064	\$ -	None/credit guarantee fund	Yes
Residential mortgage loans	85	1,295,373	944,915	944,915	-	Real estate	Yes
Others	8	44,003	29,301	29,301	-	Real estate	Yes

**For the Year Ended December 31, 2020**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	44	\$ 38,964	\$ 16,992	\$ 16,992	\$ -	None/credit guarantee fund	Yes
Residential mortgage loans	86	1,324,357	1,002,832	1,002,832	-	Real estate	Yes
Others	8	16,259	9,907	9,907	-	Real estate	Yes

China Life Insurance

	Amount
December 31, 2021	\$ 5,451
December 31, 2020	22,602

7) Customer margin accounts (recognized as other financial assets)

	December 31	
	2021	2020
Other related parties	\$ 8,340	\$ 13,996

8) Other payables (recognized as payables)

	<b>Amount</b>
December 31, 2021	\$ 1,914,642
December 31, 2020	1,842,343

9) Deposits and remittances

	<b>Amount</b>	<b>Interest Rate (%)</b>
December 31, 2021	\$ 1,554,947	0-5.35
December 31, 2020	1,374,476	0-5.58

For the years ended December 31, 2021 and 2020, the interest expenses from deposits and remittances were \$7,049 thousand and \$9,148 thousand, respectively.

10) Unearned receipt (recognized as other liabilities)

	<b>Amount</b>
December 31, 2021	\$ 102,065
December 31, 2020	112,459

11) Brokerage handling fee revenue (recognized as service fee and commission, net)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 29,127	\$ 17,999

12) Premium income (recognized as insurance business, net)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 137,631	\$ 126,250

13) Lease income (recognized as other noninterest profits and gains, net)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 20,133	\$ 7,997

14) Consulting service revenue (recognized as other noninterest profits and gains, net)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 504,260	\$ 547,952

15) Donation (recognized as other general and administrative expense)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 63,250	\$ 88,750

16) Gain (loss) on financial assets or liabilities measured at FVTPL-dividend income

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 228,934	\$ 244,314

17) Outstanding derivative financial instruments

KGI Securities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Contract Amount</b>	<b>Contract Amount</b>
<u>Structured products liabilities</u>		
Other related parties	\$ 22,044	\$ 40,133

18) Compensation of key management personnel

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salary and short-term benefits	\$ 1,079,836	\$ 620,064
Post-employment benefits	4,530	2,005
Share-based payment	<u>4,860</u>	<u>-</u>
	<u>\$ 1,089,226</u>	<u>\$ 622,069</u>

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

- c. Related-party transactions were at costs or prices of at least NT\$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

KGI Bank and subsidiaries

<b>Related Party</b>	<b>Relationship with the KGI Bank and Subsidiaries</b>
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

- 1) Futures contract (recognized as cash and cash equivalents)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 326,505	\$ 120,667

- 2) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2021</u>		
Subsidiary of the parent company	\$ 4,399,624	\$ 61,000
<u>For the year ended December 31, 2020</u>		
Subsidiary of the parent company	2,500,000	129,000

- 3) Acquisition of property and equipment

	<b>Price</b>
<u>For the year ended December 31, 2021</u>	
Subsidiary of the parent company	\$ 410,000

- 4) Lease agreement

	<b>For the Year Ended December 31, 2021</b>
<u>Acquisition of right-of-use assets</u>	
Subsidiary of the parent company	\$ 2,294,586

**December 31,  
2021**

Lease liabilities

Subsidiary of the parent company \$ 2,352,433

Determination of rental price above is similar with market price, and payment of rental fee is on a monthly/quarterly basis.

5) Payable on parent (recognized as current tax liabilities)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 878,223	\$ 644,352

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns.

6) Payables from purchase of securities (recognized as payables)

	<b>Amount</b>
December 31, 2021	\$ 833,997

7) Deposits and remittances

	<b>Amount</b>	<b>Interest Rate (%)</b>
<u>December 31, 2021</u>		
Parent company	\$ 1,444,662	0-0.42
Subsidiary of the parent company	17,162,327	0-1.00
Other related parties	200,000	0.04-0.38
<u>December 31, 2020</u>		
Parent company	14,837,864	0-0.65
Subsidiary of the parent company	11,341,397	0-2.28
Other related parties	250,000	0.38

8) Temporary receipts (recognized as other liabilities)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 1,662,596	\$ 2,045,386

The above account is temporary receipts of Automated Clearing House (ACH).

9) Service fee revenue

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 213,004	\$ 189,378

10) Outstanding derivative financial instrument

**December 31, 2021**

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 16, 2021-September 6, 2022	\$ 17,920,968	\$ (56,773)	Financial liabilities at FVTPL	\$ 56,773
	Cross-currency swap contracts	March 12, 2020-May 26, 2025	583,858	\$ (36,290)	Financial assets at FVTPL	12,199
					Financial liabilities at FVTPL	491

**December 31, 2020**

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 6, 2020-April 13, 2021	\$ 14,174,178	\$ (115,520)	Financial assets at FVTPL	\$ 2,294
					Financial liabilities at FVTPL	117,814
	Cross-currency swap contracts	March 12, 2020-May 26, 2022	590,470	47,999	Financial assets at FVTPL	47,999

KGI Securities and subsidiaries

<b>Related Party</b>	<b>Relationship with the KGI Securities and Subsidiaries</b>
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 321,426	\$ 836,736

2) Financial assets at fair value through profit and loss - current

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Open ended fund and money market instruments and other securities</u>		
Other related parties	\$ 561,788	\$ 580,998
<u>Operating securities</u>		
Subsidiary of the parent company	4,849,990	4,849,985
Other related parties	1,935,719	1,737,214

3) Financial assets at fair value through other comprehensive income - current

	<b>December 31, 2021</b>
<u>Stocks</u>	
Parent company	\$ 8,944,032

4) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2021</u>		
Subsidiary of the parent company	\$ 61,000	\$ 4,399,624
<u>For the year ended December 31, 2020</u>		
Subsidiary of the parent company	129,000	10,740,400

5) Customer margin accounts

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 786,409	\$ 710,692

6) Account receivables

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 1,065,427	\$ 31,574
Other related parties	428,471	546,996

7) Amounts held for settlement (recognized as other current assets)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 4,139,173	\$ 343,145

8) Restricted assets (recognized as other current assets)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 4,794,468	\$ 1,916,446

9) Customers' equity accounts - futures

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 407,286	\$ 122,324

10) Payables

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 423,877	\$ 547,761

11) Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 2,372,268	\$ 1,199,385

12) Interest revenue

	<b>For the Year Ended December 31, 2021</b>
Subsidiary of the parent company	\$ 130,950

13) Other operating revenue

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 212,041	\$ 290,597

14) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

	<b>For the Year Ended December 31, 2020</b>
Parent company	\$ 104,082

15) Other operating expense

	<b>For the Year Ended December 31, 2020</b>
Subsidiary of the parent company	\$ 155,762

CDIB Capital Group and subsidiaries

<u>Related Party</u>	<u>Relationship with CDIB Capital Group and Subsidiaries</u>
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 6,207,300	\$ 5,857,551

2) Receivables from parent (recognized as current tax assets)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 218,787	\$ 240,257

The receivables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

3) Sale of property and equipment

	<b>Price</b>	<b>Profit</b>
<u>For the year ended December 31, 2021</u>		
Subsidiary of the parent company	\$ 410,000	\$ 232,347

4) Lease agreement

	<b>For the Year Ended December 31, 2021</b>
<u>Acquisition of right-of-use assets</u>	
Subsidiary of the parent company	\$ 808,655
	<b>December 31, 2021</b>

Lease liabilities

Subsidiary of the parent company	\$ 790,103
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Determination of rental price above is similar with market price, and payment of rental fee is on a monthly/quarterly basis.

5) Restricted assets (recognized as other current assets)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 1,336,960	\$ 1,139,294

6) Payables to parent (recognized as current tax liabilities)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 636,624	\$ 519,807

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

7) Other payables

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 1,336,960	\$ 1,139,294

8) Cash dividend payable

	<b>December 31, 2020</b>
Parent company	\$ 1,500,000

9) Consulting service revenue

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 142,270	\$ 154,972

10) Outstanding derivative financial instrument

December 31, 2021

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Cross-currency swap contracts	March 12, 2020 - May 26, 2025	\$ 573,639	\$ (11,550)	Financial liabilities at FVTPL	\$ 11,417

December 31, 2020

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Cross-currency swap contracts	March 12, 2020 - May 26, 2022	\$ 537,118	\$ (49,784)	Financial liabilities at FVTPL	\$ 48,000

China Development Asset Management Corp.

<b>Related Party</b>	<b>Relationship with the China Development Asset Management Corp.</b>
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company
Others	Other related parties

- Payables to parent (recognized as current tax liabilities)

	<b>December 31, 2021</b>
Parent company	\$ 100,550

China Life Insurance

<b>Related Party</b>	<b>Relationship with the China Life Insurance</b>
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp.	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 913,551	\$ 1,503,444

2) Receivables

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 1,776,237	\$ 2,045,386

3) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Other related parties	\$ 6,704,200	\$ 8,452,235

4) Financial assets at fair value through other comprehensive income

	<b>December 31, 2020</b>
<u>Stocks</u>	
Parent company	\$ 3,374,154

5) Bonds payable

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Subsidiary of the parent company	\$ 4,850,000	\$ 4,850,000

6) Investment balances appointed to related parties' discretionary investment

	<b>December 31, 2020</b>
Subsidiary of the parent company	\$ 1,737,861

7) Purchase and sale of bonds

	<b>Purchase of Bonds</b>
<u>For the year ended December 31, 2020</u>	
Subsidiary of the parent company	\$ 8,231,600

8) Payables			
			<b>December 31, 2021</b>
Subsidiary of the parent company		\$	167,892
9) Service fee revenue			
			<b>For the Year Ended December 31, 2020</b>
Subsidiary of the parent company		\$	159,611
10) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)			
			<b>For the Year Ended December 31, 2020</b>
Subsidiary of the parent company		\$	337,481
11) Rent income			
			<b>For the Year Ended December 31, 2021</b>
Subsidiary of the parent company		\$	160,721
12) Commission expense			
			<b>For the Years Ended December 31</b>
			<b>2021</b>
			<b>2020</b>
Subsidiary of the parent company	\$	419,827	\$ 371,858
13) Finance costs			
			<b>For the Year Ended December 31, 2021</b>
Subsidiary of the parent company		\$	130,957

#### 14) Outstanding derivative financial instrument

December 31, 2021

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiary of the parent company	Currency swap contracts	August 16, 2021 - September 6, 2022	US\$ 645,000	Financial assets at FVTPL	\$ 58,900

December 31, 2020

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiary of the parent company	Currency swap contracts	February 6, 2020 - April 13, 2021	US\$ 375,000	Financial assets at FVTPL	\$ 118,238
	Currency swap contracts	November 25, 2020 - February 26, 2021	US\$ 120,000	Financial liabilities at FVTPL	1,278

#### 49. PLEDGED ASSETS

The following assets and partial guarantee recognized as other current assets have been (a) pledged to various financial institutions as guarantees and collaterals for short-term loans, commercial paper payable, long-term loans, and overdraft, (b) pledged with Taipei Exchange Securities Market for settlement reserve, (c) required by the Central Bank for day-term overdraft, (d) required by government for bidding of government bonds, (e) pledged as part of the requirements for filing a petition for tax reassessment, (f) pledged as operating guarantee, compensation reserve and wealth management compensation, (g) pledged as guarantee deposit for overseas bonds sold with repurchase agreement, and (h) derivative transactions security deposit.

	December 31	
	2021	2020
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	\$ 18,035,956	\$ 16,502,418
Property and equipment, net	4,527,463	4,601,044
Other financial assets - pledged deposits	3,302,021	2,278,271
Financial assets at fair value through profit or loss	594,564	596,231
Due from the Central Bank and call loans to financial institutions	500,000	500,000
Accounts receivable - installment accounts receivables and lease receivables	262,312	937,661
Financial assets at fair value through other comprehensive income	204,492	173,300
Investment property, net	156,144	122,196

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on December 31, 2020 have been pledged.

## 50. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 52 and 54 were summarized as follows:

- a. In April 2007, the Corporation and Morgan Stanley entered into a credit default swap (CDS) contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to the Corporation by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to the Corporation. On July 15, 2010, the Corporation initiated action (“Litigation”) against Morgan Stanley & Co. International PLC (“Morgan Stanley”) et al. to recover losses the Corporation suffered as a result of its investment in a Morgan Stanley’s CDS product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. In addition, Morgan Stanley overlooked the Corporation’s efforts and terminated the Corporation’s interest rate swap (IRS) contracts and CDS contracts in August 2010. In March 2021, the Corporation reached an agreement with Morgan Stanley to settle the Litigation, and the parties have agreed to discontinue all claims and to release each other from the associated claims and liabilities.
- b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds which issued on November 7, 2007, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor with jointly liability amounted to \$133,308 thousand plus 5% interest. The Taipei District Court judged that KGI Securities won favorable decisions in the first instance on January 29, 2021. After an appeal by the Securities and Futures Investors Protection Center, the case is currently being heard by the Taiwan High Court.
- c. Plaintiffs, Digital Imaging Solution Global Ltd. (“Digital”) and Minda Consulting Ltd. (“Minda”), advocated that GT based on stock pledge generated from loans of HK\$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina without Minda’s approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK\$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals.
- d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of \$592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. On November 29, 2019, the Taipei District Court judged that CDIB Capital Management Corporation partially lost the lawsuit, and should pay \$31,010 thousand plus 5% interest (from November 13, 2013 till the date of payment). CDIB Capital Management Corporation and Powercom Ltd. has appealed on January 9, 2020, and could not estimate the related possible loss because the case was currently pending with the Taiwan High Court and the final outcome of the court is uncertain.

- e. The case KGI Bank is acting vigorously is regarding to Prince Motors' overdue debt. In December 2012, a third party filed a lawsuit claiming that the KGI Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court adjudicated that the mortgage is cancelled and the KGI Bank has to return the amount of \$1,786,318 thousand. The KGI Bank has appealed against this sentence on March 10, 2014. The original adjudication in favor of the third party was revoked by the court. The third party filed a new appeal and the Supreme Court ordered the high court to conduct a new trial on November 9, 2018. The High Court issued a judgement on August 17, 2021, upholding the original Taipei District Court's decision to revoke the part of the mortgage, and dismissed the third party's request for the KGI Bank to pay the received money. The KGI Bank and the third party each filed a third-instance appeal for losing part of the lawsuit. As of the day which board of directors adopts the consolidation financial report, the case is being heard by the Taiwan Supreme Court.
- f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Except for extra services will be charged by professional rates, the basic framework, support service, IT application service, integration and transformation of server and so on are charged by the contract. In response to information age and to improve quality of service, KGI Bank keeps replacing its core system and other related systems. After that, KGI Bank will reduce its demand on the basic framework and IT application services mentioned before. The contract about related service scope, which was approved by the board of directors on August 21, 2018, came into effect on January 1, 2019. As of December 31, 2021, KGI Bank has to pay a total of \$64,858 thousand in the future contract periods.
- g. On December 16, 2016, the Corporation signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2017 and April 12, 2021 signed the first and second contract change protocol, respectively. The modified total amount of the contract is \$5,738,173 thousand. As of December 31, 2021, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$5,721,586 thousand and unpaid amount is \$16,587 thousand.

## 51. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, KGI BANK, KGI SECURITIES AND CHINA LIFE INSURANCE

### Consolidated Profitability

(%)

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	1.51	0.68
	After income tax	1.37	0.64
Return on net worth	Before income tax	16.68	6.98
	After income tax	15.05	6.57
Profit margin		24.50	9.20

**Profitability of CDFH**

(%)

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	11.62	5.80
	After income tax	11.63	5.60
Return on net worth	Before income tax	14.09	6.69
	After income tax	14.14	6.49
Profit margin		93.44	87.96

**Profitability of KGI Bank**

(%)

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	0.66	0.65
	After income tax	0.55	0.59
Return on net worth	Before income tax	7.40	7.20
	After income tax	6.22	6.44
Profit margin		36.58	37.19

**Profitability of KGI Securities**

(%)

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	5.14	3.65
	After income tax	4.64	3.46
Return on net worth	Before income tax	20.01	13.22
	After income tax	18.07	12.53
Profit margin		55.87	58.47

**Profitability of China Life Insurance**

(%)

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	1.40	0.74
	After income tax	1.27	0.74
Return on net worth	Before income tax	17.58	9.70
	After income tax	16.00	9.65
Profit margin		9.51	4.81

## 52. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

- 1) Level 1 fair values are quoted prices in active markets for financial instruments.
- 2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.
- 3) Level 3 refers to inputs that are not based on observable market data.

b. Fair value

- 1) The fair value hierarchy of financial instruments were as follows:

December 31, 2021

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 212,532,873	\$ 332,399	\$ 8,820,446	\$ 221,685,718
Bond investments	28,690,428	69,747,925	940,171	99,378,524
Others	176,567,615	10,905,975	21,258,883	208,732,473
Financial assets designated as at FVTPL	-	-	4,740,512	4,740,512
Financial assets at FVTOCI				
Stock investments	43,989,149	343,068	20,126,776	64,458,993
Bond investments	210,211,909	162,587,439	-	372,799,348
Others	-	70,115,980	-	70,115,980
Other financial assets				
Purchased debt receivable	-	-	212,442	212,442
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	12,390,186	2,451,443	-	14,841,629
Financial liabilities designated as at FVTPL	-	10,354,365	-	10,354,365
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets for hedging	858,403	18,986,765	165,778	20,010,946
	-	259,267	-	259,267
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,962,432	18,015,129	3,229,459	23,207,020
Financial liabilities designated as at FVTPL	1,012	9,294,131	-	9,295,143
Financial liabilities for hedging	-	73,006	-	73,006

December 31, 2020

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 165,849,610	\$ 95,240	\$ 8,816,035	\$ 174,760,885
Bond investments	43,953,448	58,395,516	706,688	103,055,652
Others	165,148,529	13,599,239	12,274,019	191,021,787
Financial assets designated as at FVTPL	-	377,512	1,854,964	2,232,476
Financial assets at FVTOCI				
Stock investments	38,518,348	11,136	23,144,621	61,674,105
Bond investments	375,819,230	210,042,673	-	585,861,903
Others	-	65,426,069	-	65,426,069
Other financial assets				
Purchased debt receivable	-	-	162,247	162,247
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	18,913,947	799,876	-	19,713,823
Financial liabilities designated as at FVTPL	-	11,077,401	-	11,077,401
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets for hedging	1,420,211	70,895,029	109,776	72,425,016
Financial assets for hedging	-	102,479	-	102,479
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	975,223	73,285,045	3,706,831	77,967,099
Financial liabilities designated as at FVTPL	767	7,383,477	-	7,384,244
Financial liabilities for hedging	-	641,307	-	641,307

## 2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly divided into analytical solution model (for example: Black-Scholes model) and numerical method model (for example Monte Carlo simulation).

## 3) Reconciliation of fair value

### a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To accept approaches and principles for the making the appropriate adjustments, all parameters and price information should be evaluated thoroughly and make reference from market situation.

b) Credit risk valuation adjustments

Credit risk valuation adjustments are classified into Credit value adjustments and Debit value adjustments, and definitions are the following:

- The credit value adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.
- The debit value adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

The Group calculates their debit valuation adjustment on the basis of their international credit assessment and model and international accounting standard of a counterparty's probability of default (PD), which is subject to standard supervisory parameters, take loss given default (LGD) into consideration and multiplied by their estimates of the counterparty's exposure at default (EAD). On the contrary, the Group calculates their credit valuation adjustment on the basis of the Group's PD, which is subject to standard supervisory parameters, take LGD into consideration and multiplied by their estimates of the Group's EAD.

The Group calculates the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percent of EAD based on Taiwan Stock Exchange (TWSE) guidance.

The Group takes Credit risk valuation adjustments for determining the fair value of financial instruments and reflect counterparty's credit risk and the Corporation's credit quality.

4) Transfer between the Level 1 and Level 2

	For the Year Ended December 31, 2021		For the Year Ended December 31, 2020	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL - bond investments	\$ 4,104,972	\$ -	\$ -	\$ -
Financial assets at FVOCI - bond investments	4,468,029	11,033,573	19,138,151	2,332,150

Because of changes in market liquidity, evaluation sources applied by some stock investments and bond investments will change. It makes the applicable level of bond's fair value change from level one into level two or level two into level one.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 21,906,518	\$ 2,179,236	\$ 12,451,968	\$ -	\$ (4,873,745)	\$ (478,699)	\$ 31,185,278
Financial assets designated as at FVTPL	1,854,964	602,229	2,355,987	-	(72,668)	-	4,740,512
Financial assets at FVOCI	23,144,621	(2,926,884)	173,600	-	(264,561)	-	20,126,776
Other financial assets							
Purchased debt receivable	162,247	8,235	66,000	-	(24,040)	-	212,442

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 18,978,607	\$ (753,690)	\$ 6,229,454	\$ -	\$ (2,358,660)	\$ (189,193)	\$ 21,906,518
Financial assets designated as at FVTPL	1,580,146	(56,980)	331,798	-	-	-	1,854,964
Financial assets at FVOCI	17,330,430	5,156,553	700,000	68,711	(111,073)	-	23,144,621
Other financial assets							
Purchased debt receivable	1,241,233	(338,463)	-	-	(740,523)	-	162,247

Note: For parts of stock investments, the Corporation's subsidiaries acquired their observable market material, causing the applicable level of stock investment transfer from level 3.

The movements of financial liabilities with Level 3 fair value were as follows:

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 3,706,831	\$ (67,175)	\$ 514,386	\$ -	\$ (924,583)	\$ -	\$ 3,229,459

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gain (Loss) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL Financial liabilities held for trading	\$ 2,646,181	\$ (138,880)	\$ 2,006,825	\$ -	\$ (807,295)	\$ -	\$ 3,706,831

The total gains or losses for the years ended December 31, 2021 and 2020 included a gain of \$1,851,526 thousand and loss of \$266,113 thousand relating to assets and liabilities measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

6) Quantitative information about significant unobservable inputs (Level 3)

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at December 31, 2021	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	\$ 339,497	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Use quoted price of counterparties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial assets at FVTOCI	946,623	Market approach	P/E Discount for lack of liquidity	12.47 27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Discount for lack of liquidity and control	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	177,924	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the KGI Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial liabilities at FVTPL	178,401	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the KGI Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed

	Fair Value at December 31, 2020	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTOCI	\$ 1,089,139	Market approach	P/E, Discount for lack of liquidity	13.34 27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Discount for lack of liquidity and control	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
		Recent strike price	-	-	-
Derivative financial instruments					
Financial assets at FVTPL	157,737	Hull White Model, Libor Market Model, BS Model, discounted cash flow/quoted price of counterparties	Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the KGI Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed
Financial liabilities at FVTPL	157,804	Hull White Model, Libor Market Model, discounted cash flow	Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the KGI Bank and its subsidiaries select the applicable one according to the analysis; use quoted price of counter-parties, because the market is not liquid, resulting in a lack of observable market liquidity reduction factors, so no items are disclosed

## KGI Securities and subsidiaries

The explanation of quantitative information about significant unobservable inputs in fair value measurement and sensitivity analysis significant unobservable inputs used by repetitive basis to fair value Level 3 financial asset of KGI Securities and subsidiaries were as follows:

December 31, 2021

	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Quantification Information</b>	<b>The Relationship Between Inputs and Fair Value</b>
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-29%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTPL - equity instruments	Discounted cash flow approach	Discount for lack of liquidity	29%	Assets at fair value is inversely proportional to discount for lack of liquidity.
		WACC	6.83%	Assets at fair value is inversely proportional to WACC
		Growth rate	2.60%	Assets at fair value is proportional to growth rate
Financial assets at FVTOCI - equity instruments	Option pricing model	Discount for lack of liquidity	26%	Assets at fair value is inversely proportional to discount for lack of liquidity.
		History volatility	37.39%	According to condition of contract, fair value of asset may be higher or lower.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.00%-13.40%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	36.25%-37.30%	According to condition of contract, fair value of liabilities may be higher or lower.

December 31, 2020

	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Quantification Information</b>	<b>The Relationship Between Inputs and Fair Value</b>
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of liquidity	23%-29%	Assets at fair value is inversely proportional to discount for lack of liquidity.
Financial assets at FVTPL - equity instruments	Discounted cash flow approach	Discount for lack of liquidity	29%	Assets at fair value is inversely proportional to discount for lack of liquidity.
		WACC	7.10%	Assets at fair value is inversely proportional to WACC
		Growth rate	2.20%	Assets at fair value is proportional to growth rate
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	26.8%-45.09%	According to condition of contract, fair value of asset may be higher or lower.
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Martingale pricing technique	History volatility	0.00%-13.10%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity options (put option)	Martingale pricing technique	History volatility	20.66%-60.84%	According to condition of contract, fair value of liabilities may be higher or lower.

History volatility used by Martingale Pricing Technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days.

KGI Securities and subsidiaries adopts pricing model and pricing parameters cautiously, producing reasonable fair value measurement, however, different pricing model or parameters may lead to different outcome. To those financial assets and liabilities categorized into Level 3, effects of current period net income or loss affected by changes in pricing parameters were as follows:

December 31, 2021

	<b>Sensitivity Analysis of Relationship Between Inputs and Fair Value</b>		<b>Recognized to Profit or Loss</b>	
	<b>Inputs</b>	<b>Positive/Negative Change</b>	<b>Positive Impact</b>	<b>Negative Impact</b>
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Discount for lack of liquidity	-1%/+1%	\$ 231	\$ 231
Equity instruments (discounted cash flow approach)	Discount for lack of liquidity	-1%/+1%	83	83
	WACC	-1%/+1%	469	454
	Growth rate	+1%/-1%	163	161
Financial assets at FVTOCI				
Equity instruments (option pricing model)	Discount for lack of liquidity	-1%/+1%	156	155
	Historical volatility	+1%/-1%	166	167
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	502	524

December 31, 2020

	<b>Sensitivity Analysis of Relationship Between Inputs and Fair Value</b>		<b>Recognized to Profit or Loss</b>	
	<b>Inputs</b>	<b>Positive/Negative Change</b>	<b>Positive Impact</b>	<b>Negative Impact</b>
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Discount for lack of liquidity	-1%/+1%	\$ 213	\$ 221
Equity instruments (discounted cash flow approach)	Discount for lack of liquidity	-1%/+1%	86	86
	WACC	-1%/+1%	434	421
	Growth rate	+1%/-1%	122	121
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - options	Historical volatility	+25%/-25%	13	13
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put option)	Historical volatility	-25%/+25%	161	168

## CDIB Capital Group and subsidiaries

Equity securities are classified fair value Level 3 financial asset by CDIB Capital Group and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at December 31, 2021	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets Financial assets at FVTPL	\$ 13,910,044	Market approach	EV/Sales	0.57	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
			P/B	1.72	
			P/S	0.84-1.07	
		Discounted cash-flow method	Discount for lack of liquidity	26%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
			Discount for lack of liquidity	26%-29%	
			WACC	5.67%-10.49%	When the higher the discount for lack of liquidity, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value.
			Growth rate	1.80%-6.76%	
		Net asset adjustment method	Discount for lack of liquidity	29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets Financial assets at FVTPL	\$ 13,512,947	Market approach	P/B	0.93-3.86	When the higher income multiplier, the higher of fair value; when the higher the discount for lack of liquidity, the lower of fair value.
			P/S	0.78-2.76	
			Discount for lack of liquidity	23%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Discounted cash-flow method	Discount for lack of liquidity	23%-29%	
				WACC	4.92%-12.32%
			Growth rate	0.50%-5.00%	
		Net asset adjustment method	Discount for lack of liquidity	11%-29%	When the higher the discount for lack of liquidity, the lower of fair value.
		Recent strike price	-	-	-

## China Life Insurance

Equity securities are classified into fair value Level 3 financial asset by China Life Insurance. Quantitative information about the significant unobservable input was set out below:

December 31, 2021				
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for liquidity the lower the estimated fair value
		Control premium	0%-10%	The higher the control premium the higher the estimated fair value
	Income approach	Cost of capital rate	6.71%	The higher the cost of capital rate the lower the estimated fair value
		Discount for liquidity	0%-10%	The higher the discount for liquidity the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0%-30%	The higher the discount for liquidity and minor interests the lower the estimated fair value

December 31, 2020

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0%-10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.02%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for liquidity, the lower the estimated fair value.
Asset approach	Discount for liquidity and minor interests	0%-30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value.	

#### 7) Pricing process of Level 3 fair value

##### KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

##### KGI Securities and subsidiaries

When KGI Securities has those derivatives that their fair value are hard to reach or they are categorized as derivative financial assets with no active market, reasonability of fair value of those financial assets are assessed by related department according to the Guidelines of Asset Valuation Operation set by KGI Securities, and the outcomes of the valuation will be recorded in the book by accounting department.

##### CDIB Capital Group and subsidiaries

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries conform to the general market practice which the theoretical basis is generally identified by the industry. Besides, the department exams and adjusts inputs that pricing model needed periodically to insure outcomes are reasonable.

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries have considered the influence of Covid-19, including future operating conditions, which decrease the forecast numbers of revenue and profit.

##### China Life Insurance

China Life Insurance is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. China Life Insurance analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to China Life Insurance's accounting policies at each reporting date.

c. Fair value of financial instruments not carried at fair value

1) Fair value information

Assets and liabilities measured at cost, excluding debt investments measured at amortized cost, guarantee deposits paid, bonds payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

Fair values of bonds payable with quoted price in an active market are evaluated using the market price; bonds payable with no quoted prices in an active market are estimated by valuation methods or the opponent's price.

2) The fair value hierarchy of financial instruments were as follows:

December 31, 2021

	(In Thousands of New Taiwan Dollars)			
	Level I	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt instruments measured at amortized cost	\$ 466,605,518	\$ 798,839,528	\$ -	\$ 1,265,445,046
<u>Non-financial assets</u>				
Guarantee deposits paid - bonds	-	8,722,040	-	8,722,040
<u>Financial liabilities</u>				
Bank debentures payable	-	25,349,007	-	25,349,007
Corporate bonds payable	68,262,697	-	-	68,262,697

December 31, 2020

	(In Thousands of New Taiwan Dollars)			
	Level I	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt instruments measured at amortized cost	\$ 350,050,491	\$ 815,965,243	\$ -	\$ 1,166,015,734
<u>Non-financial assets</u>				
Guarantee deposits paid - bonds	-	9,150,548	-	9,150,548
<u>Financial liabilities</u>				
Bank debentures payable	-	20,408,787	-	20,408,787
Corporate bonds payable	43,949,621	-	-	43,949,621

### 3) Measurement technique

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, due to the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received and remittances approximate their fair values because of the short maturities of these instruments.
- b) The base rate (floating rate) is usually adopted as the loan rate because it can reflect the market rate. Thus, using the carrying amount for considering the probability of repossession and estimating the fair value is reasonable.
- c) The fair value of debt investments measured at amortized cost is estimated by
  - i. Referring to the quoted price from electronic bond trading system of Taipei Exchange and Bloomberg.
  - ii. Referring to the discounted expected cash flow, of which the discount rate is referenced to interest rates with similar maturity date.
- d) The fair values of bonds payable are determined by the present values of future cash flows, with the values discounted at the interest rates of similar bonds payable available for the Corporation.

## 53. INFORMATION OF INSURANCE CONTRACTS

### a. Objectives, policies, procedures and methods of insurance contracts risk management

#### 1) Framework of risk management, organization structure and responsibilities:

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating China Life Insurance's overall risk appetite and risk tolerance, review and approve China Life Insurance's risk management objectives and strategies. "Risk Management Committee" is set under the board of directors. Various risk management report and related issues are first report to risk management committee and made the final approval by the board of directors. Besides the risk management committee, China Life Insurance set up an assets and liabilities risk management team to strengthen the risk management organization and structure.

In addition, China Life Insurance establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management system, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies approved by the board of directors. Moreover, the business units should be responsible for the risks identification, report the risk exposure, measure the impact of risks, review the various risks and limits regularly, and make sure that the internal control procedures of each unit are implemented effectively in accordance with related regulations and China Life Insurance's risk management policy.

2) Risk management policies, procedures and methods:

According to risk management policies, China Life Insurance sets an effective mechanism to proceed identification, measurement, monitoring, reporting and response to risk, establishes clear objectives for risk management, controls approaches and attribution of responsibility to make sure that each operational risk is controlled under the tolerable range, making the largest surplus and profits for shareholders.

Pursuant to “China Life Insurance Risk Management Policy”, approved by the board of directors, China Life Insurance follows the principle of centralized management and specialization, and assigns responsible risk management department to manage various risks, including market, credit, operation, liquidity, underwriting, claim renews, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, China Life Insurance develops management guidelines for various types of risk, standardizes measurement and evaluation methods, and regularly issues risk reports to monitor the various risks.

3) Risk management policies, procedures and methods related to reserves:

Reserve-related risks refer to risks that various reserves are unable to deal with future obligations due to understatement of liability for premium business. China Life Insurance sets and implements the appropriate risk management system for the insurance business reserves and related risks.

4) Risk management policies, procedures and methods related to matching assets and liabilities:

Risks related to matching assets and liabilities indicate risks arising from inconsistent movement of assets and liabilities. China Life Insurance sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows China Life Insurance to form, implement, monitor and correct related strategies within the tolerable range and achieves China Life Insurance’s predetermined financial goals. The contents include the following items:

- a) Risk identification related to matching of assets and liabilities.
- b) Risk measurement related to matching of assets and liabilities.
- c) Risk responses related to matching of assets and liabilities.

b. Information of insurance risks

1) Sensitivity of insurance risks - insurance contracts and financial instruments with discretionary participation features:

Insurance companies set aside various reserves according to the legal requirements and regularly conduct adequacy test of liability to assess the adequacy of insurance liabilities of China Life Insurance as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by China Life Insurance, the main risks include mortality, morbidity, surrender, expense and investment returns rate. When doing the liability adequacy test, various actuarial assumptions are made based on available information at assessment point for all insurance contracts and financial instruments with discretionary participation feature, to assess whether the insurance liability of China Life Insurance is adequate. If the test result indicates the insurance liability is not adequate, then set aside the insufficient amount as liability adequacy reserve according to the provision. The reserve will affect current profit and loss.

As at December 31, 2021, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause China Life Insurance's insurance liability inadequate.

2) Interpretation for concentration of insurance risks:

- a) China Life Insurance's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note 32 for concentration of risk before and after the reinsurance for China Life Insurance.
- b) Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increased special capital reserve, excluding taxes, for major incidents and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

3) Claim development trend:

a) Direct business loss development trend

Accident Year	Development Year														Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2008	\$ 2,170,100	\$ 2,736,556	\$ 2,776,542	\$ 2,781,989	\$ 2,786,399	\$ 2,792,187	\$ 2,798,032	\$ 2,798,807	\$ 2,799,546	\$ 2,800,435	\$ 2,802,449	\$ 2,803,020	\$ 2,803,856	\$ 2,804,061	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322	2,941,824	2,941,957	2,941,970	-	
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167	3,145,541	3,145,762	3,146,132	-	-	
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243	3,354,835	3,355,901	3,356,774	-	-	-	
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,056,337	3,057,879	3,058,682	-	-	-	-	
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,855	3,055,997	3,057,193	-	-	-	-	-	
2014	3,448,229	4,203,186	4,284,682	4,299,217	4,303,753	4,317,090	4,321,020	4,323,776	-	-	-	-	-	-	
2015	3,530,488	4,420,482	4,498,438	4,510,113	4,516,573	4,518,832	4,521,127	-	-	-	-	-	-	-	
2016	3,721,820	4,648,280	4,743,133	4,757,525	4,763,372	4,765,519	-	-	-	-	-	-	-	-	
2017	4,320,234	5,400,952	5,537,543	5,552,592	5,557,933	-	-	-	-	-	-	-	-	-	
2018	4,775,948	5,950,536	6,060,673	6,078,878	-	-	-	-	-	-	-	-	-	-	
2019	5,257,484	6,776,954	6,904,733	-	-	-	-	-	-	-	-	-	-	-	
2020	5,208,589	6,557,028	-	-	-	-	-	-	-	-	-	-	-	-	
2021	5,729,794	-	-	-	-	-	-	-	-	-	-	-	-	-	
														\$ 2,059,559	
														\$ 418,661	
														\$ 127,350	
														\$ 2,605,570	

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 418,661  
Claim reserve for discount on no claim 127,350  
Reserve for claims balance \$ 2,605,570

b) Retained business loss development trend

Accident Year	Development Year														Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2008	\$ 2,128,556	\$ 2,682,784	\$ 2,721,905	\$ 2,719,002	\$ 2,723,312	\$ 2,728,970	\$ 2,734,682	\$ 2,735,440	\$ 2,736,162	\$ 2,737,031	\$ 2,739,000	\$ 2,739,557	\$ 2,740,394	\$ 2,740,598	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728	2,875,219	2,875,551	2,875,365	-	
2010	2,535,358	3,010,157	3,068,543	3,066,850	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958	3,074,324	3,074,544	3,074,914	-	-	
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301	3,278,879	3,279,945	3,280,818	-	-	-	
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,987,140	2,988,681	2,989,484	-	-	-	-	
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,691	2,986,833	2,988,029	-	-	-	-	-	
2014	3,397,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348	4,223,278	4,226,033	-	-	-	-	-	-	
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314	4,416,573	4,418,868	-	-	-	-	-	-	-	
2016	3,657,093	4,560,257	4,647,033	4,649,868	4,655,715	4,657,862	-	-	-	-	-	-	-	-	
2017	4,244,930	5,298,470	5,424,716	5,439,766	5,445,107	-	-	-	-	-	-	-	-	-	
2018	4,692,869	5,837,265	5,946,601	5,964,806	-	-	-	-	-	-	-	-	-	-	
2019	5,165,606	6,658,675	6,786,454	-	-	-	-	-	-	-	-	-	-	-	
2020	5,136,641	6,454,169	-	-	-	-	-	-	-	-	-	-	-	-	
2021	5,640,880	-	-	-	-	-	-	-	-	-	-	-	-	-	
														\$ 2,058,059	
														\$ 399,657	
														\$ 127,350	
														\$ 2,585,066	

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 399,657  
Claim reserve for discount on no claim 127,350  
Reserve for claims balance \$ 2,585,066

China Life Insurance recognizes claim reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in claim reserves. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. China Life Insurance was not notified of some claims in time. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experience. Thus, it is uncertain that the estimated claim reserve on the balance sheet date will be equal to the final settled amount of claim payments. The claim reserve recorded on the book is estimated based on the current available information. However, the final amount probably will differ from the original estimates because of the follow-up development of the claim events.

The charts above show the development trend of claim payments (not including cases whose payment and time will be confirmed within a year). The accident year is the actual year for the occurrence of the insurance claim events; the x-axis is the year of the development for the settlement cases. Each slash represents the cumulative amount of compensation for each accident event at the end of the year. The occurred claims include decided and undecided claims which represent the accumulated estimated dollar amounts need to be paid for each accident year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for claim reserve in the current year will be different from those in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by the charts above.

4) Credit risk:

For insurance contracts undertaken by China Life Insurance, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing China Life Insurance to be exposed to the risk of financial loss. If China Life Insurance disputes with the reinsurers, then it may lead to impairment of reinsurance assets. In addition, the account receivables of insurance brokers and agents also have credit risk.

China Life Insurance's highest risk exposure for the reinsurance contracts are the carrying amount of reinsurance assets. In order to manage that risk and avoid credit losses, China Life Insurance decides to deal with reinsurance companies that have good credits. China Life Insurance sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

5) Liquidity risk:

As at December 31, 2021 and 2020, the maturity analysis of liquidity risk for insurance contract liabilities of China Life Insurance are as follow:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
<u>December 31, 2021</u>					
Insurance liabilities of investment contracts with discretionary participation features	\$ 38,514,881	\$ 132,626,854	\$ 144,267,981	\$ 604,249,058	\$ 3,805,721,194
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<u>December 31, 2020</u>					
Insurance liabilities of investment contracts with discretionary participation features	11,973,656	115,270,732	157,083,549	618,787,499	3,450,010,853
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note 1: This table estimates net cash flow of all related insurance liabilities at its starting point.

Note 2: The actual maturity date will change according to the exercise of termination right by the policyholders.

Note 3: The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.

6) Market risk:

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, when China Life Insurance measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on China Life Insurance’s profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

## 54. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

### The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including business, operational and liquidity risks.

The Corporation has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. The Corporation also has a risk management department to plan and manage the risk management system, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

### KGI Bank and subsidiaries

KGI Bank has planned a proper risk management system regarding market risk, credit risk, and operating risk related to the operation of company as a basis of following risk management procedures.

KGI Bank also planned the mechanism of analysis, monitoring, and report related to overall risk management. Further, it reports to senior management, and committee or board of directors with risk management function; KGI Bank keeps related information updated in response to the actual risks encountering significant changes in macroeconomics or financial market to monitor and response effectively.

KGI Bank’s risk management not only focuses on individual department but consider the comprehensive effects from an overall corporation perspective.

KGI Bank undertakes risk identification with consistent asset portfolio classification as well as correlation between each other, and establishes a consistent measure according to the different types of exposure.

KGI Bank’s risk management divisions are as follows:

1) Board of directors

The KGI Bank’s board of director supervise the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

KGI Bank has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues.

3) Business and management departments

The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

KGI Securities and subsidiaries

1) Financial risk management objectives

To effectively manage the risks related to the operation of KGI Securities and strengthen KGI Securities Competitive advantage, According to the laws by authorities, risk management policy by parent company, and business development strategy by KGI Securities, which set risk management policy as compliance basis for risk management.

2) Risk management organization

KGI Securities' risk management organization framework, which monitors, plans, and executes related risk management affairs, includes board of directors, risk management department, business department and other related departments. KGI Securities' business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to Risk Management Committee (RMC) and Investment Review Committee (IRC) in time. Risk management organizations' functions and responsibilities are as follows:

The board of directors is the highest decisive department in KGI Securities, and it also bears ultimate responsibility while monitoring the execution of overall risk management system.

Functions and responsibilities of committees: RMC executes risk management decisions made by the board of directors, which include reviewing KGI Securities' every department's, risk budget, limit and their management system, reviewing guidelines regarding risk management, and inspecting related countermeasures according to risk reports submitted by departments; IRC examines underwriting of securities, assisting of business projects consistent long-term investments; and Merchandise Review Committee (MRC) sets up the reviewing system of KGI Securities' for sale of commodities, trusted investment and management of new business and financial instruments.

Business department is responsible for setting risk management systems, managing and reporting daily risks which belong to its department and executing internal controls effectively which correspond to the government regulations and risk management policies.

Risk management department's functions and responsibilities are ensuring the execution of policies approved by board of directors, making risk management rules and guidelines, controlling the measuring, monitoring and evaluating of daily risk, producing periodic (daily, weekly or monthly) risk management reports and submitting them to management, and developing or assisting the exploitation and maintenance of risk management information system.

Legal affair department's functions and responsibilities are providing comprehensive management of KGI Securities company law, legal consultations, drafting, reviewing and taking custody of major contracts and monitoring litigation and non-litigation cases.

Legal compliance department's functions and responsibilities are conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department is responsible for KGI Securities' dispatching and usage of capital, setting up and maintaining finance credits with financial institution, lowering capital costs and managing liquidity risks.

Internal audit department's function and responsibilities are auditing execution of regulations and business operations, proposing amendments in time, and tracing improving progresses after reporting defects and anomalies to the board of directors.

Finance department, settlement department, information department and other related department should understand the risk facing in its industry thoroughly on the basis of risk management related regulations, take necessary risk control measures into consideration while setting up operating management guidelines to assist in completing the whole cooperation's various risk management tasks, and monitor transaction processes regarding valuation, confirmation of price information, preparation of income statement, processing and confirming of transaction, settling, verifying of accounts, asset control, information safety and maintenance of information.

### 3) Risk management system

KGI Securities has planned proper risk management system regarding market risk, credit risk, operating risk, liquidity risk, legal risk and other risks related to the operation of company as a basis of following risk management procedures.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for advices and opinions, and it will be conducted following established guidelines and related standards of parent company, CDFH.

#### 4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. The evaluation and strategies of important risk are explained as follows:

##### a) Market risk

KGI Securities restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraint risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

KGI Securities implemented the MSCI Risk Manager, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity, interest rate, exchange rate, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce and manage market risk capital allocation.

To establish efficacy of estimation at risk (VaR) model, risk management department conducts Back Testing periodically to examine the validity of the model. Additionally, it builds various scenarios for Stress Testing and scenario analysis, to understand the risk tolerance level of KGI Securities.

##### b) Credit risk

KGI Securities takes into account the credit rating of issuers or counterparties, the features of transactions, and the characters of instruments, etc. to adopt appropriate ways of measurement, and considers KGI Securities' net value, risk measurement and concentration of risk to set proper credit limits. KGI Securities would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to management as well as related departments.

KGI Securities use the external part of credit rating by rating comparison table to evaluate the credit risk of the counterparties or transaction subjects. Among them, the external part of credit rating refers to the TCRI of Taiwan Economic Journal, Taiwan Ratings, S&P, Moody's, and Fitch. Not only update the credit rating information of the external rating agency on the counterparties or transaction subjects, but also appropriately adjust the credit risk limits when the credit rating changes.

The risk management department applies for credit risk capital toward the board of directors annually. Establish proper credit risk expected loss limitation amount relating to the firms. Also, set different Pre-Settlement Risk (PSR) limitation amount base on countries, same groups, high-risk industries, high-risk groups, etc. Also, routinely examine KGI Securities' credit risk exposure, credit risk change of counterparties or transaction subjects, and the use of various credit risk limitation amount to enforce management of credit risk.

##### c) Liquidity risk

The liquidity risk could be divided into two categories: Market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of KGI Securities and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

d) Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of control and segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

Each business unit is responsible for examining and controlling its own operation risk. In addition to the compliance of law and regulation, the internal audit department would implement examination by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

When abnormal events occur, all business units should comply with "Announcement of Abnormal Events and Handling Procedures" by KGI Securities. According to the necessity of the abnormal event, the internal audit unit reports to the director of the board of directors and the internal audit unit of the parent company to effectively manage the operation risk of loss event. When KGI Securities discover material risk events during the execution of their business, they should comply with "Method for Notification of Material Risk Events" by parent company and "Announcement of Abnormal Events and Handling Procedures" by KGI Securities. In addition, risk management unit should review whether material risk events are notified in time.

KGI Securities have obtained the related qualification for the option under the sensitivity analysis (Delta Plus) method to use the advanced calculation method of Securities firm's capital adequacy ratio. In order to calculate the capital adequacy ratio and other statutory ratios required for financial product evaluation models, model management operations have been used.

KGI Securities regularly detects business risks. The detections include financial institutions' capital adequacy, asset quality, management capabilities, profitability, liquidity, sources of profit, foreign exposure, investment positions, off-balance sheet, and material customer complaints. Measurement unit inspects frequency and measures detection indicators and alert values, and sends the measurement results and their increase or decrease data to the risk management unit for monitoring and storage.

5) Risk hedge and mitigation strategy

KGI Securities have set "Financial Commodity Transaction Processing Procedures" and "Operation Guidelines for Derivative Financial Commodity Transactions in Business Locations" to standardize relevant policies for hedging and mitigating risks:

- a) All business departments engaged in derivative transactions should confirm their transaction objectives and hedging nature in advance. After the transaction, the transaction objective cannot be changed at will.
- b) The transaction nature means buying and selling derivatives based on price expectations to take risks and earn the spread. Hedging means to reduce the market risk of existing assets or liabilities and prospective transactions through the trading derivatives.
- c) For positions held for hedging, the hedging and hedged positions should be regarded as one entity, and notice to the relation between the changes in profit and loss of the hedging and the hedged positions.

### CDIB Capital Group and subsidiaries

CDIB Capital Group has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies.

CDIB Capital Group has established the risk management committee, which belongs to the board of directors and unit supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB Capital Group also has a business risk committee, which belongs to administration department and a risk management department to plan and manage the risk management system and supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

### China Life Insurance

China Life Insurance's financial risk management objectives are primarily managing risks arising from holding financial assets. According to China Life Insurance's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. China Life Insurance has established guidelines related to the management of the financial risk. The following is the definition, source, management procedures of the risk and methods used to measure the risk.

#### b. Credit risk

##### KGI Bank and subsidiaries

###### 1) Definition and source of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including loans, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

###### 2) Credit risk management policy

KGI Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. KGI Bank also adjusts the credit risk structure accordingly so that credit portfolios are within KGI Bank's risk appetite. Further, KGI Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to alleviate shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

###### a) Credit investigation

In screening target clients, KGI Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their backgrounds accurately and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level.

The credit authorities approve credits in accordance with KGI Bank's credit limit structure and authorization policies. KGI Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of KGI Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of KGI Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For delinquent loans, KGI Bank uses the concentration management method, together with information systems and analysis models, to conduct regular loan reviews for the enhanced management of overdue loans and expedite the collection of nonperforming loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Mitigation of risks or hedging of credit risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating KGI Bank's credit risk. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

Without taking into account irrevocable collateral or other credit enhancements and maximum exposure of unused amount for unused revolving credit without credit card and cash card, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Irrevocable loan commitments, guarantees and letters of credit	\$ 57,251,227	\$ 47,779,337

KGI Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

KGI Bank and subsidiaries' book values of maximum exposure credit risk for major credit assets were as follows:

	<b>Discounts and Loans</b>					<b>Total</b>
	<b>December 31, 2021</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Recognition/Discount</b>	
			<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Short-term loans	\$ 50,287,343	\$ 690,392	\$ 721,003	\$ -	-	\$ 51,698,738
Short-term secured loans	22,143,638	4,294	41	-	-	22,147,973
Medium-term loans	129,689,798	102,722	295,556	-	-	130,088,076
Medium-term secured loans	80,415,750	90,683	26,821	-	-	80,533,254
Long-term loans	6,412,535	493,158	684,389	-	-	7,590,082
Long-term secured loans	86,021,951	60,225	146,068	-	-	86,228,244
Loans reclassified to nonperforming loans	-	-	278,416	-	-	278,416
Export negotiations	32,089	-	-	-	-	32,089
Total book values	375,003,104	1,441,474	2,152,294	-	-	378,596,872
Impairment allowance	(856,760)	(102,498)	(499,580)	-	-	(1,458,838)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	\$ (3,415,417)	(3,415,417)
Adjusting for discounts and loans premium	-	-	-	-	(52,228)	(52,228)
	<u>\$ 374,146,344</u>	<u>\$ 1,338,976</u>	<u>\$ 1,652,714</u>	<u>\$ -</u>	<u>\$ (3,467,645)</u>	<u>\$ 373,670,389</u>

	<b>Receivables</b>					<b>Total</b>
	<b>December 31, 2021</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation</b>	
			<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Credit card business	\$ 2,994,684	\$ 202,148	\$ 99,459	\$ -	-	\$ 3,296,291
Accounts receivable - forfaiting	5,624,574	-	-	-	-	5,624,574
Accounts receivable factoring without recourse	8,151,934	46	81	-	-	8,152,061
Acceptances	190,903	-	-	-	-	190,903
Installment accounts and lease receivables	5,705,389	4,762	44,493	-	-	5,754,644
Total book value	22,667,484	206,956	144,033	-	-	23,018,473
Impairment allowance	(47,554)	(18,614)	(30,164)	-	-	(96,332)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	\$ (195,728)	(195,728)
	<u>\$ 22,619,930</u>	<u>\$ 188,342</u>	<u>\$ 113,869</u>	<u>\$ -</u>	<u>\$ (195,728)</u>	<u>\$ 22,726,413</u>

<b>Discounts and Loans</b>					
<b>December 31, 2020</b>					
	<b>Stage 3</b>			<b>The Adjustment under the Recognition/Discount</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Purchased or Originated Credit-impaired Financial Asset</b>	
Short-term loans	\$ 51,110,442	\$ 775,661	\$ 729,271	\$ -	\$ 52,615,374
Short-term secured loans	24,309,759	-	-	-	24,309,759
Medium-term loans	138,150,895	80,341	232,144	-	138,463,380
Medium-term secured loans	79,714,804	93,173	39,506	-	79,847,483
Long-term loans	3,179,546	376,312	693,444	-	4,249,302
Long-term secured loans	79,745,643	100,710	143,392	-	79,989,745
Loans reclassified to nonperforming loans	-	-	465,508	-	465,508
Export negotiations	14,513	-	-	-	14,513
Total book values	376,225,602	1,426,197	2,303,265	-	379,955,064
Impairment allowance	(1,213,597)	(89,205)	(557,519)	-	(1,860,321)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans				\$ (3,135,568)	(3,135,568)
Adjusting for discounts and loans premium				(72,032)	(72,032)
	<u>\$ 375,012,005</u>	<u>\$ 1,336,992</u>	<u>\$ 1,745,746</u>	<u>\$ (3,207,600)</u>	<u>\$ 374,887,143</u>

<b>Receivables</b>					
<b>December 31, 2020</b>					
	<b>Stage 3</b>			<b>The Adjustment under the Regulation</b>	<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		
	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Purchased or Originated Credit-impaired Financial Asset</b>	
Credit card business	\$ 2,848,800	\$ 188,513	\$ 116,043	\$ -	\$ 3,153,356
Accounts receivable - forfaiting	11,629,327	-	-	-	11,629,327
Accounts receivable factoring without recourse	7,566,529	84	156	-	7,566,769
Acceptances	40,566	-	-	-	40,566
Installment accounts and lease receivables	4,145,805	45,259	50,064	-	4,241,128
Total book value	26,231,027	233,856	166,263	-	26,631,146
Impairment allowance	(51,520)	(38,707)	(38,459)	-	(128,686)
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans				\$ (238,935)	(238,935)
	<u>\$ 26,179,507</u>	<u>\$ 195,149</u>	<u>\$ 127,804</u>	<u>\$ (238,935)</u>	<u>\$ 26,263,525</u>

Maximum exposures to credit risk of financial instrument not applicable to impairment were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial assets at FVTPL		
Debt instrument	\$ 12,835,798	\$ 15,455,943
Derivatives instruments	9,988,612	55,505,884

5) Collaterals and credit enhancement

KGI Bank and its subsidiaries' pledged collaterals associated with credit include discounts, loans and receivables which contain real estate, properties (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by KGI Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

KGI Bank and subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

December 31, 2021

	<b>Total Book Value</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collaterals Value</b>
Impaired asset:				
Accounts receivable				
Credit card business	\$ 99,459	\$ 18,757	\$ 80,702	\$ -
Accounts receivable factoring	81	4	77	-
Installment receivables and lease receivables	44,493	11,403	33,090	-
Discounts and loans	<u>2,152,294</u>	<u>499,580</u>	<u>1,652,714</u>	<u>226,587</u>
Total amount of impaired asset	<u>\$ 2,296,327</u>	<u>\$ 529,744</u>	<u>\$ 1,766,583</u>	<u>\$ 226,587</u>

December 31, 2020

	<b>Total Book Value</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collaterals Value</b>
Impaired asset:				
Accounts receivable				
Credit card business	\$ 116,043	\$ 23,915	\$ 92,128	\$ -
Accounts receivable factoring	156	19	137	-
Installment receivables and lease receivables	50,064	14,525	35,539	-
Discounts and loans	<u>2,303,265</u>	<u>557,519</u>	<u>1,745,746</u>	<u>294,447</u>
Total amount of impaired asset	<u>\$ 2,469,528</u>	<u>\$ 595,978</u>	<u>\$ 1,873,550</u>	<u>\$ 294,447</u>

The amount the of KGI Bank and subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is \$782,211 thousand and \$504,315 thousand for the years ended December 31, 2021 and 2020.

6) Concentrations of credit risk

Concentrations of credit risk arise when there is only one counterparty, or when there is a number of more than one counterparties but they are engaged in similar economic activities and have similar economic characteristics, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. KGI Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to the same customers or the same counterparty; total transaction of the same customers or the same counterparty in discounts and loans are not material. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Public and private enterprise	\$ 230,312,065	60.83	\$ 241,786,303	63.63
Natural person	148,044,807	39.10	137,870,761	36.29
Non-profit organization	240,000	0.07	298,000	0.08
Total	\$ 378,596,872	100.00	\$ 379,955,064	100.00

b) By region

Region	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Domestic	\$ 299,569,449	79.13	\$ 286,780,864	75.48
Overseas	79,027,423	20.87	93,174,200	24.52
Total	\$ 378,596,872	100.00	\$ 379,955,064	100.00

c) By collateral

Collateral	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Non-collateral	\$ 189,661,926	50.10	\$ 195,700,835	51.51
Collateral				
Property	161,608,496	42.69	152,150,748	40.04
Guarantee	14,636,496	3.87	17,858,658	4.70
Financial collateral	6,674,661	1.76	7,558,580	1.99
Other	6,015,293	1.58	6,686,243	1.76
Total	\$ 378,596,872	100.00	\$ 379,955,064	100.00

7) Management of foreclosed collateral

Foreclosed collaterals are recorded at cost, using lower-at-cost or market approach as of the balance sheet date. For those foreclosed collaterals which were not disposed of within the statutory period, except for applying for an extension of the disposal period, if the competent authority ask for the increase of its provision for possible losses, KGI bank should execute as required.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Foreclosed collateral	\$ 588,985	\$ 588,985
Accumulated impairment	<u>(588,985)</u>	<u>(588,985)</u>
	<u>\$ -</u>	<u>\$ -</u>

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the book value is recognized as net other noninterest profit and gain.

8) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of nonperforming loan and overdue credits of KGI Bank

Item		December 31, 2021					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 16,199	\$ 90,782,156	0.02%	\$ 1,144,000	7,062.16%	
	Unsecured	137,867	149,890,772	0.09%	1,682,510	1,220.38%	
Consumer loan	Mortgage (Note 4)	6,509	70,989,386	0.01%	1,065,074	16,364.03%	
	Cash card	92,915	11,378,885	0.82%	270,757	291.40%	
	Micro credit (Note 5)	235,122	28,328,896	0.83%	421,661	179.34%	
	Other (Note 6)	Secured	22,122	27,163,406	0.08%	289,602	1,309.08%
		Unsecured	-	63,371	0.00%	651	-
<b>Total</b>		<b>510,734</b>	<b>378,596,872</b>	<b>0.13%</b>	<b>4,874,255</b>	<b>954.36%</b>	
		<b>Overdue Receivable</b>	<b>Account Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	
Credit card		\$ 15,572	\$ 3,296,291	0.46%	\$ 54,266	355.33%	
Account receivable - factored without recourse (Note 7)		10	8,152,061	0.00%	103,891	1,001,457.39%	

Item		December 31, 2020					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 93,254	\$ 92,599,972	0.10%	\$ 1,163,448	1,247.61%	
	Unsecured	138,730	158,132,242	0.09%	1,865,676	1,344.83%	
Consumer loan	Mortgage (Note 4)	12,720	64,684,720	0.02%	971,337	7,636.14%	
	Cash card	100,118	12,417,542	0.81%	310,311	309.95%	
	Micro credit (Note 5)	233,287	25,065,092	0.93%	396,694	170.05%	
	Other (Note 6)	Secured	14,980	26,969,537	0.06%	287,538	1,919.42%
		Unsecured	-	85,959	-	885	-
<b>Total</b>		<b>593,089</b>	<b>379,955,064</b>	<b>0.16%</b>	<b>4,995,889</b>	<b>842.35%</b>	
		<b>Overdue Receivable</b>	<b>Account Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	
Credit card		17,580	3,153,356	0.56%	60,250	342.71%	
Account receivable - factored without recourse (Note 7)		41	7,566,769	0.00%	96,900	233,617.79%	

Note 1: Non-performing loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by Ministry of Finance. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

Note 4: Household mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and it does not include credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable - factoring without recourse.

b) Exemption of KGI Bank's nonperforming loans and overdue receivables

Items	December 31, 2021		December 31, 2020	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 4,227	\$ 80	\$ 6,007	\$ 45
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	61,035	6,179	57,531	7,031
Total	\$ 65,262	\$ 6,259	\$ 63,538	\$ 7,076

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of KGI Bank's credit extensions

**December 31, 2021**

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - manufacture of liquid crystal panel and components	\$ 6,364,242	9.63
2	B Group - department store	6,244,128	9.45
3	C Group - real estate development activities	6,148,000	9.30
4	D Group - manufacture of electronic passive devices	5,412,110	8.19
5	E Group - computers manufacturing	5,195,614	7.86
6	F Group - real estate activities for sale and rental	5,138,384	7.78
7	G Group - real estate activities for sale and rental	4,154,123	6.29
8	H Group - activities of other holding companies	3,766,329	5.70
9	I Group - manufacture of liquid crystal panel and components	3,644,724	5.52
10	J Group - cable telecommunications industry	3,331,589	5.04

December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	F Group - real estate activities for sale and rental	\$ 7,938,626	11.85
2	C Group - real estate development activities	6,795,000	10.14
3	H Group - activities of other holding companies	5,989,843	8.94
4	D Group - manufacture of electronic passive devices	5,243,980	7.83
5	K Group - renting and leasing other machinery and equipment	5,082,452	7.59
6	G Group - real estate activities for sale and rental	4,543,552	6.78
7	A Group - manufacture of liquid crystal panel and components	4,316,339	6.44
8	L Group - other retail sale in non-specialized stores	4,022,178	6.00
9	B Group - manufacture of chemical material	3,691,559	5.51
10	M Group - smelting and refining of iron and steel	3,523,327	5.26

9) Judgements of a significant increase in credit risk since initial recognition

Credit business

KGI Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since the initial recognition, primarily consideration of indicators and supporting information (including prospective information) were as the follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

- i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.
- ii. Actual or expected significant changes in borrower's operating results.
- iii. The credit risk of other credit contracts of the same borrower has increased significantly.
- iv. Individual credit assets, if the client did not suffer from financial difficulties at the time of the agreement can be included after assessment.

For the various types of credit assets of KGI Bank which are not be regarded as low credit risk, it can be assumed that the credit risk of such assets has not increased significantly since the initial recognition.

## 10) Definition of default and impaired credit of financial assets

The definition of default of the financial assets of the KGI Bank is the same as that of the impaired credit assets. If one or more of the following conditions are met, KGI Bank determines that the credit asset has defaulted and the credit is impaired:

- a) Quantitative index
  - i. When the borrower's overdue payment of the contract is more than 90 days.
  - ii. Changes in external rating of guarantor or issuer of the notes or bonds.

- b) Qualitative index

If there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

- i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.
- ii. Borrower's loan contract has been reclassified to nonperforming loans or has been written off as bad debts by the KGI Bank.
- iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower concessions that would not have been considered or agreed (agreements).
- iv. For cases involving the sale of non-performing loans and suits.
- v. Payment by the bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by KGI Bank is consistent with the definition of credit assets used for internal credit risk management purposes, and the relevant impairment assessment model is used.

The credit asset will be restored to the state of compliance and is not considered a credit impaired credit asset in default if it no longer meets the definition of default and credit impairment.

A debt instrument investor may also be deemed to have a credit impairment on the financial asset if the rating of the bond guarantor or issuer's rating deteriorates significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

- i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the note or bond.
- ii. Before the maturity of the note or bond, it can be objectively determined that the bond guarantor or issuer of note or bond may not be able to repay the principal and interest of the note or bond on time.
- iii. Before the maturity of the note or bond, the bond guarantor or issuer of note or bond is in bankruptcy or in reorganization or taken over due to financial difficulties.
- iv. Before the maturity of the note or bond, the bond guarantor or issuer of note or bond closes down or is in the process of performing other financial restructuring.

## 11) Write-off policy

The KGI Bank shall write off bad debts for non-performing loans and overdue receivables that meet one of the following requirements:

- a) When reaching the criteria of write-off of the regulation.
- b) There is a need to expedite the reduction of non-performing loans or for certain businesses that needs to comply with the requirements of the governing authorities.
- c) Written off by the governing authorities or the financial inspection authorities.
- d) Although the collateral has been collected, if it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written of within the period which specified in a).
- e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

## 12) Amendment of contract cash flows of financial assets

KGI Bank may amend the contract cash flows of credit assets as a result of financial difficulties of borrowers, improvement of problematic debtors' recovery rate. The contract amendments include the extension of the contract period, interest payment time modification, contract interest rate modification, or exemption of part of the debts.

## 13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, KGI Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics.

<b>Business</b>	<b>Combination</b>	<b>Definition</b>
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly.
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly.
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired.
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly.
	Product + Stage 2	Credit risk has increased significantly.
	Product + Stage 3	Credit impaired.

KGI Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, the allowance loss is measured by lifetime expected credit losses.

To measure the expected credit losses, KGI Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD"). Multiply by the Exposure at default ("EAD") and taking into account the impact of the time value of money, the expected credit losses for 12 months and duration are calculated.

Probability of default is the probability of default of the borrower (or the counterparty) over a period of time; the loss given default refers to the probability of loss of the borrower (or the counterparty) due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default are used in the impairment assessment of KGI Bank credit business are based on internal historical information (such as credit loss experience, etc.) of each group, and adjust the history data based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default mean that KGI Bank can claim compensation for the book value held by borrowers (or the counterparty) after borrowers have defaulted. KGI Bank's exposure at default amount has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on balance sheet credits or part of credits that were already used; off-balance sheet or committed credits that are not yet used are based on the corresponding Credit Conversion Factor (CCF) which considered the credits that are expected to be used within 12 months after the reporting date or expected lifetime to calculate exposure at default of expected credit loss.

#### 14) Considerations of forward-looking information

KGI Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, KGI Bank selected the appropriate overall indicators as an adjustment parameter for default probability of lending. Based on the type of business, KGI Bank used different overall indicator. The Corporate banking business takes the Economic Growth Rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. KGI Bank will make reference to external information (predicted value of internationally renowned economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors. quarterly. For example, the changes of leading index and interbank offered rate as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

While adjusting credit risk parameter of credit assets, the overall indicators mentioned above, such as GDP, changes of employment rate and basic economic conditions, have been adjusted due to COVID-19.

The measurement of expected credit loss of the Bank's debt instruments is based on an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

## 15) Changes of provisions for off-balance-sheet guarantees and commitments

For Year Ended December 31, 2021

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 112,463	\$ 371	\$ -	\$ 874	\$ -	\$ 113,708	\$ 197,565	\$ 311,273
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(11)	11	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(1)	(6)	-	7	-	-	-	-
To 12-month ECL	379	(120)	-	(259)	-	-	-	-
Derecognizing financial assets during the current period	(14,620)	(489)	-	(612)	-	(15,721)	-	(15,721)
Purchased or originated new financial assets	18,791	29	-	292	-	19,112	-	19,112
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							33,513	33,513
Effect of exchange rate changes and others	(14,085)	647	-	146	-	(13,292)	-	(13,292)
Balance at December 31, 2021	\$ 102,916	\$ 443	\$ -	\$ 448	\$ -	\$ 103,807	\$ 231,078	\$ 334,885

KGI Bank and subsidiaries had no significant change in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment for the year ended December 31, 2021. The aforementioned provision on December 31, 2021 increased by \$23,612 thousand from the beginning of the year.

For Year Ended December 31, 2020

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 108,889	\$ 727	\$ -	\$ 1,757	\$ -	\$ 111,373	\$ 192,447	\$ 303,820
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(7)	7	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(2)	(7)	-	9	-	-	-	-
To 12-month ECL	357	(104)	-	(253)	-	-	-	-
Derecognizing financial assets during the current period	(14,002)	(524)	-	(1,483)	-	(16,009)	-	(16,009)
Purchased or originated new financial assets	16,959	-	-	193	-	17,152	-	17,152
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans							5,118	5,118
Effect of exchange rate changes and others	269	272	-	651	-	1,192	-	1,192
Balance at December 31, 2020	\$ 112,463	\$ 371	\$ -	\$ 874	\$ -	\$ 113,708	\$ 197,565	\$ 311,273

KGI Bank and subsidiaries had no significant change in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the year ended December 31, 2020. The aforementioned provision on December 31, 2020 increased by \$7,453 thousand from the beginning of the year.

16) A loss allowance for financial assets measured at FVTOCI

For the years ended December 31, 2021 and 2020, there was no significant increase in the credit risk of debt instruments measured at FVTOCI of KGI Bank and subsidiaries; therefore, the loss allowance was assessed based on 12 months expected credit losses. As of December 31, 2021, and 2020, loss allowance for debt instruments measured at FVTOCI due to the adjustment of the portfolio were \$29,181 thousand and \$36,865 thousand, respectively.

17) A loss allowance for financial assets measured at amortized cost

For the years ended December 31, 2021 and 2020, there was no significant increase in the credit risk of debt investments measured at amortized cost of KGI Bank and subsidiaries; therefore, the loss allowance was assessed based on 12 months expected credit losses. As of December 31, 2021, and 2020, the recognition of loss allowance were \$2,704 thousand, and \$2,989 thousand, respectively.

18) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the years ended December 31, 2021 and 2020 of the KGI Bank and subsidiaries were as follows:

For Year Ended December 31, 2021

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 54,052	\$ 39,244	\$ -	\$ 1,098,055	\$ -	\$ 1,191,351	\$ 237,123	\$ 1,428,474
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(348)	2,694	-	(2,346)	-	-	-	-
From conversion to credit-impaired financial assets	(249)	(8,324)	-	8,573	-	-	-	-
To 12-month ECL	554	(197)	-	(357)	-	-	-	-
Derecognizing financial assets during the current period	(26,487)	(4,226)	-	(8,513)	-	(39,226)	-	(39,226)
Purchased or originated new financial assets	34,026	75	-	292	-	34,393	-	34,393
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	(42,557)	(42,557)
Write-off	-	-	-	(27,203)	-	(27,203)	-	(27,203)
Recovery of written-off	-	-	-	16,663	-	16,663	-	16,663
Effect of exchange rate changes and others	(12,987)	(10,327)	-	(23,267)	-	(46,581)	-	(46,581)
Balance at December 31, 2021	\$ 48,561	\$ 18,939	\$ -	\$ 1,061,897	\$ -	\$ 1,129,397	\$ 194,566	\$ 1,323,963

For Year Ended December 31, 2020

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 46,283	\$ 32,925	\$ 1	\$ 1,137,187	\$ -	\$ 1,216,396	\$ 151,182	\$ 1,367,578
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(2,520)	4,000	-	(1,480)	-	-	-	-
From conversion to credit-impaired financial assets	(2,731)	(1,495)	-	4,226	-	-	-	-
To 12-month ECL	397	(243)	-	(154)	-	-	-	-
Derecognizing financial assets during the current period	(22,386)	(564)	(1)	(4,202)	-	(27,153)	-	(27,153)
Purchased or originated new financial assets	34,164	75	-	7,823	-	42,062	-	42,062
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	(54,935)	-	(54,935)	85,941	85,941
Write-off	-	-	-	76,572	-	76,572	-	76,572
Recovery of written-off	-	-	-	(66,982)	-	(61,591)	-	(61,591)
Effect of exchange rate changes and others	845	4,546	-	(66,982)	-	(61,591)	-	(61,591)
Balance at December 31, 2020	\$ 54,052	\$ 39,244	\$ -	\$ 1,098,055	\$ -	\$ 1,191,351	\$ 237,123	\$ 1,428,474

Changes in total book values of receivables for the years ended December 31, 2021 and 2020 of KGI Bank and subsidiaries:

For Year Ended December 31, 2021

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 29,977,874	\$ 239,811	\$ -	\$ 1,686,563	\$ -	\$ 31,904,248
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	(112)	-	-	112	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(81,922)	37,468	-	44,454	-	-
Purchased or originated new receivables	9,589,038	861	-	740	-	9,590,639
Write-off	-	-	-	(27,203)	-	(27,203)
Derecognition	(12,779,036)	(64,786)	-	(43,308)	-	(12,887,130)
Effect of exchange rate changes and others	(407,208)	(1)	-	(30,986)	-	(438,195)
Balance at December 31, 2021	\$ 26,298,634	\$ 213,353	\$ -	\$ 1,630,372	\$ -	\$ 28,142,359

For Year Ended December 31, 2020

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 20,525,328	\$ 246,885	\$ 6	\$ 1,758,759	\$ -	\$ 22,530,978
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(81,942)	30,070	-	51,872	-	-
Purchased or originated new receivables	17,513,657	815	-	19,563	-	17,534,035
Write-off	-	-	-	(54,935)	-	(54,935)
Derecognition	(7,244,044)	(37,950)	(6)	(40,758)	-	(7,322,758)
Effect of exchange rate changes and others	(735,125)	(9)	-	(47,938)	-	(783,072)
Balance at December 31, 2020	\$ 29,977,874	\$ 239,811	\$ -	\$ 1,686,563	\$ -	\$ 31,904,248

19) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the years ended December 31, 2021 and 2020 of the KGI Bank and subsidiaries were as follows:

For Year Ended December 31, 2021

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,213,597	\$ 89,205	\$ -	\$ 557,519	\$ -	\$ 1,860,321	\$ 3,135,568	\$ 4,995,889
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(3,229)	19,129	-	(15,900)	-	-	-	-
From conversion to credit-impaired financial assets	(6,023)	(11,254)	-	17,277	-	-	-	-
To 12-month ECL	11,749	(2,277)	-	(9,472)	-	-	-	-
Derecognizing financial assets during the current period	(552,292)	(14,663)	-	(67,877)	-	(634,832)	-	(634,832)
Purchased or originated new financial assets	1,170,059	71	-	259	-	1,170,389	-	1,170,389
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	279,849	279,849
Write-off	-	-	-	(691,658)	-	(691,658)	-	(691,658)
Recovery of written-off	-	-	-	655,256	-	655,256	-	655,256
Effect of exchange rate changes and others	(977,101)	22,287	-	54,176	-	(900,638)	-	(900,638)
Balance at December 31, 2021	\$ 856,760	\$ 102,498	\$ -	\$ 499,580	\$ -	\$ 1,458,838	\$ 3,415,417	\$ 4,874,255

For Year Ended December 31, 2020

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,450,530	\$ 80,266	\$ 1,479	\$ 597,543	\$ -	\$ 2,129,818	\$ 2,334,800	\$ 4,464,618
Changes due to financial instruments that have been identified at the beginning of the period:								
To lifetime ECL	(3,525)	18,638	-	(15,113)	-	-	-	-
From conversion to credit-impaired financial assets	(5,755)	(14,379)	-	20,134	-	-	-	-
To 12-month ECL	3,430	(2,594)	-	(836)	-	-	-	-
Derecognizing financial assets during the current period	(636,402)	(10,832)	(1,450)	(47,182)	-	(695,866)		(695,866)
Purchased or originated new financial assets	1,378,808	363	-	340	-	1,379,511		1,379,511
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	(416,374)	-	(416,374)	800,768	800,768
Write-off	-	-	-	683,743	-	683,743		(416,374)
Recovery of written-off	-	-	-		-			683,743
Effect of exchange rate changes and others	(973,489)	17,743	(29)	(264,736)	-	(1,220,511)		(1,220,511)
Balance at December 31, 2020	\$ 1,213,597	\$ 89,205	\$ -	\$ 557,519	\$ -	\$ 1,860,321	\$ 3,135,568	\$ 4,995,889

Changes in total book values of discounts and loans for the years ended December 31, 2021 and 2020 of the KGI Bank and subsidiaries were as follows:

For Year Ended December 31, 2021

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 376,225,602	\$ 1,426,197	\$ -	\$ 2,303,265	\$ -	\$ 379,955,064
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	(367,700)	-	-	367,700	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(773,375)	308,224	-	465,151	-	-
Purchased or originated new discounts and loans	563,479,790	3,810	-	931	-	563,484,531
Write-off	-	-	-	(691,658)	-	(691,658)
Derecognition	(560,100,507)	(294,650)	-	(290,504)	-	(560,685,661)
Effect of exchange rate changes and others	(3,460,706)	(2,107)	-	(2,591)	-	(3,465,404)
Balance at December 31, 2021	\$ 375,003,104	\$ 1,441,474	\$ -	\$ 2,152,294	\$ -	\$ 378,596,872

For Year Ended December 31, 2020

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 343,057,023	\$ 1,350,348	\$ 7,225	\$ 2,591,502	\$ 69,651	\$ 347,076,049
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(1,016,276)	443,060	-	573,216	-	-
Purchased or originated new discounts and loans	690,065,303	2,955	-	2,060	-	690,070,318
Write-off	-	-	-	(416,374)	-	(416,374)
Derecognition	(653,152,080)	(360,922)	(7,080)	(441,262)	(69,951)	(654,031,295)
Effect of exchange rate changes and others	(2,728,368)	(9,244)	(145)	(5,877)	-	(2,743,634)
Balance at December 31, 2020	\$ 376,225,602	\$ 1,426,197	\$ -	\$ 2,303,265	\$ -	\$ 379,955,064

KGI Securities and subsidiaries

Credit risk analysis

1) Source of credit risk

The credit risks that KGI Securities and subsidiaries are exposed to during financial transactions include issuer's credit risk, and counterparty credit risk, etc.

- a) Issuer's credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).
- b) Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

2) Credit risk management

The investment, acquisition of fixed-income securities, other financial assets, and credit risk management of current counterparties are handled in accordance with KGI Securities and subsidiaries' internal control procedures and related regulations, and most of them have reached an external credit rating investment grade or above, so credit risk is very low.

### 3) Default and credit derogation definition of financial assets

- a) The definition of the credit assets default of the KGI Securities and subsidiaries are the same as that of the impaired credit assets. If there is evidence that the issuer or counterparty will be unable to pay, or has significant financial difficulties, such as:
  - i. The issuer or counterparty has been bankrupt or may file a petition for bankruptcy or financial restructuring.
  - ii. The contract of the other financial instrument of the issuer or counterparty has been breached.
  - iii. The active market for the financial asset disappeared due to the financial difficulties of the issuer or counterparty.
  - iv. Purchase or initiate financial assets at a substantial discount that reflects credit losses that have occurred.
- b) The aforementioned definition of default and credit impairment applies to all financial assets held by KGI Securities and subsidiaries are consistent with the definition of financial assets used for internal credit risk management purposes, and is used in the relevant impairment assessment.
- c) If a credit asset is assessed to no longer meet the definition of default and credit impairment, it should return to the state of compliance, and is no longer considered a credit asset for default and credit impairment.
- d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

### 4) Credit risk statement for financial assets

- a) Cash and cash equivalents, other financial assets

KGI Securities and subsidiaries mainly deposit cash such as cash in bank in creditworthy financial institutions and deposit a certain amount of securities in a specific accounts appointed by the futures companies when engaging in future trading. KGI Securities and subsidiaries regularly evaluate the financial, operating and credit risk status of financial institutions and futures companies, and control the credit risk with the results. The evaluated credit risk is under KGI Securities and subsidiaries' control.

- b) Financial assets measured at fair value through profit or loss - current

KGI Securities holds the unsecured corporate bonds, convertible (exchangeable) corporate bonds and part of the CB Asset Swap. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank. In most other holdings, KGI Securities conducts CB asset swap and issues Credit Linked Note to transfer credit risk and lower the credit risk exposure of the issuer. Therefore, the credit risk of the issuer has been effective control.

- c) Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

KGI Securities holds mainly the medium and long-term bond investment position. KGI Securities pays attention to the credit rating of each investment and the financial status of the issuer (or guarantee institution) in order to minimize credit risk.

- d) Bonds purchased under resell agreements

The counterparties with bonds purchased under resell agreements are mainly creditworthy financial institutions and companies. Because KGI Securities and subsidiaries holds bonds purchased under resell agreements as collateral, it can effectively reduce underlying exposure the counterparty's credit risk.

- e) Receivables

Receivables mainly include margin loans receivable, trading securities receivable, futures commission merchant receivable and accounts receivable, etc. The main credit risk is receivable on margin loans and trading securities receivable of credit trading customers. KGI Securities and subsidiaries closely monitor market fluctuations and counterparties credit history, and enforce related control measures to minimize the credit risk.

- f) Customer margin accounts

The exclusive account for depositing customer margin accounts is mainly opened in creditworthy banks, financial institutions and companies with investment grades, so there is no significant credit risk.

- g) Stock borrowing collateral price and guarantee deposits - borrowed securities

When KGI Securities borrows securities from outside, they must deposit the guaranty fund into the financial institution designated by the other parties. Because KGI Securities holds the foregoing borrowed securities simultaneously, it can effectively reduce the risk of the counterparty's credit risk.

- h) Other non-current assets

Other non-current assets are mainly operating guarantee deposits, clearing and settlement funds and guarantee deposits-out. KGI Securities and subsidiaries carefully evaluates the counterparty in accordance with the amount of deposit. The counterparties are a large number and the amount of each deposit is not high. The credit risk has been effectively dispersed, so the credit risk is very low.

## 5) Assessment of expected credit losses

- a) Consideration of forward-looking information

KGI Securities and subsidiaries take forward-looking information into consideration when assessing whether there has been a significant increase in financial assets' credit risk after initial recognition and when measuring of expected credit losses.

Probability of default of debt instrument investment (except for at fair value through profit or loss) used by KGI Securities and subsidiaries is based on the probability of default contained forward-looking general economic information and regularly announced by international credit rating agencies.

Except for debt instrument investments, financial assets of KGI Securities and subsidiaries are analyzed using historical data to determine the economic factors that affect the expected credit losses of each asset portfolios, and supplemented by the best expectation announced by the government-affiliated institutions and academic research units. The best estimate of expected credit losses are reevaluate and revised on each financial reporting date.

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by lifetime expected credit losses. The lifetime expected credit losses are based on historical records, current information, and relevant forward-looking information calculated by a regression model. For the fact that KGI Securities and domestic subsidiaries' historical records of credit losses indicate that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

Overseas subsidiaries

The financial assets of overseas subsidiaries whose credit risk do not increase significantly after initial recognition are measured as 12-month expected credit losses. For financial assets whose credit risk has increased significantly after initial recognition, they are measured as lifetime expected credit losses. Customers' past default records, counterparty credit ratings, current information and relevant forward-looking information are take into consideration when assessing expected credit losses. For the fact that there is no significant difference in the loss patterns of different customer groups of overseas subsidiaries, it is not measured in groups.

c) Debt instrument investment (except at fair value through profit or loss)

The original purchase is based on the premise that the credit risk is low, it is assessed whether the credit risk is significantly increased after the initial recognition on each balance sheet date to determine the method of measuring the allowance loss and its loss rate.

In order to measure expected credit losses, KGI Securities and subsidiaries consider the probability of default (PD) of financial assets or the issuer or counterparty for the next 12 months, which collectively consider the loss given default (LGD), and is multiplied by exposure at default (EAD). KGI Securities and subsidiaries assess financial assets measured at amortized cost with exposure at default and consider the impact of time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and loss rate given default is the rate of loss caused by default by the issuer or counterparty. The probability of default and loss given default used by KGI Securities and subsidiaries in related assessment of impairment are mainly relied on the probability of default and loss given default that are regularly announced by international credit rating agencies.

The aforementioned impairment assessment method and related indicators of debt instrument investment are described as follows:

<b>Degree of Credit Risk</b>	<b>Indicators</b>	<b>Measurement of Expected Credit Loss</b>
Low credit risk	Ratings above BBB-/counterparty with good credit	12 months expected credit loss
Credit risk significantly increase	Ratings between BB+-C (Note)	Lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Lifetime expected credit loss

Note: KGI Securities and subsidiaries consider information which indicates significant and evidential increase in credit risk (including forward-looking information) since the initial recognition. The main considerations including:

- i. External credit ratings, overdue status information, credit spreads, other market information related to borrowers, issuers or counterparties, and the same borrowers' credit risk of other financial instruments increases significantly.
- ii. Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition.

- 6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the years ended December 31, 2021 and 2020.

Disclosure of total book value and allowance loss for financial assets' expected credit loss

- 1) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of December 31, 2021 and 2020 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value for financial assets at debt instruments at fair value through other comprehensive income as of December 31, 2021 and 2020 were \$29,754,716 thousand and \$31,250,234 thousand, respectively, and allowance were \$23,735 thousand and \$15,736 thousand, respectively.

Accounts receivable and othersDecember 31, 2021

	<b>Total Book Value</b>	<b>Less: Allowance Loss</b>	<b>Total</b>
Cash and cash equivalents	\$ 15,671,771	\$ (90)	\$ 15,671,681
Bonds purchased under resell agreement	13,702,755	(11)	13,702,744
Margin loans receivables	39,093,159	(3,010)	39,090,149
Trading securities receivables	7,279,801	(548)	7,279,253
Customer's margin accounts	51,969,284	(1,468)	51,967,816
Futures commission merchant receivable	134,733	(134,733)	-
Deposits required for securities borrowing	40,699,616	(18)	40,699,598
Accounts receivable	40,363,415	(2,352)	40,361,063
Other current assets	55,952,946	(12,320)	55,940,626
Other non-current assets	<u>3,884,423</u>	<u>(823,829)</u>	<u>3,060,594</u>
	<u>\$ 268,751,903</u>	<u>\$ (978,379)</u>	<u>\$ 267,773,524</u>

December 31, 2020

	<b>Total Book Value</b>	<b>Less: Allowance Loss</b>	<b>Total</b>
Cash and cash equivalents	\$ 16,019,018	\$ (115)	\$ 16,018,903
Bonds purchased under resell agreement	13,610,026	-	13,610,026
Margin loans receivables	37,027,504	(1,367)	37,026,137
Trading securities receivables	4,361,551	(248)	4,361,303
Customer's margin accounts	54,511,969	(1,572)	54,510,397
Futures commission merchant receivable	168,217	(166,781)	1,436
Accounts receivable	47,619,101	(1,502)	47,617,599
Other current assets	34,940,421	(7,844)	34,932,577
Other non-current assets	<u>4,377,625</u>	<u>(1,468,867)</u>	<u>2,908,758</u>
	<u>\$ 212,635,432</u>	<u>\$ (1,648,296)</u>	<u>\$ 210,987,136</u>

2) Changes in allowance losses of KGI Securities and subsidiaries for the years ended December 31, 2021 and 2020 are as follows:

a) Financial assets at fair value through other comprehensive income

	<b>12 Months Expected Credit Loss</b>
January 1, 2021	\$ 15,736
Addition	8,175
Change in exchange rate and others	<u>(176)</u>
December 31, 2021	<u>\$ 23,735</u>
January 1, 2020	\$ 10,992
Addition	5,072
Change in exchange rate and others	<u>(328)</u>
December 31, 2020	<u>\$ 15,736</u>

The loss allowance of financial assets measured at fair value through other comprehensive income-debt instrument investments for the years ended December 31, 2021 and 2020, were influenced by the derecognition and purchase.

b) Receivables and others

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Collective)</b>	<b>Credit Impaired Financial Assets (Lifetime Expected Credit Loss)</b>	<b>Lifetime Expected Credit Loss (Simplify)</b>	<b>Total</b>
January 1, 2021	\$ 7,888	\$ 73	\$ 1,637,566	\$ 2,769	\$ 1,648,296
Addition	4,775	583	29,592	1,915	36,865
Derecognizing financial assets during the current period	-	-	(32,911)	-	(32,911)
Write-off	-	-	(655,980)	-	(655,980)
Change in exchange rate and others	<u>(316)</u>	<u>(11)</u>	<u>(17,562)</u>	<u>(2)</u>	<u>(17,891)</u>
December 31, 2021	<u>\$ 12,347</u>	<u>\$ 645</u>	<u>\$ 960,705</u>	<u>\$ 4,682</u>	<u>\$ 978,379</u>
January 1, 2020	\$ 5,263	\$ 402	\$ 1,914,235	\$ 3,339	\$ 1,923,239
Addition (reversal)	2,960	(318)	10,435	(567)	12,510
Derecognizing financial assets during the current period	-	-	(2,373)	-	(2,373)
Changes in consolidated entities	-	-	(254,781)	-	(254,781)
Write-off	-	-	(5,410)	-	(5,410)
Change in exchange rate and others	<u>(335)</u>	<u>(11)</u>	<u>(24,540)</u>	<u>(3)</u>	<u>(24,889)</u>
December 31, 2020	<u>\$ 7,888</u>	<u>\$ 73</u>	<u>\$ 1,637,566</u>	<u>\$ 2,769</u>	<u>\$ 1,648,296</u>

The aforementioned total book value of receivables and other financial assets were influenced by the impact of securities market transactions.

CDIB Capital Group and subsidiaries

CDIB Capital Group and subsidiaries are exposed to credit risk due to default on contracts by counterparties. As of the balance sheet date, CDIB Capital Group and subsidiaries' maximum exposure to credit risk due to the counterparties' default on obligations is equal to the book value.

The maximum exposure to credit risk held by CDIB Capital Group and subsidiaries of the financial instruments is equal to the book value.

## China Life Insurance

- Credit risk analysis

- 1) Credit risk refers to the counterparties fail to fulfill obligations of contract, resulting in the risk of loss of value. Credit risks of China Life Insurance result from operating and financing activities, which mainly include lending, investing in financial instruments and receivables.

The departments of China Life Insurance follow credit risk policies, procedures and controls to manage credit risks. The credit risk assessment of all issuers or counterparties is based on comprehensive consideration of their financial status, credit ratings, historical transaction records, current economic environment, China Life Insurance's internal rating indicators, and etc. Also, China Life Insurance uses certain credit enhancement tools in due course to reduce the credit risk of a particular issuer or counterparty.

For investments of financial instruments, its original purchase is based on the premise that the credit risk is low, and on each balance sheet date, it is assessed whether the conditions of low credit risk are still met to determine the method of measuring the allowance. Also, China Life Insurance dispose those investments to reduce credit losses in appropriate time, such as there is a significant increase in credit risk. In addition, China Life Insurance has established credit VaR model to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

Lending of China Life Insurance is determined by the factors that affect the risk based on the 5P principle which gives different weights according to the impact of the risk so as to calculate the credit score of each borrower. The credit score comprehensively measures the rationality of the purpose of the loan, the collateral area, value and number, the customer's credit report, historical interest payment record, financial status, debt repayment ability, and etc. Once a delay occurs, it is promptly collected in accordance with the procedures to avoid financial losses.

China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for some of receivables, which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, other market information related to the issuer which shows that its credit risk has increased significantly, etc. If the credit risk of a financial asset at the balance sheet date is low, it is assumed that the credit risk of the financial asset has not increased significantly since the initial recognition. For the judgment of credit impairment, it refers to the default of contract, the overdue payment of interest or principal for holding debt instruments for more than 90 days, the happening of major financial difficulties, bankruptcy or financial reorganization of the issuer. For financial assets whose credit risk has not increased significantly since initial recognition, China Life Insurance measures the allowance loss by the 12-month expected credit loss amount; For financial assets with a significant increase in credit risk or credit impairment since initial recognition, China Life Insurance measures the allowance loss by the amount of expected credit loss during the lifetime.

Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and the loss given default is the rate of loss caused by default by the issuer or counterparty. China Life Insurance employs information on the default probability and default loss rate published by external credit rating agencies and adjusts it based on forward-looking general economic information.

China Life employs amortized cost of financial assets plus accrued interest and receivables as a measure of exposure at default, while loans are calculated as the sum of the principal balance of the debtor at the time of calculation, interest, and payable as a measure of exposure at default.

Some of the allowance losses of part of receivables are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set based on the overdue days of receivables.

In February 2022, a military conflict broke out between Russia and Ukraine and triggered international sanctions. China Life Insurance will continue to pay attention to the follow-up development and take the impact of this incident into consideration when evaluating the expected credit losses of relevant financial assets in 2022.

## 2) Financial assets credit risk concentration analysis

- a) The largest credit risk exposure of the financial debt instrument investments held by China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

### December 31, 2021

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 129,250,490	\$ 10,620,757	\$ 13,914,048	\$ -	\$ -	\$ 153,785,295
Financial assets at fair value through profit or loss	24,218,292	7,592,246	16,850,342	2,485,524	-	51,146,404
Financial assets at fair value through other comprehensive income	55,616,783	86,249,417	50,287,213	34,207,632	-	226,361,045
Financial assets at amortized cost	144,791,992	327,458,052	283,806,918	440,734,653	4,519,353	1,201,310,968
Refundable deposits - bonds	<u>7,402,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,402,206</u>
	<u>\$ 361,279,763</u>	<u>\$ 431,920,472</u>	<u>\$ 364,858,521</u>	<u>\$ 477,427,809</u>	<u>\$ 4,519,353</u>	<u>\$ 1,640,005,918</u>
Proportion	<u>22.03%</u>	<u>26.34%</u>	<u>22.25%</u>	<u>29.11%</u>	<u>0.27%</u>	<u>100.00%</u>

### December 31, 2020

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 84,093,524	\$ 6,884,611	\$ 10,396,658	\$ -	\$ -	\$ 101,374,793
Financial assets at fair value through profit or loss	25,959,157	6,815,077	12,949,791	1,154,779	-	46,878,804
Financial assets at fair value through other comprehensive income	79,525,371	145,013,479	88,243,469	112,558,723	-	425,341,042
Financial assets at amortized cost	150,155,870	280,982,045	233,038,226	376,078,307	6,141,153	1,046,395,601
Refundable deposits - bonds	<u>7,092,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,092,185</u>
	<u>\$ 346,826,107</u>	<u>\$ 439,695,212</u>	<u>\$ 344,628,144</u>	<u>\$ 489,791,809</u>	<u>\$ 6,141,153</u>	<u>\$ 1,627,082,425</u>
Proportion	<u>21.32%</u>	<u>27.02%</u>	<u>21.18%</u>	<u>30.10%</u>	<u>0.38%</u>	<u>100.00%</u>

- b) China Life Insurance's regional distribution of credit risk exposure for loans (excluding policy loans and automatic premium loans) is as follows:

December 31, 2021

<b>Location</b>	<b>Northern Areas: Taipei and Eastern Counties</b>	<b>Central Area: Taichung to Changhua and Nantou</b>	<b>Southern Area: Counties Below Tainan</b>	<b>Total</b>
Secured loans	\$ 193,503	\$ 86,402	\$ 109,333	\$ 389,238
Overdue receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 193,503</u>	<u>\$ 86,402</u>	<u>\$ 109,333</u>	<u>\$ 389,238</u>
Proportion	<u>49.71%</u>	<u>22.20%</u>	<u>28.09%</u>	<u>100.00%</u>

December 31, 2020

<b>Location</b>	<b>Northern Areas: Taipei and Eastern Counties</b>	<b>Central Area: Taichung to Changhua and Nantou</b>	<b>Southern Area: Counties Below Tainan</b>	<b>Total</b>
Secured loans	\$ 289,438	\$ 138,635	\$ 146,264	\$ 574,337
Overdue receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 289,438</u>	<u>\$ 138,635</u>	<u>\$ 146,264</u>	<u>\$ 574,337</u>
Proportion	<u>50.39%</u>	<u>24.14%</u>	<u>25.47%</u>	<u>100.00%</u>

- 3) Disclosure of total book value and allowance loss for financial assets' expected credit loss

The reconciliation statement of loss allowance for financial assets measured at FVTOCI for the years ended December 31, 2021 and 2020 were as follows:

	<b>12 Months expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>
January 1, 2021	\$ 24,319	\$ -	\$ -	\$ 24,319
Disposal	(12,342)	-	-	(12,342)
Addition	1,069	-	-	1,069
Change in model/risk parameters	4,810	-	-	4,810
Change in exchange rate and others	<u>(579)</u>	<u>-</u>	<u>-</u>	<u>(579)</u>
December 31, 2021	<u>\$ 17,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,277</u>

(Continued)

	<b>12 Months expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>
January 1, 2020	\$ 39,460	\$ -	\$ -	\$ 39,460
Disposal	(6,995)	-	-	(6,995)
Addition	8,265	-	-	8,265
Change in model/risk parameters	(15,801)	-	-	(15,801)
Change in exchange rate and others	<u>(610)</u>	<u>-</u>	<u>-</u>	<u>(610)</u>
December 31, 2020	<u>\$ 24,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,319</u> (Concluded)

The reconciliation statement of loss allowance for financial assets measured at amortized cost for the years ended December 31, 2021 and 2020 were as follows:

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit risk Has Been Impaired)</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>
January 1, 2021	\$ 56,917	\$ -	\$ -	\$ 56,917
Change due to financial assets recognized at the beginning of the period				
Change to duration expected credit loss	(154)	154	-	-
Disposal	(6,155)	(23)	-	(6,178)
Addition	29,274	-	-	29,274
Change in model/risk parameters	23,968	47,436	-	71,404
Change in exchange rate and others	<u>(2,074)</u>	<u>(1,365)</u>	<u>-</u>	<u>(3,439)</u>
December 31, 2021	<u>\$ 101,776</u>	<u>\$ 46,202</u>	<u>\$ -</u>	<u>\$ 147,978</u>
January 1, 2020	\$ 102,968	\$ -	\$ -	\$ 102,968
Disposal	(22,780)	-	-	(22,780)
Addition	18,317	-	-	18,317
Change in model/risk parameters	(39,892)	-	-	(39,892)
Change in exchange rate and others	<u>(1,696)</u>	<u>-</u>	<u>-</u>	<u>(1,696)</u>
December 31, 2020	<u>\$ 56,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,917</u>

The reconciliation statement of other receivables related to financial asset measured at FVTCOI and financial assets measured at amortized cost for the years ended December 31, 2021 and 2020 were as follows:

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit Risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>
January 1, 2021	\$ 805	\$ -	\$ -	\$ 805
Change due to financial assets recognized at the beginning of the period				
Change to duration expected credit loss	(1)	1	-	-
Disposal	(187)	-	-	(187)
Addition	267	-	-	267
Change in model/risk parameters	296	399	-	695
Change in exchange rate and others	<u>(28)</u>	<u>(12)</u>	<u>-</u>	<u>(40)</u>
December 31, 2021	<u>\$ 1,152</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 1,540</u>
January 1, 2020	\$ 1,362	\$ -	\$ -	\$ 1,362
Disposal	(167)	-	-	(167)
Addition	211	-	-	211
Change in model/risk parameters	(579)	-	-	(579)
Change in exchange rate and others	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(22)</u>
December 31, 2020	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 805</u>

For the years ended December 31, 2021 and 2020, the changes in debt investments allowance loss measured at amortized cost and at fair value through other comprehensive income result from the variation of allowance loss parameter which is affected by recent financial environment, and forward - looking factors, follow as disposals and new additions.

The expected credit loss rate measuring the amount of allowance loss of the investment in debt instruments of financial assets and other related receivables are as follows:

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit Risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>
Measured fair value through other comprehensive income	0.00%-0.06%	0.00%-0.00%	-
Measured at amortized cost	0.00%-0.06%	1.80%-1.93%	-
Other receivables	0.00%-0.06%	1.80%-1.93%	-

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables. The assessment do not have significant increase in credit risk on December 31, 2020. Therefore, the 12-month expected credit loss is used to measure the amount of allowance loss. The loss rate were 0.00% and 0.04%, respectively.

Changes in allowance losses for the years ended December 31, 2021 and 2020 are as follows:

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss - Collective</b>	<b>Lifetime Expected Credit Loss - Individual</b>	<b>Impairment Recognized In Accordance with IFRS 9</b>	<b>Different of Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises</b>	<b>Total</b>
January 1, 2021	\$ 8	\$ 384	\$ 444	\$ 836	\$ 8,312	\$ 9,148
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	-	-	-	-	-	-
Disposal	1	-	(18)	(17)	-	(17)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(2,711)	(2,711)
Change in exchange rate and others	(4)	(191)	(96)	(291)	-	(291)
December 31, 2021	<u>\$ 5</u>	<u>\$ 193</u>	<u>\$ 330</u>	<u>\$ 528</u>	<u>\$ 5,601</u>	<u>\$ 6,129</u>

(Continued)

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Different of Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 2020	\$ 53	\$ 347	\$ 709	\$ 1,109	\$ 11,951	\$ 13,060
Change due to financial assets recognized at the beginning of the period						
Change to duration expected credit loss	-	-	-	-	-	-
Change to 12 months expected credit loss	114	-	(114)	-	-	-
Disposal	9	-	(14)	(5)	-	(5)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(3,639)	(3,639)
Change in exchange rate and others	<u>(168)</u>	<u>37</u>	<u>(137)</u>	<u>(268)</u>	<u>-</u>	<u>(268)</u>
December 31, 2020	<u>\$ 8</u>	<u>\$ 384</u>	<u>\$ 444</u>	<u>\$ 836</u>	<u>\$ 8,312</u>	<u>\$ 9,148</u>

(Concluded)

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the years ended December 31, 2021 and 2020 are as follows:

	Receivables	
	For the Years Ended December 31	
	2021	2020
January 1	\$ 6,874	\$ 7,845
Addition (reversal)	(2,303)	(971)
Written-off due to uncollectable	<u>-</u>	<u>-</u>
December 31	<u>\$ 4,571</u>	<u>\$ 6,874</u>

- 4) The information on the total book value and credit risk ratings of financial assets
- a) Financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and related other receivables

December 31, 2021

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit Risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>	<b>Total</b>
<u>Investment Grade</u>				
Financial assets at fair value through other comprehensive income	\$ 213,332,708	\$ -	\$ -	\$ 213,332,708
Financial assets measured at amortized cost	1,204,481,553	2,472,225	-	1,206,953,778
Other receivables	11,663,976	20,872	-	11,684,848
<u>Non-investment Grade</u>				
Financial assets at fair value through other comprehensive income	3,247,410	-	-	3,247,410
Financial assets measured at amortized cost	1,907,374	-	-	1,907,374
Other receivables	100,661	-	-	100,661

December 31, 2020

	<b>12 Months Expected Credit Loss</b>	<b>Lifetime Expected Credit Loss (Credit Risk Significantly Increase)</b>	<b>Lifetime Expected Credit Loss (Credit Risk Has Been Impaired)</b>	<b>Total</b>
<u>Investment Grade</u>				
Financial assets at fair value through other comprehensive income	\$ 369,085,388	\$ -	\$ -	\$ 369,085,388
Financial assets measured at amortized cost	1,051,889,558	-	-	1,051,889,558
Other receivables	11,982,573	-	-	11,982,573
<u>Non-investment Grade</u>				
Financial assets at fair value through other comprehensive income	5,421,034	-	-	5,421,034
Financial assets measured at amortized cost	1,655,145	-	-	1,655,145
Other receivables	138,379	-	-	138,379

Note 1: Including securities serving as collateral deposits.

Note 2: China Life Insurance's investment grade based on rating of the credit rating agencies: Investment grade means credit rating reaches at least BBB-granted by a credit rating agency; Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.

b) Guarantee loans and related other receivables

December 31, 2021

<b>Credit Risk Ratings</b>	<b>Measurement of Expected Credit Loss</b>	<b>Guarantee Loans</b>	<b>Other Receivables</b>
Low credit risk	12 months expected credit loss	\$ 388,984	\$ 330
Credit risk significantly increase	Lifetime expected credit loss	1,180	5
Impairment	Lifetime expected credit loss	<u>5,203</u>	<u>5</u>
Total book value		<u>\$ 395,367</u>	<u>\$ 340</u>

December 31, 2020

<b>Credit Risk Ratings</b>	<b>Measurement of Expected Credit Loss</b>	<b>Guarantee Loans</b>	<b>Other Receivables</b>
Low credit risk	12 months expected credit loss	\$ 575,133	\$ 488
Credit risk significantly increase	Lifetime expected credit loss	2,002	9
Impairment	Lifetime expected credit loss	<u>6,350</u>	<u>6</u>
Total book value		<u>\$ 583,485</u>	<u>\$ 503</u>

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing profit or capital loss because of the inability to obtain funds with reasonable price to meet the financial obligation with a reasonable time, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management uses gap limit management strategy, which is the net cumulative mismatch of inflows and outflows, and calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each currency as a basis for controlling the liquidity risk. For Liquidity gap management, KGI Bank also actively deconcentrates funding sources, distributes the fund maturity date based on the gap report, disperses the call loans (lending) from counterparties and increases the renewal rate of enterprises' deposits to enhance the stability of the resources of funds.

3) Maturity analysis of financial assets and non-derivative financial liabilities held for liquidity risk management

a) Financial assets held for liquidity management

The KGI Bank holds cash and highly liquid and high-grade profit-generating assets to pay off obligations and meet any potential emergency funding needs in the market environment. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities purchased under resell agreement, accounts receivable, and discounts and loans, etc.

b) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the KGI Bank's non-derivative financial liabilities based on the remaining period from the balance sheet date to the maturity date of the contract. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 6,023,296	\$ -	\$ -	\$ 166,850	\$ -	\$ 6,190,146
Notes and bonds issued under repurchase agreement	4,700,647	1,100,210	-	-	-	5,800,857
Deposits and remittances	41,193,532	93,476,840	70,321,598	106,288,309	22,748,717	334,028,996
Loans payable	-	-	-	129,490	25,250,000	25,379,490
Other capital outflow on maturity	4,078,954	379,906	354,651	3,966,071	4,121,245	12,900,827
Total	\$ 55,996,429	\$ 94,956,956	\$ 70,676,249	\$ 110,550,720	\$ 52,119,962	\$ 384,300,316

(In Thousands of New Taiwan Dollars)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 2,023,296	\$ -	\$ -	\$ 166,850	\$ -	\$ 2,190,146
Notes and bonds issued under repurchase agreement	9,150,478	2,100,000	-	-	-	11,250,478
Deposits and remittances	63,787,029	107,339,743	66,310,454	93,565,302	23,962,425	354,964,953
Loans payable	-	76,030	-	-	20,250,000	20,326,030
Other capital outflow on maturity	5,325,202	819,304	243,406	689,627	1,989,673	9,067,212
Total	\$ 80,286,005	\$ 110,335,077	\$ 66,553,860	\$ 94,421,779	\$ 46,202,098	\$ 397,798,819

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 110,000	\$ 380,000	\$ -	\$ -	\$ -	\$ 490,000
Notes and bonds issued under repurchase agreement	313,395	661,840	273,650	-	-	1,248,885
Deposits and remittances	1,960,468	2,289,458	279,642	767,524	548	5,297,640
Loans payable	-	-	-	-	373,939	373,939
Other capital outflow on maturity	40,014	12,717	3,000	36	161,108	216,875
Total	\$ 2,423,877	\$ 3,344,015	\$ 556,292	\$ 767,560	\$ 535,595	\$ 7,627,339

(In Thousands of U.S. Dollars)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 25,000	\$ 279,000	\$ 20,000	\$ -	\$ -	\$ 324,000
Notes and bonds issued under repurchase agreement	493,350	839,948	-	-	-	1,333,298
Deposits and remittances	1,916,605	1,028,415	766,298	1,036,791	633	4,748,742
Loans payable	-	-	-	-	388,571	388,571
Other capital outflow on maturity	22,909	24,816	3,841	69	173,673	225,308
Total	\$ 2,457,864	\$ 2,172,179	\$ 790,139	\$ 1,036,860	\$ 562,877	\$ 7,019,919

## 4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet.

(In Thousands of New Taiwan Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$(177,221,843)	\$(208,587,820)	\$(156,161,476)	\$(136,346,089)	\$(13,008,417)	\$(691,325,645)
Cash inflow	153,887,697	185,607,754	153,162,118	142,131,466	11,195,610	645,984,645
Interest rate derivatives instruments						
Cash outflow	(163,297)	(202,138)	(10,968)	(1,558)	(11,625,928)	(12,003,889)
Cash inflow	120,182	211,781	10,247	-	-	342,210
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	-	(19,171)	-	-	-	(19,171)
Cash inflow	-	81,296	3,885	39,696	-	124,877
Cash outflow subtotal	(177,385,140)	(208,809,129)	(156,172,444)	(136,347,647)	(24,634,345)	(703,348,705)
Cash inflow subtotal	154,007,879	185,900,831	153,176,250	142,171,162	11,195,610	646,451,732
Net cash flow	\$ (23,377,261)	\$ (22,908,298)	\$ (2,996,194)	\$ 5,823,515	\$ (13,438,735)	\$ (56,896,973)

(In Thousands of New Taiwan Dollars)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (206,824,985)	\$ (196,789,956)	\$ (140,803,366)	\$ (137,735,779)	\$ (4,361,229)	\$ (686,515,315)
Cash inflow	194,310,806	181,563,454	146,455,432	139,386,098	1,427,600	663,143,390
Interest rate derivatives instruments						
Cash outflow	(164,442)	(262,309)	-	-	(16,501,198)	(16,927,949)
Cash inflow	157,617	258,900	-	-	-	416,517
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	-	(12,682)	-	-	-	(12,682)
Cash inflow	-	47,952	-	39,576	-	87,528
Cash outflow subtotal	(206,989,427)	(197,064,947)	(140,803,366)	(137,735,779)	(20,862,427)	(703,455,946)
Cash inflow subtotal	194,468,423	181,870,306	146,455,432	139,425,674	1,427,600	663,647,435
Net cash flow	\$ (12,521,004)	\$ (15,194,641)	\$ 5,652,066	\$ 1,689,895	\$ (19,434,827)	\$ (39,808,511)

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (6,530,255)	\$ (7,435,810)	\$ (5,976,675)	\$ (5,882,118)	\$ (446,322)	\$ (26,271,180)
Cash inflow	7,838,238	8,352,981	6,122,189	5,641,870	516,822	28,472,100
Interest rate derivatives instruments						
Cash outflow	(43,395)	(6,319)	(8,282)	(7,272)	(140,925)	(206,193)
Cash inflow	4,141	9,751	6,028	1,401	856	22,177
Others						
Cash outflow	(150)	-	-	-	-	(150)
Cash inflow	220	-	-	-	-	220
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	(534)	(1,566)	(2,584)	-	-	(4,684)
Cash inflow	104	167	-	-	-	271
Cash outflow subtotal	(6,574,334)	(7,443,695)	(5,987,541)	(5,889,390)	(587,247)	(26,482,207)
Cash inflow subtotal	7,842,703	8,362,899	6,128,217	5,643,271	517,678	28,494,768
Net cash flow	\$ 1,268,369	\$ 919,204	\$ 140,676	\$ (246,119)	\$ (69,569)	\$ 2,012,561

(In Thousands of U.S. Dollars)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (7,969,556)	\$ (7,382,985)	\$ (5,365,240)	\$ (5,101,049)	\$ (68,362)	\$ (25,887,192)
Cash inflow	8,882,167	7,921,998	5,233,584	5,049,456	167,364	27,254,569
Interest rate derivatives instruments						
Cash outflow	(99,212)	(55,360)	(36,213)	(6,217)	(12,355)	(209,357)
Cash inflow	19,520	44,758	39,476	770	-	104,524
Others						
Cash outflow	(102)	-	-	-	-	(102)
Cash inflow	22	-	-	-	-	22
Financial instruments for hedging						
Interest rate derivatives instruments						
Cash outflow	(732)	(949)	(1,441)	-	-	(3,122)
Cash inflow	131	130	-	-	-	261
Cash outflow subtotal	(8,069,602)	(7,439,294)	(5,402,894)	(5,107,266)	(80,717)	(26,099,773)
Cash inflow subtotal	8,901,840	7,966,886	5,273,060	5,050,226	167,364	27,359,376
Net cash flow	\$ 832,238	\$ 527,592	\$ (129,834)	\$ (57,040)	\$ 86,647	\$ 1,259,603

## 5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 14,923,239	\$ 8,916,761	\$ 4,161,137	\$ 9,601,983	\$ 19,648,107	\$ 57,251,227

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit	\$ 15,124,722	\$ 5,848,748	\$ 3,537,160	\$ 8,468,668	\$ 14,800,039	\$ 47,779,337

## 6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

## a) Maturity analysis of KGI Bank's assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

December 31, 2021	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 99,153,997	\$ 180,144,514	\$ 239,929,388	\$ 189,305,600	\$ 198,165,979	\$ 237,837,252	\$ 1,144,536,730
Main capital outflow on maturity	82,934,760	167,709,968	33,889,688	259,769,742	306,466,314	247,372,917	1,401,143,389
Gap	16,219,237	12,434,546	(90,960,300)	(70,464,142)	(108,300,335)	(9,535,665)	(256,606,659)

(In Thousands of New Taiwan Dollars)

December 31, 2020	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 126,259,626	\$ 218,538,885	\$ 236,331,669	\$ 183,460,469	\$ 199,364,727	\$ 201,291,671	\$ 1,165,267,047
Main capital outflow on maturity	86,694,650	218,565,015	342,305,036	235,556,543	290,957,932	239,858,879	1,413,938,055
Gap	39,564,976	(26,130)	(105,973,367)	(52,076,074)	(91,593,205)	(38,567,208)	(248,671,008)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,188,780	\$ 8,888,255	\$ 6,461,167	\$ 6,000,356	\$ 3,767,930	\$ 34,306,488
Main capital outflow on maturity	9,474,104	11,739,495	7,422,932	8,000,632	3,848,540	40,485,703
Gap	(285,324)	(2,851,240)	(961,765)	(2,000,276)	(80,610)	(6,179,215)

(In Thousands of U.S. Dollars)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,833,682	\$ 8,448,038	\$ 5,800,874	\$ 5,403,847	\$ 3,873,543	\$ 33,359,984
Main capital outflow on maturity	10,655,036	9,866,406	6,457,437	6,655,130	1,861,711	35,495,720
Gap	(821,354)	(1,418,368)	(656,563)	(1,251,283)	2,011,832	(2,135,736)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2021	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 7,999,949	\$ 4,389,467	\$ 3,282,265	\$ -	\$ -	\$ 15,671,681
Financial assets measured at FVTPL - current	48,512,763	10,558,608	1,120,264	15,285,546	16,576	75,493,757
Financial assets measured at FVTOCI - current	19,417,648	3,077,052	9,083,339	-	-	31,578,039
Financial assets for hedging - current	-	(3,763)	(6,236)	15,424	3,615	9,040
Securities purchased under resell agreement	-	13,704,621	-	-	-	13,704,621
Receivables	38,197,819	16,993,054	31,517,587	26,034	-	86,734,494
Customer margin accounts	51,967,816	-	-	-	-	51,967,816
Stock borrowing collateral price and security lending deposits	5,030,428	27,643,869	8,616,952	-	-	41,291,249
Current tax assets	-	-	5,386	9,390	-	14,776
Other current assets	53,751,966	1,999,618	187,863	1,179	-	55,940,626
Financial assets measured at FVTPL - non-current	-	-	-	945,652	2,724,011	3,669,663
Financial assets measured at FVTOCI - non-current	-	-	-	-	6,938,113	6,938,113
Investments accounted for using the equity method	-	-	-	-	2,569,654	2,569,654
Other non-current assets	1,371	1,249	-	9,547	2,976,476	2,988,643
Total	\$ 224,879,760	\$ 78,363,775	\$ 53,807,420	\$ 16,292,772	\$ 15,228,445	\$ 388,572,172
Percentage	57.87%	20.17%	13.85%	4.19%	3.92%	100.00%

**Statement of Cash Flow Analysis for Financial Liabilities**

(In Thousands of New Taiwan Dollars)

December 31, 2021	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 17,299,940	\$ -	\$ -	\$ -	\$ 17,299,940
Commercial paper payable	-	816,022	-	-	-	816,022
Financial liabilities measured at FVTPL - current	14,452,771	5,526,632	3,191,131	11,428,359	2,139,402	36,738,295
Bonds issued under repurchase agreements	-	59,125,161	-	-	-	59,125,161
Payables	65,569,956	2,291,779	4,834,787	-	-	71,696,522
Guarantee deposits received from security lending	-	12,939,668	34,479,842	-	-	47,419,510
Futures customers' equity	50,125,388	-	-	-	-	50,125,388
Amounts collected for others/other payables/other current liabilities	20,132,509	1,782,641	8,065,969	2,935	43	29,984,097
Other financial liabilities - current	-	3,231,447	412	792	1,781	3,234,432
Lease liabilities - current	-	84,650	215,996	-	-	300,646
Current tax liabilities	-	-	340,983	-	2,423,949	2,764,932
Current portion of long-term liabilities	-	-	300,000	-	-	300,000
Bonds payable	-	-	-	4,900,000	4,000,000	8,900,000
Liabilities reserve - non-current	-	-	-	920	205,941	206,861
Lease liabilities - non-current	-	-	-	936,351	-	936,351
Other non-current liabilities	-	-	49	1,008,028	65,337	1,073,414
<b>Total</b>	<b>\$ 149,280,624</b>	<b>\$ 103,097,940</b>	<b>\$ 51,429,169</b>	<b>\$ 18,277,385</b>	<b>\$ 8,836,453</b>	<b>\$ 330,921,571</b>
Percentage	45.11%	31.16%	15.54%	5.52%	2.67%	100%

**Statement of Capital Liquidation Gap**

(In Thousands of New Taiwan Dollars)

December 31, 2021	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 224,879,760	\$ 78,363,775	\$ 53,807,420	\$ 16,292,772	\$ 15,228,445	\$ 388,572,172
Cash outflow	149,280,624	103,097,940	51,429,169	18,277,385	8,836,453	330,921,571
<b>Amount of cash flow gap</b>	<b>\$ 75,599,136</b>	<b>\$ (24,734,165)</b>	<b>\$ 2,378,251</b>	<b>\$ (1,984,613)</b>	<b>\$ 6,391,992</b>	<b>\$ 57,650,601</b>

**Statement of Cash Flow Analysis for Financial Assets**

(In Thousands of New Taiwan Dollars)

December 31, 2020	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 6,935,304	\$ 3,651,859	\$ 5,431,740	\$ -	\$ -	\$ 16,018,903
Financial assets measured at FVTPL - current	56,815,841	9,670,818	710,972	11,523,068	7,750	78,728,449
Financial assets measured at FVTOCI - current	20,401,895	4,088,596	365,734	-	-	24,856,225
Securities purchased under resell agreement	-	13,612,920	-	-	-	13,612,920
Receivables	62,857,158	4,352,481	21,824,794	13,323	-	89,047,756
Customer margin accounts	54,510,397	-	-	-	-	54,510,397
Stock borrowing collateral price and security lending deposits	7,983,545	21,444,531	13,041,029	-	-	42,469,105
Current tax assets	-	-	6,515	10,061	-	16,576
Other current assets	32,879,769	1,640,660	412,148	-	-	34,932,577
Financial assets measured at FVTPL - non-current	-	-	-	585,801	2,428,662	3,014,463
Financial assets measured at FVTOCI - non-current	-	-	-	-	6,887,144	6,887,144
Investments accounted for using the equity method	-	-	-	-	19,251,480	19,251,480
Other non-current assets	-	-	90	1,907	2,859,626	2,861,623
<b>Total</b>	<b>\$ 242,383,909</b>	<b>\$ 58,461,865</b>	<b>\$ 41,793,022</b>	<b>\$ 12,134,160</b>	<b>\$ 31,434,662</b>	<b>\$ 386,207,618</b>
Percentage	62.76%	15.14%	10.82%	3.14%	8.14%	100.00%

**Statement of Cash Flow Analysis for Financial Liabilities**

(In Thousands of New Taiwan Dollars)

December 31, 2020	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 20,632,053	\$ -	\$ -	\$ -	\$ 20,632,053
Commercial paper payable	-	3,661,296	-	-	-	3,661,296
Financial liabilities measured at FVTPL - current	20,792,004	2,480,421	2,147,320	9,760,280	2,379,082	37,559,107
Bonds issued under repurchase agreements	-	75,608,138	-	-	-	75,608,138
Payables	67,979,094	1,982,879	5,106,503	-	-	75,068,476
Guarantee deposits received from security lending	-	12,730,327	28,080,025	-	-	40,810,352
Futures customers' equity	52,663,335	-	-	-	-	52,663,335
Amounts collected for others/other payables/other current liabilities	3,155,106	1,804,672	4,702,357	58,490	43	9,720,668
Other financial liabilities - current	-	4,150,226	133	1,164	2,137	4,153,660
Lease liabilities - current	-	124,556	341,432	-	-	465,988
Current tax liabilities	-	-	298,916	-	1,272,453	1,571,369
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve - non-current	-	-	-	24,643	188,069	212,712
Lease liabilities - non-current	-	-	-	573,570	-	573,570
Other non-current liabilities	-	-	20	815,886	85,192	901,098
<b>Total</b>	<b>\$ 144,589,539</b>	<b>\$ 123,174,568</b>	<b>\$ 40,676,706</b>	<b>\$ 14,134,033</b>	<b>\$ 5,226,976</b>	<b>\$ 327,801,822</b>
Percentage	44.11%	37.58%	12.41%	4.31%	1.59%	100.00%

**Statement of Capital Liquidation Gap**

(In Thousands of New Taiwan Dollars)

December 31, 2020	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 242,383,909	\$ 58,461,865	\$ 41,793,022	\$ 12,134,160	\$ 31,434,662	\$ 386,207,618
Cash outflow	144,589,539	123,174,568	40,676,706	14,134,033	5,226,976	327,801,822
<b>Amount of cash flow gap</b>	<b>\$ 97,794,370</b>	<b>\$ (64,712,703)</b>	<b>\$ 1,116,316</b>	<b>\$ (1,999,873)</b>	<b>\$ 26,207,686</b>	<b>\$ 58,405,796</b>

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from December 31, 2021 and 2020, show that the sums from deducting cash outflow from cash inflow are \$57,650,601 thousand and \$58,405,796 thousand, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that the cash outflow during partial periods. Net cash inflow calculated from net spot financial assets are sufficient to cover the net cash outflows generated from subsequent periods, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

- a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

- b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

#### CDIB Capital Group and subsidiaries

The management of liquidity risk is aimed to deal with financing CDIB Capital Group's operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group's Management policies of liquidity risk are as follows:

- 1) Disposal of capital surplus should consider possible future capital requirements, diversification of capital sources and reasonable liquidity of liability structure.
- 2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of December 31, 2021 and 2020, CDIB Capital Group and subsidiaries' other financial liabilities are \$0 thousand and \$354,235 thousand, respectively, and will be paid by financial assets and the rest of non-derivative financial liabilities are \$4,703,213 thousand and \$3,726,157 thousand, respectively, and are mainly all current liabilities.

#### China Life Insurance

- 1) Liquidity risks are classified to "funding liquidity risk" and "market liquidity risk." "Funding liquidity risk" represents that China Life Insurance is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. "Market liquidity risk" represents the risk that China Life Insurance sells at loss to meet the demand for cash.

China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

China Life Insurance regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, China Life Insurance reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

- 2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities
  - a) Financial assets held for managing liquidity risk

China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, etc.

b) Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to China Life Insurance is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

	<b>December 31, 2021</b>			
	<b>In 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Payables	\$ 13,110,913	\$ 58,112	\$ -	\$ 13,169,025
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	137,790	405,177	3,475,404	4,018,371

  

	<b>December 31, 2020</b>			
	<b>In 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Payables	\$ 13,226,534	\$ 37,902	\$ -	\$ 13,264,436
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	142,264	370,750	3,517,832	4,030,846

c) Maturity analysis of derivative financial liabilities

China Life Insurance operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

China Life Insurance has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. China Life Insurance enters into forward contracts and cross currency swaps derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and cross currency swaps will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	<b>December 31, 2021</b>				
	<b>In 90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Financial liabilities at fair value through profit or loss	\$ 587,924	\$ 231,997	\$ 161,097	\$ -	\$ 981,018

  

	<b>December 31, 2020</b>				
	<b>In 90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Financial liabilities at fair value through profit or loss	\$ 7,535,594	\$ 255,285	\$ 83,149	\$ 57,331	\$ 7,931,359

d. Market risk

KGI Bank and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, then comply with the requirements of the governing authorities, KGI Bank has developed “Market Risk Management Standard” based on Regulations Governing the Capital Adequacy Ratio of Banks (the CAR Regulations) related market risk calculation tables announced by the FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the KGI Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank’s market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and Risk Management Committee of parent company, CDFH. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

The KGI Bank’s market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the revaluation results of traders’ position risk value, position sensitivity and profit and loss figure on the daily basis.

## 5) Valuation techniques of market risk

The KGI Bank uses the VaR model and stress testing to evaluate the potential and extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 60,783	\$ 141,061	\$ 13,163	\$ 48,287	\$ 195,476	\$ 9,098
Equity risk	9,335	19,006	-	3,844	20,852	-
Exchange rate risk	3,339	15,981	1,547	7,653	148,483	1,201

## 6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

## 7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) The effect of interest rate benchmark reform

KGI Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition 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.

KGI Bank has established a LIBOR conversion task force, is responsible for promoting cross-departmental conversion work, drafting conversion plans and time schedule planning, conducting impact assessments. This task force also focuses on product conversion business strategy adjustments, customer communication, system, operating process changes, evaluation, risk models, financial reports and tax implications. This task force reports to the Risk Management Committee and the Board of Directors on the implementation situation quarterly, completes the identification of the information system and internal processes that affect the risk, and take inventory and analysis of the affected areas of risk. Before the cessation of LIBOR, the task force will be based on the regulations of the standard setter, market participants and the competent authority, and continue to adjust related systems, methods and procedures to meet the requirements of the new benchmark interest rate.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with KGI Bank’s counterparties are not successfully concluded before the cessation of 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.

The following table contains details of all of the financial instruments held by KGI Bank at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

<b>Non-derivative Financial Instrument</b>	<b>Financial Assets</b>
USD LIBOR	\$ 58,336,386
Others LIBOR	<u>8,544,869</u>
	<u>\$ 66,881,255</u>
<b>Derivative Financial Instrument</b>	<b>Nominal Principal</b>
USD LIBOR	<u>\$ 207,794,656</u>

9) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,805,963	27.69	\$ 160,767,123
EUR	401,065	31.32	12,561,369
HKD	3,449,824	3.55	12,250,326
ZAR	4,765,944	1.73	8,264,148
CNY	1,367,024	4.35	5,941,498
JPY	12,931,061	0.24	3,109,920
AUD	59,310	20.09	1,191,530
GBP	26,705	37.30	996,107
SGD	19,146	20.46	391,732
Nonmonetary items			
CNY	946,428	4.35	4,113,459
<u>Financial liabilities</u>			
Monetary items			
USD	7,900,722	27.69	218,771,002
CNY	3,514,926	4.35	15,276,923
EUR	187,337	31.32	5,867,383
ZAR	2,009,704	1.73	3,484,827
HKD	427,923	3.55	1,519,555
JPY	6,093,136	0.24	1,465,399
AUD	69,078	20.09	1,387,769
GBP	5,805	37.30	216,523
SGD	7,475	20.46	152,937
NZD	6,565	18.89	124,010
CAD	4,815	21.63	104,140

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,790,521	28.51	\$ 222,092,171
EUR	738,730	35.05	25,892,503
HKD	3,969,555	3.68	14,596,055
ZAR	2,386,737	1.95	4,656,523
CNY	1,039,054	4.38	4,553,033
JPY	6,254,069	0.28	1,729,250
AUD	51,070	21.97	1,122,009
GBP	28,201	38.92	1,097,573
CAD	34,936	22.36	781,161
SGD	19,091	21.58	411,982
Nonmonetary items			
CNY	200,400	4.38	878,133

Financial liabilities

Monetary items			
USD	9,118,815	28.51	259,959,188
CNY	3,416,084	4.38	14,968,940
EUR	385,929	35.05	13,526,828
ZAR	2,562,025	1.95	4,998,510
AUD	81,382	21.97	1,787,954
JPY	6,181,514	0.28	1,709,189
HKD	106,490	3.68	391,563
GBP	7,510	38.92	292,284
NZD	7,416	20.59	152,697

10) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

December 31, 2021

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 334,956,321	\$ 25,772,086	\$ 23,998,631	\$ 77,356,276	\$ 462,083,314
Interest rate-sensitive liabilities	140,198,658	175,192,615	32,966,476	28,357,014	376,714,763
Interest rate sensitivity gap	194,757,663	(149,420,529)	(8,967,845)	48,999,262	85,368,551
Net worth					63,135,372
Ratio of interest rate-sensitive assets to liabilities (%)					122.66
Ratio of interest rate-sensitive gap to net worth (%)					135.22

December 31, 2020

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 351,840,836	\$ 24,252,454	\$ 28,426,140	\$ 65,501,953	\$ 470,021,383
Interest rate-sensitive liabilities	184,972,101	154,028,900	39,498,742	23,284,816	401,784,559
Interest rate sensitivity gap	166,868,735	(129,776,446)	(11,072,602)	42,217,137	68,236,824
Net worth					62,681,761
Ratio of interest rate-sensitive assets to liabilities (%)					116.98
Ratio of interest rate-sensitive gap to net worth (%)					108.86

Note 1: The above amounts included only New Taiwan dollar amounts held by KGI Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

**December 31, 2021**

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,173,149	\$ 138,542	\$ 124,488	\$ 2,061,427	\$ 5,497,606
Interest rate-sensitive liabilities	6,519,030	502,696	151,910	374,487	7,548,123
Interest rate sensitivity gap	(3,345,881)	(364,154)	(27,422)	1,686,940	(2,050,517)
Net worth					106,260
Ratio of interest rate-sensitive assets to liabilities (%)					72.83
Ratio of interest rate-sensitive gap to net worth (%)					(1,929.72)

**December 31, 2020**

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,239,720	\$ 125,719	\$ 86,956	\$ 2,138,805	\$ 5,591,200
Interest rate-sensitive liabilities	5,803,909	496,648	167,853	389,205	6,857,615
Interest rate sensitivity gap	(2,564,189)	(370,929)	(80,897)	1,749,600	(1,266,415)
Net worth					150,985
Ratio of interest rate-sensitive assets to liabilities (%)					81.53
Ratio of interest rate-sensitive gap to net worth (%)					(838.77)

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in U.S. dollars).

## KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and commodity risk.

KGI Securities and subsidiaries utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities and subsidiaries also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

### 1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

- a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.
- b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%), which could divided into two types by distribution of financial instrument:
  - i. Equity delta: Measured by the change of present value of stock with the price of the underlying assets linked to the equity securities. (As the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
  - ii. Debt delta: Measured by the change of present value of bond with the price of the underlying assets linked to the debt securities. (As the potential loss amount given that the beneficiary certificates and funds, included preferred stocks and bond ETF drop 1%).
- c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).
- d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

### Comparisons of Risk Sensitive Factors

(In Thousands of New Taiwan Dollars)

Risk Sensitivity	December 31, 2021	December 31, 2020
Interest rate risk	\$ 468	\$ 8,513
Equity securities risk		
Equity delta	7,657,464	7,087,900
Debt delta	2,382,439	1,800,339
Exchange rate risk	5,842,599	4,463,211
Commodity risk	(31,232)	60,720

#### 2) Value at risk

Value at risk (“VAR”) is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct backtesting daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Year Ended December 31, 2021			December 31, 2021
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 189,416	\$ 97,233	\$ 330,487	\$ 256,563
Interest rate	213,372	123,636	429,061	213,393
Exchange rate	60,233	24,218	116,124	66,394
Commodity	37,741	1,723	139,868	6,431
	For the Year Ended December 31, 2020			December 31, 2020
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 184,619	\$ 63,194	\$ 454,331	\$ 151,569
Interest rate	154,151	82,202	223,599	182,052
Exchange rate	29,364	16,470	47,454	28,944
Commodity	16,173	564	144,496	18,933

#### 3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help KGI Securities’ board of directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) The effect of interest rate benchmark reform

KGI Securities and subsidiaries assessed that when the interest rate index does not exist, updating the effective interest rate to reflect the change in the alternative index interest rate. The interest rate change does not have a significant impact on KGI Securities and subsidiaries. KGI Securities and subsidiaries will continue to evaluate the effect and development of interest rate benchmark reform.

The following table contains details of all of the financial instruments held by KGI Securities and subsidiaries at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<u>Carrying Amount</u>	
	<b>Financial Assets</b>	<b>Financial Liabilities</b>
Non-derivative financial instrument		
USD LIBOR	\$ 451,090	\$ 526,110
CNY HIBOR	-	1,243,042
Others LIBOR	140,235	992,738
Derivative financial instrument		
USD LIBOR	97,199	922,947
SGD SOR	723	3,909
CNY HIBOR	<u>312</u>	<u>1,366</u>
	<u>\$ 689,559</u>	<u>\$ 3,690,112</u>
	<u>Nominal Principal</u>	
	<b>Financial Assets</b>	<b>Financial Liabilities</b>
Derivative instrument		
USD LIBOR	\$ 13,166,595	\$ 21,667,095
SGD SOR	1,169,133	1,025,555
CNY HIBOR	<u>355,155</u>	<u>355,155</u>
	<u>\$ 14,690,883</u>	<u>\$ 23,047,805</u>

5) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,971,630	27.69	\$ 82,280,789
EUR	501,987	31.32	15,722,244
HKD	146,831	3.55	521,310
JPY	1,072,467	0.24	257,928
CNY	51,371	4.35	223,271
AUD	6,583	20.08	132,203
Nonmonetary items			
USD	1,855,880	27.69	51,387,965
CNY	737,953	4.35	3,207,366
Investments accounted for using the equity method			
USD	92,750	27.69	2,568,241
<u>Financial liabilities</u>			
Monetary items			
USD	5,381,676	27.69	149,014,953
EUR	501,264	31.32	15,699,574
HKD	80,840	3.55	286,976
JPY	903,000	0.24	217,171
CNY	26,665	4.35	115,893
AUD	5,150	20.08	103,417
Nonmonetary items			
USD	520,770	27.69	14,420,119

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,088,229	28.50	\$ 88,025,500
EUR	637,881	35.05	22,357,681
CNY	392,281	4.38	1,718,934
JPY	1,724,707	0.28	476,661
HKD	112,418	3.68	413,144
Nonmonetary items			
USD	2,230,286	28.51	63,580,981
CNY	910,648	4.38	3,990,370
Investments accounted for using the equity method			
USD	84,975	28.51	2,422,459
<u>Financial liabilities</u>			
Monetary items			
USD	5,614,807	28.51	160,053,538
EUR	636,629	35.05	22,313,802
CNY	390,736	4.38	1,712,162
JPY	1,577,505	0.28	435,959
HKD	67,455	3.67	247,883
Nonmonetary items			
USD	409,738	28.51	11,680,810

CDIB Capital Group and subsidiaries

Market risk is defined as an unfavorable change in financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading. Market risk as explained as follows:

1) Exchange rate risk

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2021		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 242,417	27.690	\$ 6,712,539
CNY	273,438	4.346	1,188,445
KRW	22,125,934	0.023	515,291
Nonmonetary items			
USD	315,588	27.690	8,738,623
CNY	129,189	4.346	561,495
KRW	5,756,891	0.023	134,072
Investment accounted for using the equity method			
USD	76,871	27.690	2,128,572
CNY	438,997	4.346	1,907,879
<u>Financial liabilities</u>			
Monetary items			
CNY	317,003	4.346	1,377,790
USD	34,300	27.690	949,764

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 153,631	28.508	\$ 4,465,227
CNY	527,880	4.382	2,313,117
KRW	23,418,623	0.026	614,645
HKD	44,698	3.677	164,354
JPY	424,929	0.277	117,493

(Continued)

	<b>December 31, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<b>Nonmonetary items</b>			
USD	\$ 331,105	28.508	\$ 9,439,148
CNY	84,335	4.382	369,546
THB	132,171	0.952	125,827
KRW	4,566,850	0.026	119,862
<b>Investment accounted for using the equity method</b>			
USD	83,239	28.508	2,372,982
CNY	466,365	4.382	2,043,611
<b><u>Financial liabilities</u></b>			
<b>Monetary items</b>			
CNY	269,663	4.382	1,181,638
USD	16,470	28.508	469,529
			(Concluded)

#### Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease (increase) in pre-tax profit (loss) associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss), and the balances below would be negative.

	<b>Impact on Profit or Loss</b>	
	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Monetary items</b>		
USD	\$ 57,628	\$ 39,957
KRW	5,153	6,090
CNY	(1,893)	11,315
HKD	20	833
JPY	-	1,175

#### 2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2021 and 2020 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

#### 3) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax income for the years ended December 31, 2021 and 2020 would increase/decrease by \$162,443 thousand and \$152,487 thousand, respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

4) The effect of interest rate benchmark reform

Changes in interest rate indicators mainly expose CDIB Capital Group and subsidiaries to basic interest rate risks. CDIB Capital Group and subsidiaries will complete the contract modification negotiation with the counterparty of the financial instrument before LIBOR exits, so as to reduce the significant uncertainty of the interest rate base applicable to the financial instrument in the future, and trigger the unexpected interest rate risk insurance of CDIB Capital Group and subsidiaries.

The following table contains details of all the financial instruments held by CDIB Group and subsidiaries at December 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Financial Liabilities</b>
Non-derivative financial instrument	
USD Libor	<u>\$ 5,700</u>

China Life Insurance

1) Market risk analysis

Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

China Life Insurance has built value at risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

2) Exchange rate risk

China Life Insurance's exchange rate risk is primarily related to foreign currency assets and foreign currency liabilities in its accounts. If the foreign currency assets and foreign currency liabilities are part of the same currency, it will have a natural hedging effect, and the remaining parts may have the risk of value changes due to the exchange rate changes. China Life primarily uses foreign exchange and foreign exchange derivatives to avoid exchange rate risks, and controls it in accordance with relevant laws and requirements for internal control.

3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. China Life Insurance manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

#### 4) Equity price risk

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. China Life Insurance diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

#### 5) Value at risk

Value-at-risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. China Life Insurance uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and backtesting to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

#### 6) Stress testing

China Life Insurance measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

China Life Insurance performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

##### a) Simple sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

##### b) Scenario analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

##### i. Historical scenario:

Adding fluctuating risk factors to a specific historical event, China Life Insurance simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

##### ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance's risk analysis, early warning, and business management are in accordance with the stress testing report.

**Summary of Factor Sensitivity Analysis  
December 31, 2021**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Changes in Income</b>	<b>Changes in Equity</b>
Equity risk (stock index)	+1%	\$ -	\$ 3,109,639
Interest rate risk (yield curve)	+1BP	-	(407,349)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,458,398)	(1,060,788)

**Summary of Factor Sensitivity Analysis  
December 31, 2020**

<b>Risk Factors</b>	<b>Changes (+/-)</b>	<b>Changes in Income</b>	<b>Changes in Equity</b>
Equity risk (stock index)	+1%	\$ -	\$ 2,757,465
Interest rate risk (yield curve)	+1BP	-	(735,342)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,613,715)	(930,369)

- 7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of December 31, 2021 and 2020 are as follows:

**(In Thousands of Foreign Currencies/New Taiwan Dollars)**

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate (Dollar)</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 43,195,379	27.6900	\$ 1,196,080,037
AUD	5,204,421	20.0891	104,552,135
Non-monetary items			
USD	3,237,451	27.6900	89,645,006
<u>Financial liabilities</u>			
Monetary items			
USD	66,234	27.6900	1,834,010

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2020		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 41,864,113	28.5080	\$ 1,193,462,138
AUD	4,515,182	21.9711	99,203,515
Non-monetary items			
USD	2,401,796	28.5080	68,470,412
<u>Financial liabilities</u>			
Monetary items			
USD	233,970	28.5080	6,670,007

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to functional currency.

8) The effect of interest rate benchmark reform

China Life evaluated the impact on the Corporation's exposure positions based on the content of changes in international interest rate indicators. As of the end of December 2021, the book value of China Life's affected bonds was \$32,254,994 thousand, and there are backups in the prospectus of these bonds. Terms, so when the interest rate indicator does not exist, there are still alternative ways to continue to accrue interest. The interest rate changes have not had a significant impact on China Life. China Life will continue to pay attention to the changes and development of international interest rate indicators.

e. Transfers of financial assets

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

December 31, 2021					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	\$ 276,830	\$ 263,055	\$ 276,900	\$ 263,055	\$ 13,845
Financial assets at FVTOCI	44,159,962	42,518,114	44,159,962	42,518,114	1,641,848

December 31, 2020					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Financial assets at amortized cost	\$ 285,008	\$ 270,826	\$ 285,080	\$ 270,826	\$ 14,254
Financial assets at FVTPL	797,110	767,528	797,110	767,528	29,582
Financial assets at FVTOCI	62,050,850	58,248,403	62,050,850	58,248,403	3,802,447

#### KGI Securities and subsidiaries

##### 1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities and subsidiaries' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities and subsidiaries only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities and subsidiaries do not derecognize it entirely because KGI Securities and subsidiaries remain exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition was listed below:

December 31, 2021					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 46,937,233	\$ 44,436,480	\$ 46,937,233	\$ 44,436,480	\$ 2,500,753

December 31, 2020					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 57,660,617	\$ 54,435,527	\$ 57,660,617	\$ 54,435,527	\$ 3,225,090
Transaction - borrowed securities	244,854	342,796	244,854	342,796	(97,942)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, and has the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments.

Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
December 31, 2021	Call option	\$ 9,888,800	\$ 2,500,689	\$ 2,500,689	\$ -	\$ 2,500,689
December 31, 2020	Call option	10,332,500	1,522,083	1,522,083	-	1,522,083

The following table is repurchased transferred (derecognized) financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
December 31, 2021	Call option	\$ -	\$ 443,200	\$ 1,912,400	\$ 7,533,200	\$ -	\$ 9,888,800
December 31, 2020	Call option	-	850,900	2,064,900	7,416,700	-	10,332,500

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

Period	Types of Continuing Involvement	Gains or Losses Recognized at Balance Sheet Day	Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet Day	Revenues or Expenses Recognized During the Period
December 31, 2021	Call option	\$ (83,086)	\$ 825,680	\$ 742,594
December 31, 2020	Call option	19,004	393,637	412,641

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting financial assets and financial liabilities were as follows:

December 31, 2021						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 3,609,158	\$ -	\$ 3,609,158	\$ 3,562,085	\$ 47,073	\$ -
Derivative instruments (Note 2)	10,239,891	-	10,239,891	2,900,954	2,831,422	4,507,515
Total	\$ 13,849,049	\$ -	\$ 13,849,049	\$ 6,463,039	\$ 2,878,495	\$ 4,507,515

December 31, 2021						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 42,781,169	\$ -	\$ 42,781,169	\$ 42,719,476	\$ 61,693	\$ -
Derivative instruments (Note 2)	10,026,329	-	10,026,329	2,900,954	2,157,605	4,967,770
Total	\$ 52,807,498	\$ -	\$ 52,807,498	\$ 45,620,430	\$ 2,219,298	\$ 4,967,770

December 31, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 30,168,313	\$ -	\$ 30,168,313	\$ 29,606,736	\$ 561,577	\$ -
Derivative instruments (Note 2)	55,608,363	-	55,608,363	15,138,811	2,986,498	37,483,054
Total	\$ 85,776,676	\$ -	\$ 85,776,676	\$ 44,745,547	\$ 3,548,075	\$ 37,483,054

December 31, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 59,286,757	\$ -	\$ 59,286,757	\$ 59,286,757	\$ -	\$ -
Derivative instruments (Note 2)	60,597,555	-	60,597,555	15,138,811	6,928,963	38,529,781
Total	\$ 119,884,312	\$ -	\$ 119,884,312	\$ 74,425,568	\$ 6,928,963	\$ 38,529,781

Note 1: Financial instruments include master netting arrangements and non-cash collateral.

Note 2: Derivative instruments include hedging derivative financial.

#### KGI Securities and subsidiaries

KGI Securities and subsidiaries' transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities and subsidiaries have signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities and subsidiaries to provide securities as collateral, meanwhile KGI Securities and subsidiaries signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities were as follows:

December 31, 2021						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Derivative financial instruments (Note 2)	\$ 5,057,852	\$ -	\$ 5,057,852	\$ -	\$ 858,594	\$ 4,199,258
Securities purchased under resell agreements	13,702,744	-	13,702,744	13,702,744	-	-
Total	\$ 18,760,596	\$ -	\$ 18,760,596	\$ 13,702,744	\$ 858,594	\$ 4,199,258

December 31, 2021						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Derivative financial instruments	\$ 10,369,683	\$ -	\$ 10,369,683	\$ -	\$ 1,328,289	\$ 9,041,394
Notes and bonds issued under repurchase agreements	59,103,641	-	59,103,641	59,103,641	-	-
Total	\$ 69,473,324	\$ -	\$ 69,473,324	\$ 59,103,641	\$ 1,328,289	\$ 9,041,394

December 31, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Derivative financial instruments	\$ 3,571,037	\$ -	\$ 3,571,037	\$ -	\$ 851,194	\$ 2,719,843
Securities purchased under resell agreements	13,610,026	-	13,610,026	13,610,026	-	-
Total	\$ 17,181,063	\$ -	\$ 17,181,063	\$ 13,610,026	\$ 851,194	\$ 2,719,843

December 31, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Derivative financial instruments	\$ 9,234,243	\$ -	\$ 9,234,243	\$ -	\$ 3,740,088	\$ 5,494,155
Notes and bonds issued under repurchase agreements	75,577,488	-	75,577,488	75,577,488	-	-
Total	\$ 84,811,731	\$ -	\$ 84,811,731	\$ 75,577,488	\$ 3,740,088	\$ 5,494,155

Note 1: Financial instruments include master netting arrangements and non-cash collateral.

Note 2: Derivative instruments include hedging derivative financial.

#### China Life Insurance

China Life Insurance holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

China Life Insurance may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

December 31, 2021						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 4,275,043	\$ -	\$ 4,275,043	\$ 912,518	\$ 1,568,639	\$ 1,793,886

December 31, 2021						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Pledged	
Derivative financial instruments	\$ 981,018	\$ -	\$ 981,018	\$ 912,518	\$ 36,828	\$ 31,672

December 31, 2020						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	\$ 12,108,158	\$ -	\$ 12,108,158	\$ 6,447,658	\$ 6,590,479	\$ -

Note: The reported net financial assets are negative after offsetting the cash collateral received, which are expressed in \$-.

December 31, 2020						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Pledged	
Derivative financial instruments	\$ 7,931,359	\$ -	\$ 7,931,359	\$ 6,447,658	\$ -	\$ 1,483,701

## 55. CAPITAL MANAGEMENT

### a. Capital management objective

The basic management objective includes eligible capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite. In order to undertake all kinds of risk, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

### b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

### c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2021		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 308,152,175	\$ 360,139,043
KGI Bank	100.00	73,788,281	51,784,933
KGI	100.00	34,523,682	13,931,846
CDIB Capital Group	100.00	35,184,954	18,803,631
China Development Asset Management Corp.	100.00	1,428,078	910,094
China Life Insurance	100.00	169,346,424	104,176,048
Deduct items		383,557,976	358,433,669
Subtotal		238,865,618 (A)	191,311,926 (B)
Group's CAR (C)=(A)÷(B)			124.86 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2020		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 218,307,368	\$ 225,588,760
KGI Bank	100.00	77,141,605	54,698,422
KGI	100.00	25,496,473	13,542,980
CDIB Capital Group	100.00	34,769,285	18,892,734
China Development Asset Management Corp.	100.00	1,457,440	842,791
China Life Insurance	34.82	45,359,178	31,525,054
Deduct items		245,355,879	223,898,679
Subtotal		157,175,470 (A)	121,192,062 (B)
Group's CAR (C)=(A)÷(B)			129.69 (C)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand.

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Common stock	\$ 171,896,598	\$ 149,729,414
Capital instruments of comply with Tier 1 capital requirement	18,930,436	-
Other preferred stock and subordinated bonds	15,400,000	15,600,000
Reserve for raising capital	31,175	3,298
Capital surplus	36,147,480	1,627,728
Legal reserve	10,035,815	8,816,167
Special reserve	298,120	565,041
Retained earnings	52,021,923	24,809,292
Equity adjustment	12,490,292	18,363,815
Deduction: Capital items	<u>(9,099,664)</u>	<u>(1,207,387)</u>
	<u>\$ 308,152,175</u>	<u>\$ 218,307,368</u>

The Group's CARs were 124.86% and 129.69% as of December 31, 2021 and 2020, respectively. Since the Financial Holding Company Act and related regulations require, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

## 56. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

- a. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

<b>Balance Sheets of Trust Accounts</b>					
<b>(In Thousands of New Taiwan Dollars)</b>					
<b>Trust Assets</b>	<b>December 31</b>		<b>Trust Liabilities</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>
Bank deposits	\$ 2,559,061	\$ 2,447,500	Payables	\$ 86,492	\$ 147,211
Short-term investments			Payables on securities under custody	5,468,229	4,447,636
Funds	28,331,461	26,344,609	Other liabilities	87,671	47,887
Bonds	3,653,614	2,737,180	Trust capital	40,635,374	49,512,740
Common shares	118,950	77,985	Accumulated earnings	<u>(16,078)</u>	<u>(275,293)</u>
Receivables	38,813	277			
Securities under custody	5,468,229	4,447,636			
Real estate					
Lands	5,067,819	15,144,104			
Buildings and facilities	-	1,656,251			
Intangible assets - surface right	984,534	984,534			
Other assets	<u>39,207</u>	<u>40,105</u>			
Total	<u>\$ 46,261,688</u>	<u>\$ 53,880,181</u>	Total	<u>\$ 46,261,688</u>	<u>\$ 53,880,181</u>

## Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
Trust income and gains		
Dividend income	\$ 12,656	\$ 13,518
Interest income	1,372,409	1,293,553
Rental income	26,814	27,181
Other income	5,584	8,295
Total trust income and gains	1,417,463	1,342,547
Trust expenses		
Properties transaction losses	(633,615)	(1,392,095)
Administrative expenses	(658)	(40,735)
Other expenses	(1,802,448)	(325,602)
Total trust expenses	(2,436,721)	(1,758,432)
Net income	\$ (1,019,258)	\$ (415,885)

The above income from trust operations were excluded from KGI Bank's income.

## Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2021	2020
Bank deposits	\$ 2,559,061	\$ 2,447,500
Short-term investments		
Funds	28,331,461	26,344,609
Bonds	3,653,614	2,737,180
Common shares	118,950	77,985
Securities under custody	5,468,229	4,447,636
Real estate		
Lands	5,067,819	15,144,104
Buildings and facilities	-	1,656,251
Intangible assets - surface right	984,534	984,534
Other assets	78,020	40,382
Total	\$ 46,261,688	\$ 53,880,181

- b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

**Balance Sheets of Trust Accounts**

(In Thousands of New Taiwan Dollars)

Trust Assets	December 31		Trust Liabilities	December 31	
	2021	2020		2021	2020
Bank deposits	\$ 2,361,939	\$ 1,798,748	Payables	\$ 79,383	\$ 40,006
Financial assets			Taxes payable	296	197
Bonds	862,599	759,223	Trust capital	34,800,009	33,374,578
Common shares	15,541,912	16,652,820	Current profit and loss	4,853,246	2,697,043
Funds	17,795,176	15,253,348	Accumulated earnings	2,339,563	2,603,988
Structured notes	4,437,040	3,178,855	Deferred carry forward	14	445
Receivables	<u>316,523</u>	<u>295,830</u>	Other	<u>(757,322)</u>	<u>(777,433)</u>
Total	\$ <u>41,315,189</u>	\$ <u>37,938,824</u>	Total	\$ <u>41,315,189</u>	\$ <u>37,938,824</u>

**Income Statements of Trust Accounts**

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
Trust income		
Interest income	\$ 36,190	\$ 33,134
Rent income	25,940	16,495
Dividend income	543,610	617,469
Realized gain profit from investment	1,543,403	683,696
Unrealized gain profit from investment	6,064,580	4,052,229
Other income	<u>305,517</u>	<u>334,691</u>
	<u>8,519,240</u>	<u>5,737,714</u>
Trust expenses		
Administrative expenses	4,922	3,033
Taxes	8,506	2,783
Service fee	96,723	73,471
Realized loss form investment	468,738	691,678
Unrealized loss from investment	1,869,381	1,284,083
Other expenses	<u>1,217,724</u>	<u>985,623</u>
	<u>3,665,994</u>	<u>3,040,671</u>
Income (loss)	4,853,246	2,697,043
Tax expense	-	-
Profit (loss)	\$ <u>4,853,246</u>	\$ <u>2,697,043</u>

The above income from trust operations were excluded from KGI Securities' income.

## Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2021	2020
Bank deposits	\$ 2,361,939	\$ 1,798,748
Financial assets		
Bonds	862,599	759,223
Stocks	15,541,912	16,652,820
Funds	17,795,176	15,253,348
Structured notes	<u>4,437,040</u>	<u>3,178,855</u>
	<u>\$ 40,998,666</u>	<u>\$ 37,642,994</u>

### 57. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 11 (attached).

### 58. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 12 (attached).

### 59. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

#### a. Business or trading behaviors

Please refer to Note 48 for related-party transactions.

#### b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the Corporation through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

#### c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries, which joined the cross selling business disclosure protection measures of customer information on official website (<http://www.cdibh.com/chhtml/content/1513>) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

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

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

**60. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES**

Please refer to Note 50 to the consolidated financial statements. Information on disaster damages: None.

**61. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK**

Please refer to Notes 51 and 54 to the consolidated financial statements.

**62. SPECIFIC RISK FROM FUTURES DEALING**

The futures dealer needs to maintain adequate liquidity in case of its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

**63. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES**

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. are in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	December 31				Standard	Meet Standard
		2021		2020			
		Formula	%	Formula	%		
17	$\frac{\text{Equities}}{\text{Total liabilities minus customers' equity accounts}}$	$\frac{\$2,096,345}{\$789,886}$	=2.65	$\frac{\$1,978,857}{\$555,428}$	=3.56	$\geq 1$	Yes
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$3,613,693}{\$789,886}$	=4.57	$\frac{\$3,265,839}{\$555,112}$	=5.88	$\geq 1$	Yes
22	$\frac{\text{Equities}}{\text{Capital stock}}$	$\frac{\$2,096,345}{\$400,000}$	=524.09%	$\frac{\$1,978,857}{\$400,000}$	=494.71%	$\geq 60\%$ $\geq 40\%$	Yes
22	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\frac{\$635,052}{\$451,029}$	=140.80%	$\frac{\$974,269}{\$603,590}$	=161.41%	$\geq 20\%$ $\geq 15\%$	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2021		2020			
		Formula	%	Formula	%		
17	Equities Total liabilities minus customers' equity accounts	\$3,909,940 \$718,970	=5.44	\$4,045,179 538,351	=7.51	≥ 1	Yes
17	Current assets Current liabilities	\$36,388,774 \$33,908,451	=1.07	\$37,397,552 \$34,726,811	=1.08	≥ 1	Yes
22	Equities Capital stock	\$3,909,940 \$760,000	=514.47%	\$4,045,179 760,000	=532.26%	≥ 60% ≥ 40%	Yes
22	Adjusted net capital Client and proprietary account	\$3,376,503 \$6,248,803	=54.03%	\$3,609,974 8,461,679	=42.66%	≥ 20% ≥ 15%	Yes

#### 64. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Securities held:

KGI International Holdings Limited

(In U.S. Dollars)

	Number of Shares	Carrying Amount
Financial assets at FVTOCI - non-current Sogo Financial Group Inc.	62,611.55	<u>\$ 1,393,000</u>

b. Derivative financial products and sources of funds: None.

b. Asset management revenues, service and litigation matters: Note 50(c).

c. Balance sheet: Tables 15-1 to 15-4 (attached).

d. Income statement: Tables 16-1 to 16-4 (attached).

#### 65. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).

2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).

- 3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and partial subsidiaries and China Life Insurance. For other subsidiaries' information: Please refer to Table 3 (attached).
  - 4) Marketable securities were acquired and disposed of, at cost or prices of at least NT\$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): For CDIB Capital Group subsidiaries' and KGI Bank subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries. The Corporation, KGI Bank, China Life Insurance and CDIB Capital Group's information please refer to Table 4 (attached).
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: For the Group's information: Please refer to Table 5 (attached).
  - 6) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: For the Group's information: Please refer to Table 6 (attached).
  - 7) Discount on service fees received from related parties amounting to NT\$5 million: For the Group's information: None.
  - 8) Receivables from related parties amounting to NT\$300 million or 10% of the issued capital: Please refer to Note 48 and Table 7 (attached).
  - 9) Sale of nonperforming loans: Please refer to Table 8 (attached).
  - 10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.
  - 11) Other significant transactions which may affect the decisions of financial statement users: None.
  - 12) The information of investees: Please refer to Table 9 (attached).
  - 13) Derivative transactions of the Group: Please refer to Notes 8, 52 and 54 of the consolidated financial statements.
- c. Investments in mainland China: Please refer to Table 13 (attached).
  - d. Business relationships and significant transactions among the Group: Please refer to Table 14 (attached).
  - e. Information of major shareholders: None.

## 66. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital and Insurance. Under the Banking Act of the Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture Capital engaged in investment business directly. Insurance department operates life insurance business based on the provisions of the insurance law.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

a. Segment revenues and results

Following were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2021						
Interest profit (loss), net	\$ 8,979,861	\$ 2,941,966	\$ 198,321	\$ 54,003,778	\$ (471,663)	\$ 65,652,263
Noninterest profits (loss) and gains, net	<u>2,280,961</u>	<u>23,931,620</u>	<u>13,826,197</u>	<u>89,334,485</u>	<u>(2,747,356)</u>	<u>126,625,907</u>
Net revenue (loss)	11,260,822	26,873,586	14,024,518	143,338,263	(3,219,019)	192,278,170
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	144,806	(32,426)	(304,101)	5,323	-	(186,398)
Net change in reserve for insurance liabilities	-	-	-	(104,875,754)	-	(104,875,754)
Operating expenses	<u>(6,262,828)</u>	<u>(14,714,185)</u>	<u>(3,513,653)</u>	<u>(6,849,178)</u>	<u>(3,676,475)</u>	<u>(35,016,319)</u>
Net profit (loss) before income tax	5,142,800	12,126,975	10,206,764	31,618,654	(6,895,494)	52,199,699
Income tax benefit (expense)	<u>(794,274)</u>	<u>(1,617,131)</u>	<u>(600,796)</u>	<u>(2,806,434)</u>	<u>718,411</u>	<u>(5,100,224)</u>
Net profit (loss) for the year	<u>\$ 4,348,526</u>	<u>\$ 10,509,844</u>	<u>\$ 9,605,968</u>	<u>\$ 28,812,220</u>	<u>\$ (6,177,083)</u>	<u>\$ 47,099,475</u>
For the year ended December 31, 2020						
Interest profit (loss), net	\$ 7,801,712	\$ 2,434,893	\$ 570,269	\$ 56,296,618	\$ (399,539)	\$ 66,703,953
Noninterest profits (loss) and gains, net	<u>3,534,800</u>	<u>18,105,217</u>	<u>105,519</u>	<u>139,020,180</u>	<u>(2,645,242)</u>	<u>158,120,474</u>
Net revenue (loss)	11,336,512	20,540,110	675,788	195,316,798	(3,044,781)	224,824,427
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	(359,924)	(9,622)	(33,974)	4,883	-	(398,637)
Net change in reserve for insurance liabilities	-	-	-	(174,464,035)	-	(174,464,035)
Operating expenses	<u>(6,130,571)</u>	<u>(12,455,652)</u>	<u>(1,837,948)</u>	<u>(5,255,534)</u>	<u>(2,333,657)</u>	<u>(28,013,362)</u>
Net profit (loss) before income tax	4,846,017	8,074,836	(1,196,134)	15,602,112	(5,378,438)	21,948,393
Income tax benefit (expense)	<u>(501,630)</u>	<u>(752,141)</u>	<u>(3,344)</u>	<u>(89,027)</u>	<u>74,035</u>	<u>(1,272,107)</u>
Net profit (loss) for the year	<u>\$ 4,344,387</u>	<u>\$ 7,322,695</u>	<u>\$ (1,199,478)</u>	<u>\$ 15,513,085</u>	<u>\$ (5,304,403)</u>	<u>\$ 20,676,286</u>

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers	
	For the Years Ended December 31	
	2021	2020
Taiwan	\$ 185,303,203	\$ 219,421,795
Others	<u>6,974,967</u>	<u>5,368,658</u>
	<u>\$ 192,278,170</u>	<u>\$ 224,824,427</u>

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2021 and 2020.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	\$ 3,599,700	\$ -	\$ -	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 14,167,686 (Note 1)	\$ 14,167,686 (Note 1)
		KGI International (Hong Kong) Limited	Receivables, net	Yes	3,322,800	-	-	Floating	Short-term financing	-	Working capital	-	-	-	14,167,686 (Note 1)	14,167,686 (Note 1)
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,384,500	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,761,610 (Note 2)	15,761,610 (Note 2)
3	KGI International (Hong Kong) Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	443,040	-	-	Floating	Short-term financing	-	Working capital	-	-	-	6,220,302 (Note 3)	6,220,302 (Note 3)
4	KGI Asia Limited	KGI Limited	Receivables, net	Yes	2,492,100	-	-	Floating	Short-term financing	-	Working capital	-	-	-	9,020,488 (Note 4)	9,020,488 (Note 4)
		KGI Finance Limited	Receivables, net	Yes	415,350	-	-	Floating	Short-term financing	-	Working capital	-	-	-	9,020,488 (Note 4)	9,020,488 (Note 4)
		KGI Hong Kong Limited	Receivables, net	Yes	415,350	-	-	Floating	Short-term financing	-	Working capital	-	-	-	9,020,488 (Note 4)	9,020,488 (Note 4)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	581,490	581,490	581,490	2.27%	Short-term financing	-	Working capital	-	-	-	9,020,488 (Note 4)	9,020,488 (Note 4)
5	CDC Finance & Leasing Corporation	BULL WILL CO., LTD.	Receivables, net	No	30,000	30,000	-	3.5%-18%	Short-term financing	-	Working capital	-	Real estate	29,700	85,658 (Note 5)	342,631 (Note 5)
		Build Joy Enterprise Co., Ltd.	Receivables, net	No	50,000	37,500	37,500	3.5%-18%	Short-term financing	-	Working capital	375	Real estate	60,258	85,658 (Note 5)	342,631 (Note 5)
		Lu Xin Co., Ltd.	Receivables, net	No	50,000	-	-	3.5%-18%	Short-term financing	-	Working capital	-	-	-	85,658 (Note 5)	342,631 (Note 5)
		Bunney International Development Co., Ltd.	Receivables, net	No	55,000	-	-	3.5%-18%	Short-term financing	-	Working capital	-	-	-	85,658 (Note 5)	342,631 (Note 5)
		Fu-Tang Land Development Co., Ltd.	Receivables, net	No	65,000	65,000	-	3.5%-18%	Short-term financing	-	Working capital	-	Real estate	54,886	85,658 (Note 5)	342,631 (Note 5)
		Chi-Sun Heavy Crane Co., Ltd.	Receivables, net	No	23,000	23,000	-	3.5%-18%	Short-term financing	-	Working capital	-	Real estate	40,000	85,658 (Note 5)	342,631 (Note 5)

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: KGI International (Hong Kong) Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 4: KGI Asia Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 5: Financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, (1) there are business transactions: The total amount should not exceed the amount of business transactions between the two parties, and should not exceed 20% of the company's net worth value. The cumulative total balance should not exceed twice the company's net worth value; (2) there is short-term financing: The total amount should not exceed 10% of the company's net worth, and the cumulative total balance should not exceed 40% of the net worth value.

Note 6: Those that have been included in the consolidated financial statement have been completely written off.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	KGI Securities Co., Ltd	KGI Securities (Singapore) Pte. Ltd.	Note 1	\$ 7,132,286	\$ 743,692	\$ 736,560	\$ 736,560	\$ -	1.03%	\$ 28,529,144 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,761,610	1,412,190	1,412,190	549,306	-	8.96%	15,761,610 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,761,610	3,433,560	2,602,860	-	-	16.51%	15,761,610 (Note 3)	No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,761,610	179,985	179,985	-	-	1.14%	15,761,610 (Note 3)	No	No	No
		KGI Finance Limited	Note 1	15,761,610	119,067	119,067	-	-	0.76%	15,761,610 (Note 3)	No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,761,610	2,627,405	2,625,680	375,998	-	16.66%	15,761,610 (Note 3)	No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	15,761,610	830,700	830,700	-	-	5.27%	15,761,610 (Note 3)	No	No	No
3	CDIB Capital Group	KGI Asia (Holdings) Pte. Ltd.	Note 1	15,761,610	3,728,369	3,665,048	2,627,010	-	23.25%	15,761,610 (Note 3)	No	No	No
		CDIB Capital Investment I Limited	Note 1	7,504,493	1,393,300	1,384,500	157,833	-	3.75%	14,758,276 (Note 4)	No	No	No
		CDIB Global Markets Limited	Note 1	4,766,441	1,393,300	1,384,500	-	-	3.75%	14,758,276 (Note 4)	No	No	No

Note 1: The Group has directly or indirectly over 50% voting right of the company.

Note 2: The limit of maximum guarantee provided by KGI Securities Co., Ltd is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 3: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 4: The limit of maximum guarantee provided by CDIB Capital Group is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should limit on the amount of each counterparty's net investment in principle except the board of directors approve. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	<u>Stocks</u>							
	Logitech Inc.	-	Financial assets at fair value through profit or loss	3,261,773	\$ 14,077	10.69	\$ 14,077	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	241,403	1,352	10.83	1,352	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	74,081	6.04	74,081	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	148,000	2,583	0.45	2,583	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	14,496	13.96	14,496	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	10,906,000	359,353	3.69	359,353	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	8,533	1.95	8,533	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	25,176	8.40	25,176	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	900,000	4,211	4.47	4,211	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	395,940	9.54	395,940	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	70,168	6.97	70,168	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	71,852	5.64	71,852	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	31,845	6.47	31,845	
	Taiwan Speciality Chemicals Corporation	-	Financial assets at fair value through profit or loss	2,598,639	23,640	1.88	23,640	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	125,788	5.32	125,788	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets at fair value through profit or loss	3,845,330	4,288	1.38	4,288	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,743,026	58,289	4.31	58,289	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	3,534,481	27,400	4.77	27,400	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	1,633,241	172,764	2.85	172,764	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	18,057	10.43	18,057	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	32,326	7.71	32,326	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	70,026	4.81	70,026	
	Eden Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	97,830	3.55	97,830	
	Eastern Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	40,562	12.00	40,562	
	Chime Biologicis Limited	-	Financial assets at fair value through profit or loss	8,382,844	123,565	3.55	123,565	
	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	95,092	8.04	95,092	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	2,079,360	34,832	0.13	34,832	
	Lightel Technologies, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	3,000,000	50,295	43.44	50,295	
	Apexigen, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	4,970,588	121,628	12.68	121,628	
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	30,000,000	362,264	35.71	362,264	
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,176,961	28.71	5,176,961	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	42,680,000	315,238	38.80	315,238	
CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	40,775,000	518,939	33.29	518,939		
CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	23,545	20.00	23,545		
CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	23,093,889	483,662	100.00	483,662		
CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	476,213,353	5,522,694	100.00	5,522,694		
CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	925,000,000	3,229,713	100.00	3,229,713		
CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,566,095	100.00	1,566,095		
CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	4,766,441	100.00	4,766,441		
CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,495,896	100.00	7,495,896		
CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	169,880	100.00	169,880		
	<u>Government bonds</u>							
	A01105	-	Financial assets at fair value through other comprehensive income	10,000,000	100,160	-	100,160	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Management Inc.	<u>Stocks</u>							
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	\$ 7,435	0.58	\$ 7,435	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	2,499	1.44	2,499	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	14,007	60.00	14,007	
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,100,002	8,125	1.00	8,125	
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,225,000	15,590	1.00	15,590	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	328,965	100.00	328,965	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	50,692	-	50,692	
	CDIB Capital Healthcare Ventures II Limited Partnership	Associate	Financial assets at fair value through profit or loss	-	15,787	-	15,787	
CDIB & Innolux Limited Partnership	Associate	Financial assets at fair value through profit or loss	-	4,135	-	4,135		
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HK\$ 75,825	100.00	HK\$ 75,825	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 7,356	56.00	HK\$ 7,356	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 3,995	27.08	HK\$ 3,995		
CDIB Private Equity (China) Corporation	<u>Stocks</u>							
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 15,585	70.00	CNY 15,585	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 13,035	65.00	CNY 13,035	
	CDIB Private Equity (Kunshan) Corporation	Subsidiary	Investments accounted for using the equity method	-	CNY 2,524	100.00	CNY 2,524	
CDIB Guoke Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 6,467	65.00	CNY 6,467		
CDIB Private Equity (Fujian) Co., Ltd.	<u>Stocks</u>							
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 2,146	20.00	CNY 2,146	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	<u>Stocks</u>							
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 7,029	58.34	CNY 7,029	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	<u>Funds</u>							
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	CNY 4,257	-	CNY 4,257	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	<u>Funds</u>							
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,448	-	CNY 10,448	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	<u>Funds</u>							
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 4,923	-	CNY 4,923	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	989,400	17,602	1.64	17,602	
	Evergreen Aviation Technologies Corp.	-	Financial assets at fair value through profit or loss	4,000,000	252,000	1.13	252,000	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	98,388	4.68	98,388	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,681,000	183,032	2.20	183,032	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	49,207	1.46	49,207	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	316,000	8,564	0.82	8,564	
	Happyfan7 Corp.	-	Financial assets at fair value through profit or loss	4,121,094	648,990	9.41	648,990	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	3,114,000	734,904	0.53	734,904	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	647,752	2,250	7.22	2,250	
	Taiwan Speciality Chemicals Corporation	-	Financial assets at fair value through profit or loss	177,786	1,617	0.13	1,617	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,823,603	174,216	7.63	174,216	
	Giant Manufacturing Co., Ltd.	-	Financial assets at fair value through profit or loss	80,000	27,600	0.02	27,600	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	117,489	8.69	117,489	
	Taiwan Microloops Corp.	-	Financial assets at fair value through profit or loss	1,000,000	62,320	2.67	62,320	
	Poju International CO., Ltd.	-	Financial assets at fair value through profit or loss	2,666,000	50,708	5.68	50,708	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value		
CDIB Venture Capital Corporation	<u>Stocks</u>								
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	\$ 70,026	4.81	\$ 70,026		
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	5,408	2.68	5,408		
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	3,000,000	22,594	0.93	22,594		
	i-Serve	-	Financial assets at fair value through profit or loss	2,232,219	44,059	4.17	44,059		
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	70,372	10.23	70,372		
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	198,184	8,808	0.74	8,808		
	Happyfan7 Corp. - preferred stock	-	Financial assets at fair value through profit or loss	833,348	131,236	75.00	131,236		
	iCHEF Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	11,167,513	81,421	46.15	81,421		
	4Gamers Entertainment Inc. - preferred stock	-	Financial assets at fair value through profit or loss	24,000	14,620	20.00	14,620		
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	8,442	8.20	8,442		
	Citiesocial Holding Cayman Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,015	18.18	15,015		
	CCMODA Corp. - preferred stock	-	Financial assets at fair value through profit or loss	666,666	4,153	20.00	4,153		
	Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	15,506	14.74	15,506		
	Kneron Holding Corporation	-	Financial assets at fair value through profit or loss	1,391,752	219,664	9.00	219,664		
	Elixiron Immunotherapeutics (Cayman) Limited - preferred stock	-	Financial assets at fair value through profit or loss	4,559,686	94,253	26.09	94,253		
	Cloud Mile Inc. - preferred stock	-	Financial assets at fair value through profit or loss	365,051	29,324	7.26	29,324		
	Zentera Systems, Inc. - preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	61,129	39.35	61,129		
	FUNP Co., Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	400,000	39,874	20.00	39,874		
	Achieve Made International Limited - preferred stock	-	Financial assets at fair value through profit or loss	168,138	12,184	6.67	12,184		
	PChome Online Inc.	-	Financial assets at fair value through profit or loss	1,875,293	166,122	1.47	166,122		
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	2,888,685	48,389	0.18	48,389		
	Viscovery (Cayman) Holding Company Limited - preferred stock A	-	Financial assets at fair value through profit or loss	200,000	5,538	10.96	5,538		
	Elixiron Immunotherapeutics (Cayman) Limited	-	Financial assets at fair value through profit or loss	2,679,133	55,380	13.03	55,380		
	AmazingTalker	-	Financial assets at fair value through profit or loss	4,282,655	55,380	20.00	55,380		
	FunNow Ltd. - preferred stock A	-	Financial assets at fair value through profit or loss	185,184	58,867	20.00	58,867		
	Viscovery (Cayman) Holding Company Limited-Preferred stock AA	-	Financial assets at fair value through profit or loss	300,000	8,307	15.00	8,307		
	4Gamers Entertainment Inc. - preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,316	4.80	5,316		
	Kkday.com International Company Limited - preferred stock B	-	Financial assets at fair value through profit or loss	5,654,616	42,587	8.62	42,587		
	Cloud Mile Inc. - preferred stock B	-	Financial assets at fair value through profit or loss	162,602	13,062	3.06	13,062		
	Traveler Co., Ltd. - preferred stock B	-	Financial assets at fair value through profit or loss	32,077	22,152	10.85	22,152		
	FunNow Ltd. -Preferred stock B	-	Financial assets at fair value through profit or loss	43,573	13,851	3.36	13,851		
	Kkday.com International Company Limited - preferred stock C	-	Financial assets at fair value through profit or loss	7,655,502	57,657	2.31	57,657		
	Fractyl Laboratories, Inc.- preferred stock E	-	Financial assets at fair value through profit or loss	1,305,574	303,104	10.17	303,104		
	Achieve Made International Limited - preferred stock E	-	Financial assets at fair value through profit or loss	336,276	24,367	10.00	24,367		
	Kuo Heng Investment Holding Corp.	Associate	Investments accounted for using the equity method	5,000,000	46,594	38.46	46,594		
		-							
		<u>Convertible (exchange) corporate bond</u>							
		CCMODA Corp.	-	Financial assets at fair value through profit or loss	200,000	1,661	-	1,661	
			-						
	<u>Funds</u>								
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	1,245,968	-	1,245,968		
	CDIB Capital Healthcare Ventures II Limited Partnership	Associate	Financial assets at fair value through profit or loss	-	358,102	-	358,102		
	CDIB & Innolux Limited Partnership	Associate	Financial assets at fair value through profit or loss	-	116,701	-	116,701		
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Fund</u>								
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 206,716	-	HK\$ 206,716		
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 313,718	-	HK\$ 313,718		
	Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Associate	Financial assets at fair value through profit or loss	-	HK\$ 152,929	-	HK\$ 152,929		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value		
CDIB Capital Investment I Limited	<u>Stocks</u>								
	Best Inc.	-	Financial assets at fair value through profit or loss	1,500,000	US\$ 1,278	0.38	US\$ 1,278		
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US\$ 1,781	2.63	US\$ 1,781		
	K Health, Inc.	-	Financial assets at fair value through profit or loss	4,834	US\$ 141	0.03	US\$ 141		
	Boxed, Inc	-	Financial assets at fair value through profit or loss	656,724	US\$ 8,547	0.96	US\$ 8,547		
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US\$ 474	12.50	US\$ 474		
	Mestay Cayman Islands Limited - preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 1,137	3.40	US\$ 1,137		
	Viking 3 Holdings Corporation - preferred stock	-	Financial assets at fair value through profit or loss	18,000,000	US\$ 10,701	100.00	US\$ 10,701		
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets at fair value through profit or loss	664,687	US\$ 324	1.95	US\$ 324		
	Rokid Corporation Ltd - preferred stock	-	Financial assets at fair value through profit or loss	615,642	US\$ 5,000	1.51	US\$ 5,000		
	K Health, Inc. - preferred stock C	-	Financial assets at fair value through profit or loss	496,376	US\$ 14,451	1.70	US\$ 14,451		
	CDIB X Finance I Holding Limited	Subsidiary	Investments accounted for using the equity method	5,500	US\$ 5,394	100.00	US\$ 5,394		
	SCBS 1 Holding Corporation	Subsidiary	Investments accounted for using the equity method	3,578	US\$ 2,670	100.00	US\$ 2,670		
		<u>Fund</u>							
		Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 56	-	US\$ 56	
		KKR X-Ray Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 7,825	-	US\$ 7,825	
		KKR Talk Co-invest L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 29,331	-	US\$ 29,331	
		CC KDC CO-INVEST L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 39,788	-	US\$ 39,788	
		MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 57	-	US\$ 57	
		BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 8,474	-	US\$ 8,474	
		Eve & Partners Limited Partnership	-	Financial assets at fair value through profit or loss	-	US\$ 7,088	-	US\$ 7,088	
		CDIB Capital Global Opportunities Fund L.P.	Associate	Financial assets at fair value through profit or loss	-	US\$ 7,857	-	US\$ 7,857	
		CDIB Capital Asia Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	US\$ 76,872	-	US\$ 76,872	
	<u>Corporate bond</u>								
	Konew Capital International Limited	-	Financial assets at fair value through profit or loss	29,395,000	US\$ 29,278	-	US\$ 29,278		
	StorHub Hong Kong I Limited	-	Financial assets measured at amortized cost	1,291,923	US\$ 1,266	-	US\$ 1,325		
	StorHub Hong Kong IV Limited	-	Financial assets measured at amortized cost	2,101,959	US\$ 2,059	-	US\$ 2,155		
	StorHub Hong Kong VI Limited	-	Financial assets measured at amortized cost	5,477,324	US\$ 5,366	-	US\$ 5,616		
	<u>Convertible (exchange) corporate bond</u>								
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 1,000	-	US\$ 1,000		
SCBS 1 Holding Corporation	<u>Stocks</u>								
	Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US\$ 2,657	2.91	US\$ 2,657		
CDIB X Finance I Holding Limited	<u>Corporate bond</u>								
	Xian Group Limited	-	Financial assets measured at amortized cost	5,000,000	US\$ 4,899	-	US\$ 5,000		
CDIB Capital Investment II Limited	<u>Stocks</u>								
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US\$ 1,724	2.46	US\$ 1,724		
	Techmate Korea Daebu Co., Ltd.	-	Financial assets at fair value through profit or loss	45,600	US\$ 3,118	10.00	US\$ 3,118		
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US\$ 6,783	2.88	US\$ 6,783		
	CDIB TMK Finance Holding Limited	Subsidiary	Investments accounted for using the equity method	19,182	US\$ 19,055	100.00	US\$ 19,055		
	NY4 Holdings Corporation - preferred stock	-	Financial assets at fair value through profit or loss	8,080,000	US\$ 8,069	100.00	US\$ 8,069		
	Indostar Everstone - preferred stock	-	Financial assets at fair value through profit or loss	860,332	US\$ 9,195	8.12	US\$ 9,195		
CDIB TMK Finance Holding Limited	<u>Corporate bond</u>								
	Techmate Korea Daebu Co., Ltd.	-	Financial assets measured at amortized cost	22,789,140,793	US\$ 18,609	-	US\$ 19,729		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Global Markets Limited	<u>Stocks</u>							
	Big Commerce Holdings, Inc.	-	Financial assets at fair value through profit or loss	30,361	US\$ 1,074	0.04	US\$ 1,074	
	Eventbrite, Inc.	-	Financial assets at fair value through profit or loss	24,904	US\$ 434	0.03	US\$ 434	
	ContextLogic, Inc.	-	Financial assets at fair value through profit or loss	97,200	US\$ 302	0.02	US\$ 302	
	Flemingo International (BVI) Ltd. - preferred stock	-	Financial assets at fair value through profit or loss	1,048	US\$ 9,990	50.19	US\$ 9,990	
	Osaro, Inc. - preferred stock B	-	Financial assets at fair value through profit or loss	510,958	US\$ 3,465	100.00	US\$ 3,465	
	<u>Fund</u>							
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US\$ 6,720	-	US\$ 6,720	
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 86	-	US\$ 86	
	<u>Convertible (exchange) corporate bond</u>							
Amber Investment Partners Limited	Associate	Financial assets at fair value through profit or loss	30,091,200	US\$ 30,091	-	US\$ 30,091		
Orchid Investment Holdings	Associate	Financial assets at fair value through profit or loss	28,106,786	US\$ 28,107	-	US\$ 28,107		
CDIB Capital International Corporation	<u>Stocks</u>							
	CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US\$ 5,703	100.00	US\$ 5,703	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 3,120	100.00	US\$ 3,120	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	100	US\$ 21	100.00	US\$ 21	
	CDIB Intelligence Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US\$ -	100.00	US\$ -	(Note 5)
	CDIB Buyout Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US\$ -	100.00	US\$ -	(Note 6)
CDIB Asia Secured Opportunities GP Ltd.	Subsidiary	Investments accounted for using the equity method	-	US\$ -	100.00	US\$ -	(Note 7)	
China Development Asset Management Corp.	<u>Stocks</u>							
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	9,106,037	109,013	1.07	109,013	
	Chinfon Commercial Bank	-	Financial assets at fair value through profit or loss	5,026,269	-	0.86	-	
Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	20,605	12.25	20,605		
CDIB Management Consulting Corp.	<u>Stocks</u>							
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	662,836	76.04	662,836	
CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	121,647	100.00	121,647		
CDC Finance & Leasing Corp.	<u>Stocks</u>							
Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	842	0.07	842		
Richpoint Company Limited	<u>Stocks</u>							
KG Investments Holdings Limited	Subsidiary	Investments accounted for using the equity method	156,864,163	US\$ 579,723	100.00	US\$ 579,723		
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	Young Shine Electric Co., Ltd.	-	Financial assets at fair value through profit or loss	855,000	51,266	4.27	51,266	
	Allied Supreme Corporation	-	Financial assets at fair value through profit or loss	305,000	88,603	0.44	88,603	
	Yield Microelectronics Corp.	-	Financial assets at fair value through profit or loss	505,000	68,680	1.88	68,680	
	WinWay Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	15,000	6,503	0.04	6,503	
	AMPAK Technology Inc.	-	Financial assets at fair value through profit or loss	900,000	106,893	1.49	106,893	
	Wiltrom Co., Ltd.	-	Financial assets at fair value through profit or loss	76,000	2,516	0.26	2,516	
	Taiwan Advanced Nanotech Inc.	-	Financial assets at fair value through profit or loss	601,000	74,224	2.58	74,224	
	Gingy Technology Inc.	-	Financial assets at fair value through profit or loss	175,100	1,098	2.49	1,098	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	211,930	20,303	0.62	20,303	
	Yongda Food Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,100,000	7,891	4.02	7,891	
	Chen Feng Optronics Corporation	-	Financial assets at fair value through profit or loss	1,763,894	44,487	2.42	44,487	
	Welltech Energy Inc.	-	Financial assets at fair value through profit or loss	2,222,000	29,997	5.73	29,997	
	Navifus Corporation	-	Financial assets at fair value through profit or loss	125,000	2,500	0.22	2,500	
Jia Wei Lifestyle Inc	-	Financial assets at fair value through profit or loss	550,000	42,185	0.68	42,185		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
KGI Venture Capital Co., Ltd.	<u>Stocks</u>							
	Deluxe Technology Group.	-	Financial assets at fair value through profit or loss	632,307	\$ 4,575	0.85	\$ 4,575	
	VisEra Technologies Company Ltd.	-	Financial assets at fair value through profit or loss	580,000	308,844	0.20	308,844	
	Formosa Pharmaceutical, Inc.	-	Financial assets at fair value through profit or loss	50,000	1,731	0.05	1,731	
	Top Bright Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	159,000	20,829	0.31	20,829	
	Panion & Bf Biotech Inc.	-	Financial assets at fair value through profit or loss	345,000	25,944	0.40	25,944	
	Nfore Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	20,000	1.43	20,000	
	Evergreen Aviation Technologies Corp	-	Financial assets at fair value through profit or loss	1,599,600	100,775	0.45	100,775	
Webcomm Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	150,000	18,371	1.15	18,371		

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 5: CDIB Intelligence Partners Limited conducted registration establishment on February 28, 2020, however, CDIB Intelligence Partners Limited had not invested any capital as of December 31, 2021.

Note 6: CDIB Buyout Partners Limited conducted registration establishment on November 10, 2020, however, CDIB Buyout Partners Limited had not invested any capital as of December 31, 2021.

Note 7: CDIB Asia Secured Opportunities GP Ltd. conducted registration establishment on September 9, 2021, however, CDIB Asia Secured Opportunities GP Ltd. had not invested any capital as of December 31, 2021.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	<u>Stocks</u> China Life Insurance Co., Ltd.	Investments accounted for using the equity method	Public tender offer and share swap	-	1,237,925,697	\$ 51,681,255	3,682,727,434	\$ 144,806,276 (Note 1)	-	\$ -	\$ -	\$ -	4,920,653,131	\$ 196,487,531 (Note 1)
KGI Bank	<u>Stocks</u> Suyin KGI Consumer Finance Co., Ltd.	Investments accounted for using the equity method	-	-	-	-	-	4,113,459 (Note 2)	-	-	-	-	-	4,113,459 (Note 2)
China Life Insurance Co., Ltd.	<u>Stocks</u> FU BAO YI HAO Energy Co Ltd.	Investments accounted for using the equity method	-	-	-	-	37,777,800	370,195 (Note 3)	-	-	-	-	37,777,800	370,195 (Note 3)
	TAIPAN SOLAR CO., LTD.	Investments accounted for using the equity method	-	-	-	-	45,150,000	451,243 (Note 4)	-	-	-	-	45,150,000	451,243 (Note 4)
CDIB Capital Investment I Limited	<u>Corporate bonds</u> Konew Capital International Limited	Financial assets at fair value through profit or loss	-	-	-	-	29,395,000	US\$ 29,395 (Note 5)	-	-	-	-	29,395,000	US\$ 29,395 (Note 5)
CDIB Capital Investment II Limited	<u>Stocks</u> CDIB TMK Finance Holding Limited	Investments accounted for using the equity method	-	-	-	-	19,182	US\$ 19,055 (Note 6)	-	-	-	-	19,182	US\$ 19,055 (Note 6)
CDIB Global Markets Limited	<u>Fund</u> Carlye Asia Partners IV, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 14,793	-	US\$ (1,227) (Note 7)	-	US\$ 19,507	US\$ 13,566	US\$ 5,941	-	-
	Riverwood Capital Partners II L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 15,668	-	US\$ (1,904) (Note 7)	-	US\$ 28,816	US\$ 13,764	US\$ 15,053	-	-
	<u>Convertible corporate bond</u> Amber Investment Partners Limited	Financial assets at fair value through profit or loss	-	-	-	-	30,091,200	US\$ 30,091 (Note 5)	-	-	-	-	30,091,200	US\$ 30,091 (Note 5)
	Orchid Investment Holdings	Financial assets at fair value through profit or loss	-	-	-	-	28,106,786	US\$ 28,107 (Note 5)	-	-	-	-	28,106,786	US\$ 28,107 (Note 5)

Note 1: Consists of cost of purchase \$108,657,273 thousand, investment gain \$11,246,071 thousand, increase of treasury stocks \$885,665 thousand, increase of paid-in capital \$18,583,453 thousand, increase of retained earnings \$124,270 thousand, increase of other equity interest \$6,204,714 thousand and cash dividend \$895,170 thousand.

Note 2: Consists of investment \$4,105,883 thousand, investment gain \$26,542 thousand, Subscription reduction not in proportion to shareholding \$365 thousand and loss on exchange differences on translation of financial statements of foreign operations \$18,601 thousand.

Note 3: Consists of cost of purchase \$377,778 thousand, investment loss \$7,583 thousand.

Note 4: Consists of cost of purchase \$451,500 thousand, investment loss \$257 thousand.

Note 5: Initial acquisition cost.

Note 6: Consists of cost of purchase \$19,182 thousand, investment loss \$127 thousand.

Note 7: It is the net change in the fund's investment appropriation and investment distribution.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date (Note 2)	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
China Life Insurance Co., Ltd.	21-30F., No. 118, Ciyun Rd., East Dist., Hsinchu City, 150 parking spaces located on No. 118, Ciyun Rd., East Dist., Hsinchu City	2021.08.19	\$ 2,325,000	Payments according to contracts	Land: Ms. Ding Building: Fong Yi Construction Co., Ltd.	Non-related party	-	-	-	\$ -	Valuation report of appraisers	For business use	None
	64 parking spaces in the whole building and basement, No. 356 and 358, Gongye Road, Xizhi District, New Taipei City	2021.10.21	960,000	Payments according to contracts	Shine Media Company Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	For business use	None
KGI Bank	The office located at "8F., No. 19-3, Sanchong Rd., Nangang Dist., Taipei City" and 9 parking spaces (including with the share of possession of No. 19-14, Sanchong Rd., Nangang Dist. Taipei City")	2021.09.27	410,000	paid in full	CDIB Capital Group	Subsidiary of the parent company	Industrial Development Bureau of Ministry of Econom	Non-related party	1999.11.19	180,325	Valuation report of appraisers	It meets the needs of the Group and the KGI bank's operating needs and achieve the purpose of group operation efficiency and resource integration.	CDIB Capital Group sells and leases back 13.88 pings (493.99 square feet); the Corporation accepts its existing lease; KGI Bank terminates its original lease

Note: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Date of Original Acquisition	Book Amount	Transaction Amount	Payment Status	Disposal of Gains and Losses	Counterparty	Relationship	Purpose of Acquisition	Pricing Reference	Other Terms
CDIB Capital Group	The entire building and its land at No. 125 and 127, Sec. 5, Nanjing E. Rd., Taipei City	2021.01.12	1986.05.01	\$ 861,597	\$ 9,288,800	Receipt in full	\$ 8,374,029	Shin Kong Life Insurance Co., Ltd.	Non-related party	In order to avoid idle assets, improve the efficiency of the use of funds	Public tender	None
	The office located at "8F., No. 19-3, Sanchong Rd., Nangang Dist., Taipei City" and 9 parking spaces (including with the share of possession of No. 19-14, Sanchong Rd., Nangang Dist. Taipei City")	2021.09.27	1999.11.19	175,685	410,000	Receipt in full	232,347	KGI Bank	Related party	It meets the needs of assets activation and achieve the purpose of group operation efficiency and resource integration.	Valuation report of appraisers	Sells and leases back 13.88 pings (493.99 square feet); the Corporation accepts its existing lease; KGI Bank terminates its original lease

Note: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
The Corporation	CDIB Capital Group	Subsidiary	\$ 636,624 (Note 1)	-	\$ -	-	\$ -	\$ -
	KGI Bank	Subsidiary	927,223 (Note 2)	-	-	-	-	-
	KGI Securities Co., Ltd.	Subsidiary	2,513,268 (Note 2)	-	-	-	-	-
KGI Securities Co., Ltd.	KGI Bank	Subsidiary of the parent company	891,620	-	-	-	891,620	-
China Life Insurance Co., Ltd.	KGI Bank	Subsidiary of the parent company	1,776,237	-	-	-	1,663,239	-
KGI Asia Limited	PT KGI Sekuritas Indonesia	Subsidiary of the parent company	582,514	-	-	-	1,024	-
	KGI International (Hong Kong) Limited	Subsidiary of the parent company	632,578	-	-	-	632,578	-
KGI International (Hong Kong) Limited	KGI Asia Limited	Subsidiary of the parent company	321,811	-	-	-	321,811	-
KGI Securities (Singapore) Pte. Ltd	KGI Securities (Thailand) Public Company Limited	Other related parties	428,471	-	-	-	428,471	-
	KGI Asia Limited	Subsidiary of the parent company	360,191	-	-	-	360,191	-

Note 1: Tax receivable result from linked-tax system.

Note 2: Tax receivable result from directors' remuneration and linked-tax system.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES**

**SALES OF NPL FROM SUBSIDIARIES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

1. Summary table of sales of distressed debt transactions

<b>Transaction Date</b>	<b>Transaction Party</b>	<b>Content of Loans</b>	<b>Book Value</b>	<b>Amount</b>	<b>Disposal Gain (Loss)</b>	<b>Collateral Condition</b>	<b>The Relationship Between Transaction Party and Subsidiary</b>
2021.12.10	A	Secured loan	\$ -	\$ 500	\$ 500	None	None

2. Information on the sale of a single batch of NPL with an amount of more than NT\$1 billion (excluding the sale and related parties): The Corporation and subsidiaries do not have this matter.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Year	Carrying Value, End of Year (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
The Corporation	CDIB Capital Group	Taipei City, Taiwan	Venture capital	100.00	\$ 34,950,364	\$ 9,666,452	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taipei City, Taiwan	Financial service	100.00	58,199,536	12,648,927	3,299,597,810	-	3,299,597,810	100.00	
	KGI Bank	Taipei City, Taiwan	Commercial bank	100.00	67,368,160	4,015,668	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	1,428,078	67,678	113,360,000	-	113,360,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Life insurance	100.00	196,487,531	11,246,071	4,920,653,131	-	4,920,653,131	100.00	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2: a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS 9, for example, stock option.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021

## Consolidated entities

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	(Note 1)
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	China Life Insurance Co., Ltd.	Life insurance	100.00	26.17	
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
	CDIB Global Markets Limited	Investment	100.00	100.00	
	CDIB Capital Investment I Limited	Investment	100.00	100.00	
	CDIB Capital Investment II Limited	Investment	100.00	100.00	
	CDIB Capital International Corporation	Private equity advisory service	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Private equity advisory service	100.00	100.00	
	CDIB Capital International (USA) Corporation	Private equity advisory service	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Private equity advisory service	-	100.00	
	CDIB Capital Asia Partners Limited	Private equity advisory service	100.00	100.00	
	CDIB Intelligence Partners Limited	Private equity advisory service	100.00	100.00	
	CDIB Buyout Partners Limited	Private equity advisory service	100.00	100.00	
	CDIB Asia Secured Credit Opportunities GP Ltd.	Private equity advisory service	100.00	-	
CDIB Capital Investment I Limited	SCBS 1 Holding Corporation	Investment holdings	100.00	100.00	
	CDIB X Finance I Holding Limited	Investment	100.00	100.00	
CDIB Capital Investment II Limited	CDIB TMK Finance Holding Limited	Investment	100.00	-	
CDIB Capital Management Corporation	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Capital Innovation Advisors Corporation	Management and consulting	60.00	60.00	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	56.00	56.00	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund management	65.00	65.00	
	CDIB Private Equity (Fujian) Co., Ltd.	Fund management	70.00	70.00	
	CDIB Private Equity (Kunshan) Corporation	Fund management	100.00	-	
	CDIB Guoke Private Equity (Kunshan) Co., Ltd.	Fund management	65.00	-	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management	20.00	20.00	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Fund management	58.34	58.34	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture fund	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	100.00	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	-	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
KGI Limited	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	
KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00		
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	

(Continued)

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
KGI Capital Asia Limited	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	

Note 1: The company completed the share conversion on December 30, 2021, and China Life Insurance Co., Ltd. became a 100% subsidiary of the company.

Note 2: CDIB Intelligence Partners Limited conducted registration of establishment on February 28, 2020, however, CDIB Intelligence Partners Limited had not invested any capital as of December 31, 2021.

Note 3: CDIB Buyout Partners Limited conducted registration of establishment on November 10, 2020, however, CDIB Buyout Partners Limited had not invested any capital as of December 31, 2021.

Note 4: CDIB Asia Secured Credit Opportunities GP Ltd. conducted registration of establishment on September 9, 2021, however, CDIB Asia Secured Credit Opportunities GP Ltd. had not invested any capital as of December 31, 2021.

(Concluded)

**TABLE 11****CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER  
TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE****DECEMBER 31, 2021****(In Millions of New Taiwan Dollars; %)**

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
TSMC	\$ 56,357	19.25
Ministry of Finance, R.O.C.	52,922	18.08
EMIRATES NBD BANK PJSC	32,270	11.02
AT&T Inc	29,931	10.22
BNP-PARIBAS SA	29,228	9.98
Cathay Securities Investment Trust	26,322	8.99
COMCAST CORP	25,256	8.63
Capital Investment Trust Corporation	25,243	8.62
QNB Finance Ltd	25,069	8.56
JPMORGAN CHASE & CO.	25,042	8.55
Verizon Communications Inc	24,633	8.41
UNITED MEXICAN STATES	24,603	8.40
SAUDI INTERNATIONAL BOND	23,603	8.06
Natixis S.A.	22,114	7.55
BANK OF AMERICA CORP	21,775	7.44
NOMURA INTL FUNDING PTE	21,395	7.31
The National Copper Corporation of Chile	21,126	7.22
CITIGROUP INC.	20,364	6.96
BANK OF NOVA SCOTIA, TORONTO, CANADA	19,660	6.71
ELECTRICITE DE FRANCE SA	19,253	6.58
COMISION FEDERAL DE ELEC	18,949	6.47
Tencent Holdings Ltd	18,694	6.38
Yuanta Securities Co., Ltd.	18,449	6.30
SOCIETE GENERALE	18,291	6.25
Republic Of Indonesia	17,787	6.08
BARCLAYS PLC	17,598	6.01
Petronas Capital Limited	17,424	5.95
Anheuser-Busch InBev Worldwide Inc.	16,977	5.80
DEUTSCHE BANK AG	16,707	5.71
HSBC HOLDINGS PLC	16,664	5.69
ADCB Finance (Cayman) Limited	16,132	5.51
KG Investment Holdings Ltd	16,033	5.48

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
ROYAL BK CANADA LONDON	\$ 15,946	5.45
Fubon Asset Management Co., Ltd.	15,779	5.39
China Development Bank	15,581	5.32
MALAYAN BANKING BERHAD (MAYBANK)	15,285	5.22
Intel Corp.	15,181	5.19
WELLS FARGO & COMPANY	14,804	5.06
Saudi Arabian Oil Company	14,796	5.05
THE GOLDMAN SACHS GROUP, INC.	14,715	5.03
RUSSIAN FEDERATION	14,694	5.02
Alibaba Group Holding Limited	14,693	5.02
RAYTHEON TECH CORP	14,255	4.87
Oracle Corporation	13,491	4.61
FIRST ABU DHABI BANK PJS	13,416	4.58
US TREASURY N/B	13,329	4.55
REPUBLIC OF PERU	13,229	4.52
STANDARD CHARTERED PLC	13,085	4.47
MUFG BANK, LTD.	12,504	4.27
CCB Life Insurance Co., Ltd.	12,073	4.12
CREDIT AGRICOLE SA	11,859	4.05
MORGAN STANLEY	11,558	3.95
CREDIT SUISSE GROUP AG	11,103	3.79
Southern Copper Corporation	11,001	3.76
TAKEDA PHARMACEUTICAL	10,882	3.72
STATE OF QATAR	10,769	3.68
NATIONAL AUSTRALIA BANK	10,696	3.65
PT Pertamina (Persero)	10,691	3.65
COOPERATIEVE RABOBANK UA	10,636	3.63
Fuh Hwa Securities Investment Trust Co., Ltd.	10,583	3.61
Taiwan Power Company	10,503	3.59
KGI Securities Investment Trust Co., Ltd.	10,082	3.44
TRANSCANADA PIPELINES	9,586	3.27
COMMONWEALTH BANK AUST	9,523	3.25
MORGAN STANLEY FIN LLC	9,415	3.22
Fubon Financial Holding Co., Ltd.	9,368	3.20
BPCE SA	9,307	3.18
RELIANCE INDUSTRIES LIMITED	9,270	3.17
E.SUN Commercial Bank, Ltd.	9,028	3.08
BARCLAYS BANK PLC	8,901	3.04
IND & COMM BK OF CHINA	8,831	3.02
ANHEUSER-BUSCH INBEV FIN	8,424	2.88
KOMMUNALBANKEN AS	8,307	2.84
DEUTSCHE BANK/SINGAPORE	8,179	2.79
CVS Health Corp	8,069	2.76
United Microelectronics Corporation	7,865	2.69
Walt Disney Co	7,683	2.62

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Cathay Financial Holdings Co., Ltd.	\$ 7,621	2.60
SANTANDER INTL PROD PLC	7,615	2.60
ISHARES JP MORGAN USD EMERGI	7,586	2.59
Taiwan Cement Corp.	7,513	2.57
CTBC Bank Co., Ltd.	7,510	2.57
Yuanta Securities Co., Ltd.	7,299	2.49
Mitsui Sumitomo Insurance Company, Limited	7,200	2.46
CTBC Financial Holding Co., Ltd.	7,071	2.42
Cathay Life Insurance Co., Ltd.	7,050	2.41
Mega Financial Holding Company Ltd.	6,921	2.36
HON HAI PRECISION INDUSTRY CO., LTD.	6,899	2.36
PRUDENTIAL PLC	6,800	2.32
GRUPO TELEVISA SAB	6,692	2.29
LLOYDS BANKING GROUP PLC	6,545	2.24
WESTPAC BANKING CORP	6,510	2.22
MDGH - GMTN BV	6,417	2.19
BANK OF MONTREAL	6,369	2.18
Taishin Securities Investment Trust Co., Ltd.	6,068	2.07
ISHARES IBOXX INVESTMENT GRA	6,059	2.07
CDIB & PARTNERS INVESTMENT HOLDING CORPORATION	6,056	2.07
BANCO SANTANDER SA	6,027	2.06
AXA SA	5,954	2.03
AUST & NZ BANKING GROUP	5,935	2.03
Perusahaan Listrik Negara PT	5,787	1.98
APPLE INC	5,775	1.97
Powertech Technology Inc.	5,763	1.97
Kingdom of Saudi Arabia	5,538	1.89
PIMCO INVESTMENT MANAGEMENT	5,538	1.89
M&G Lux Investment Funds 1 - M	5,538	1.89
China Construction Bank Corporation	5,511	1.88
Cathay United Bank Company Limited	5,443	1.86
The Export-Import Bank of the Republic of China	5,432	1.86
LLOYDS BANK PLC	5,428	1.85
ASIA CEMENT CORPORATION	5,370	1.83
Taishin Financial Holding Co., Ltd.	5,273	1.80
CREDIT AGRICOLE CIB SA	5,228	1.79
FED REPUBLIC OF BRAZIL	5,165	1.76
AMAZON.COM INC	5,121	1.75
Aberdeen Standard Liquidity Fund (Lux)	4,984	1.70
LB BADEN-WUERTEMBERG	4,945	1.69
MANULIFE FINANCIAL CORP	4,937	1.69
CITIC LTD	4,867	1.66
Nan Ya Plastics Corporation	4,841	1.65
Abu Dhabi Commercial Bank	4,818	1.65

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
FOX CORP	\$ 4,740	1.62
TELEFONICA EMISIONES SAU	4,603	1.57
FedEx	4,538	1.55
ASE Technology Holding Co., Ltd.	4,513	1.54
ING GROEP NV	4,493	1.53
STANDARD LIFE ABERDEEN	4,426	1.51
QUALCOMM INC	4,393	1.50
First Financial Holding Co., Ltd.	4,367	1.49
MediaTek Inc.	4,363	1.49
ISHARES IBOX HIGH YLD CORP	4,345	1.48
HSBC BANK PLC	4,304	1.47
Bristol-Myers Squibb Company	4,242	1.45
SINOPEC GRP DEV 2018	4,217	1.44
PHOENIX LEAD LTD	4,156	1.42
CHINA CINDA FIN 2017 III	4,127	1.41
BLACKSTONE HOLDINGS FINA	4,121	1.41
Suyin KGI Consumer Finance Co., Ltd.	4,113	1.40
UNI-PRESIDENT ENTERPRISES CORP.	3,984	1.36
CTCI Development Corp.	3,963	1.35
KGI Futures Co., Ltd.	3,901	1.33
Hong Pu Real Estate Development Co., LTD	3,830	1.31
Bank of China Limited	3,829	1.31
Taiwan Mobile Co., Ltd.	3,803	1.30
BANK SINOPAC CO. LTD.	3,776	1.29
Formosa Chemicals & Fibre Corporation	3,752	1.28
SPDR	3,713	1.27
COMMERZBANK AG	3,674	1.25
ROMANIA	3,668	1.25
DELTA ELECTRONICS, INC.	3,624	1.24
Nan Shan Life Insurance Company, Ltd.	3,505	1.20
HSBC BANK PLC	3,500	1.20
Realtek Semiconductor Corp.	3,478	1.19
REPUBLIC OF PHILIPPINES	3,312	1.13
Chang Hwa Commercial Bank, Ltd.	3,304	1.13
CHINA GOVERNMENT BOND	3,266	1.12
FANNIE MAE	3,167	1.08
HUNGARY	3,117	1.06
Fubon Life Insurance Co., Ltd.	3,107	1.06
AIA Group Limited	3,056	1.04
EXPORT-IMPORT BANK CHINA	3,026	1.03
Taishin International Bank Co., Ltd.	3,000	1.02
Total	\$ 1,700,281	580.74
2. The same group		
TSMC Group	\$ 59,242	20.23
Lin Yuan Group	50,602	17.28
Fubon Group	38,420	13.12

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Investment Corp of Dubai Group	\$ 32,270	11.02
BPCE Group	31,421	10.73
AT&T Inc Group	29,931	10.22
BNP Paribas Group	29,498	10.08
HONG TAI Group	28,611	9.77
JPMORGAN CHASE Group	27,247	9.31
Barclays Bank Group	26,586	9.08
HSBC Group	26,531	9.06
Yuanta Group	25,903	8.85
Anheuser-Busch InBev Group	25,400	8.68
Deutsche Bank Group	25,302	8.64
COMCAST Group	25,256	8.63
Qatar National Bank Group	25,069	8.56
Verizon Communications Inc Group	24,633	8.41
Bank of America Group	21,796	7.44
NOMURA Group	21,458	7.33
CITI Group	21,303	7.28
Codelco Group	21,126	7.22
MORGAN STANLE GROUP	20,993	7.17
Taishin Group	20,110	6.87
BLACKROCK Group	19,761	6.75
Societe Generale Group	19,680	6.72
BANK OF NOVA SCOTIA	19,660	6.71
EDF Group	19,253	6.58
CTBC Group	18,990	6.49
COMISION FEDERAL DE ELEC Group	18,949	6.47
Tencent Group	18,694	6.38
Far Eastern Group	17,732	6.06
China Construction Bank Group	17,584	6.01
PETRONAS Group	17,424	5.95
Crédit Agricole Group	17,087	5.84
Royal Bank of Canada Group	16,905	5.77
Saudi Arabian Oil Co Group	16,832	5.75
Foxconn Technology Group	16,308	5.57
Abu Dhabi Commercial Bank Group	16,132	5.51
China Development Bank Group	15,581	5.32
Malayan Banking Berhad Group	15,285	5.22
Intel Group	15,181	5.19
Wells Fargo Bank Group	14,804	5.06
Goldman Sachs Group	14,715	5.03
CREDIT SUISSE Group	14,694	5.02
Alibaba Group	14,693	5.02
Raytheon Company Group	14,255	4.87
FAB Group	13,969	4.77
Oracle Group	13,491	4.61

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Standard Chartered Group	\$ 13,085	4.47
Mitsubishi UFJ Financial Group	12,683	4.33
YFY Group	12,053	4.12
LLOYDSBK Group	11,973	4.09
Mega Financial Holding Group	11,322	3.87
Mexico Group	11,001	3.76
RELIANCE INDUSTRIES LIMITED Group	10,929	3.73
TAKEDA PHARMACEUTICAL Group	10,882	3.72
National Australia Bank Group	10,696	3.65
PERTAMINA Group	10,691	3.65
Rabobank Group	10,636	3.63
Fuh Hwa Securities Investment Trust Group	10,583	3.61
E.SUN Financial Holding Group	10,184	3.48
ICBC Group	9,939	3.39
Ruentex Group	9,703	3.31
Sinopec Group	9,653	3.30
TC Energy Corporation Group	9,586	3.27
Commonwealth Bank of Australia Group	9,523	3.25
Standard Life Aberdeen Group	9,410	3.21
First Financial Holding Group	9,213	3.15
Allianz SE Group	9,062	3.10
UMC Group	8,974	3.07
Westpac Banking Group	8,728	2.98
Kongeriket Norge Group	8,307	2.84
CVS Health Corp Group	8,069	2.76
Taiwan Cement Group	7,859	2.68
The Walt Disney Company Group	7,683	2.62
SANTANDER CENTRAL HISPANO S.A. Group	7,615	2.60
SUMITOMO MITSU GROUP	7,200	2.46
Prudential plc Group	6,800	2.32
ASE Group	6,713	2.29
GRUPO TELEVISIA SAB Group	6,692	2.29
Chailease Group	6,463	2.21
Mubadala Investment Co Group	6,417	2.19
Bank of Montreal Group	6,369	2.18
Walsin Group	6,146	2.10
China Citic Bank Corporation Limited Group	6,090	2.08
AXA Group	5,954	2.03
AUSTRALIA AND NEW ZEALAND BANKING GROUP	5,935	2.03
Shin Kong Group	5,844	2.00
State Power Corporation of China Group	5,787	1.98
APPLE INC Group	5,775	1.97
Powertech Technology Group	5,765	1.97
Qsan Technology Group	5,519	1.89

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Uni President Group	\$ 5,495	1.88
NAN YA PLASTICS CORPORATION GROUP	5,270	1.80
China Cinda Group	5,235	1.79
Formosa Plastic Group	5,173	1.77
Gateway Real Estate Fund Group	5,138	1.75
Amazon.com, Inc. Group	5,121	1.75
Baden-Württemberg Group	4,945	1.69
Manulife Financial Corporation - S Group	4,937	1.69
Fox Corporation Group	4,740	1.62
Taiwan Cooperative Group	4,626	1.58
Telefónica, S.A. Group	4,603	1.57
State Street Corporation Group	4,602	1.57
FedEx Group	4,538	1.55
ING Group	4,493	1.53
Cheung Kong Holdings Group	4,482	1.53
Black Stone Group	4,465	1.53
Qualcomm Group	4,393	1.50
MediaTek Inc. Group	4,363	1.49
Evergreen Group	4,295	1.47
Bristol-Myers Squibb Group	4,242	1.45
Yulon Group	4,183	1.43
CTCI Group	4,154	1.42
Bank of Jiangsu Group	4,113	1.40
Bank of China Limited Group	4,002	1.37
AU Optronics Group	3,906	1.33
Hong Pu Group	3,830	1.31
Formosa Chemicals and Fiber Group	3,753	1.28
DBS Group	3,734	1.28
COMMERZBANK Group	3,674	1.25
Delta Electronics, Inc. Group	3,624	1.24
GlobiTech Group	3,412	1.17
Wistron Group	3,318	1.13
Chang Hwa Commercial Bank Group	3,304	1.13
Lien Hwa Group	3,161	1.08
Kingtown Group	3,112	1.06
YAGEO Group	3,111	1.06
WPG Holdings Group	3,082	1.05
AIA Group	3,056	1.04
AllianceBernstein Holding L.P. Group	3,046	1.04
The Export-Import Bank of China Group	3,026	1.03
<b>Total</b>	<b>\$ 1,261,635</b>	<b>553.87</b>

(Concluded)

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME**

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2021	2020
Cash and cash equivalents	\$ 1,480,794	\$ 14,873,993
Receivables, net	322,683	1,568,478
Current tax assets	4,092,327	2,612,264
Investments accounted for using the equity method, net	358,433,669	223,898,679
Other financial assets	300	300
Right-of-use assets, net	1,106,233	22,160
Property and equipment, net	213,532	57,526
Other assets, net	90,789	70,357
Total	\$ 365,740,327	\$ 243,103,757
<b>Liabilities and Equity</b>		
<u>Liabilities</u>		
Commercial paper payable, net	\$ 15,799,059	\$ 5,449,715
Payables	2,295,000	1,167,545
Current tax liabilities	1,765,796	1,411,995
Bonds payable	48,000,000	29,000,000
Other borrowings	3,899,854	3,299,531
Provisions	24,451	14,440
Lease liabilities	1,168,038	21,770
Other liabilities	7,791	2,653
Total liabilities	72,959,989	40,367,649
<u>Equity</u>		
Capital		
Common stock	171,896,598	149,729,414
Preferred stock	18,930,436	-
Advance receipts for capital stock	31,175	3,298
Capital surplus	36,147,480	1,627,728
Retained earnings		
Legal reserve	10,035,815	8,816,167
Special reserve	298,120	565,041
Unappropriated earnings	52,021,923	24,809,292
Other equity	12,490,292	18,363,815
Treasury shares	(9,071,501)	(1,178,647)
Total equity	292,780,338	202,736,108
Total	\$ 365,740,327	\$ 243,103,757

(Continued)

2. Statements of comprehensive income

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

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Share of profit of subsidiaries, associates and joint ventures	\$ 37,966,527	\$ 14,727,565
Others	<u>20,376</u>	<u>44,581</u>
Total revenues	<u>37,986,903</u>	<u>14,772,146</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	(2,581,831)	(1,329,390)
Others	<u>(484,281)</u>	<u>(384,293)</u>
Total expenses and losses	<u>(3,066,112)</u>	<u>(1,713,683)</u>
<b>NET PROFIT BEFORE INCOME TAX</b>	34,920,791	13,058,463
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<u>122,640</u>	<u>(403,186)</u>
<b>NET PROFIT FOR THE YEAR</b>	<u>35,043,431</u>	<u>12,655,277</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plans	(10,579)	(4,318)
Share of the other comprehensive income of subsidiaries, associates and joint ventures	793,082	3,290,865
Income tax relating to the items that will not be reclassified subsequently to profit or loss	333,019	(203,642)
Items that will be reclassified subsequently to profit or loss, net of income tax		
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(22,726,987)	6,962,549
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>3,332,278</u>	<u>(1,042,063)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(18,279,187)</u>	<u>9,003,391</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 16,764,244</u>	<u>\$ 21,658,668</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$2.34</u>	<u>\$0.87</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$2.34</u>	<u>\$0.87</u>

(Continued)

3. Statements of changes in equity

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

	Equity Attributable to Owners of the Parent						Other Equity					Total Equity	
	Capital			Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares		
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve							Unappropriated Earnings
BALANCE AT JANUARY 1, 2020	\$ 149,663,721	\$ -	\$ 20,359	\$ 1,093,745	\$ 7,561,404	\$ 10,797,899	\$ 12,617,375	\$ (1,790,483)	\$ 9,350,629	\$ 1,347,757	\$ -	\$ (3,137,278)	\$ 187,525,128
Appropriation of the 2019 earnings	-	-	-	-	1,254,763	-	(1,254,763)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(10,232,858)	10,232,858	-	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	-	(8,982,659)	-	-	-	-	-	(8,982,659)
Cash dividends - NTS0.6 per share	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,254,763	(10,232,858)	(4,564)	-	-	-	-	-	(8,982,659)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	12,655,277	-	-	-	-	-	12,655,277
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(206,043)	(2,023,803)	11,423,752	(190,515)	-	-	9,003,391
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	12,449,234	(2,023,803)	11,423,752	(190,515)	-	-	21,658,668
Disposal of the Corporation shares, as treasury shares	-	-	-	318,648	-	-	-	-	-	-	-	1,958,631	2,277,279
Adjustment to capital surplus due to distribution of dividends to subsidiary	-	-	-	221,591	-	-	-	-	-	-	-	-	221,591
Share-based payments	65,693	-	(17,061)	(6,256)	-	-	(7,771)	-	-	-	-	-	34,605
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(246,478)	-	246,478	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	-	1,496	-	-	-	-	-	1,496
BALANCE AT DECEMBER 31, 2020	149,729,414	-	3,298	1,627,728	8,816,167	565,041	24,809,292	(3,814,286)	21,020,859	1,157,242	-	(1,178,647)	202,736,108
Appropriation of the 2020 earnings	-	-	-	-	1,219,648	-	(1,219,648)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	3,790	(3,790)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(8,244,420)	-	-	-	-	-	(8,244,420)
Cash dividends - NTS0.55 per share	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,219,648	3,790	(9,467,858)	-	-	-	-	-	(8,244,420)
Special reserve reversed	-	-	-	-	-	(270,711)	270,711	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	(240)	-	-	(365)	-	-	-	-	-	(605)
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	35,043,431	-	-	-	-	-	35,043,431
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(251,756)	(1,266,145)	(18,446,104)	1,684,818	-	-	(18,279,187)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	34,791,675	(1,266,145)	(18,446,104)	1,684,818	-	-	16,764,244
Disposal of the Corporation shares, as treasury shares	-	-	-	214,147	-	-	-	-	-	-	-	1,655,484	1,869,631
Difference between consideration and carrying amount of subsidiaries acquired or disposed	20,745,684	18,930,436	-	33,961,473	-	-	-	(46,118)	12,824,783	2,564,263	-	(9,548,338)	79,432,183
Share-based payments	1,421,500	-	27,877	344,372	-	-	(58,544)	-	-	-	(1,458,485)	-	276,720
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	1,730,535	-	(1,730,535)	-	-	-	-
Net change in special reserve of subsidiaries	-	-	-	-	-	-	(53,523)	-	-	-	-	-	(53,523)
BALANCE AT DECEMBER 31, 2021	\$ 171,896,598	\$ 18,930,436	\$ 31,175	\$ 36,147,480	\$ 10,035,815	\$ 298,120	\$ 52,021,923	\$ (5,126,549)	\$ 13,669,003	\$ 5,406,323	\$ (1,458,485)	\$ (9,071,501)	\$ 292,780,338

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	<b>For the Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 34,920,791	\$ 13,058,463
Adjustments for:		
Depreciation and amortization expenses	101,611	18,794
Interest expense	460,513	367,493
Interest income	(8,647)	(37,663)
Share-based payment compensation cost	7,535	-
Share of loss of subsidiaries, associates and joint ventures	(37,644,796)	(14,657,380)
Changes in operating assets and liabilities		
Receivables	(260,623)	(13,802)
Other assets	(7,056)	(17,617)
Payables	1,103,148	255,016
Other liabilities	4,570	(2,637)
Interest paid	(434,071)	(390,758)
Interest received	15,065	32,203
Dividend received	8,041,183	12,252,346
Income tax paid	<u>(1,003,623)</u>	<u>(8,288)</u>
Net cash generated from operating activities	<u>5,295,600</u>	<u>10,856,170</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of investments accounted for using equity method	2,500,000	1,000,000
Legal reserve be distributable as dividend shares by cash on investments accounted for using the equity method	10,500,000	2,000,000
Acquisition of property and equipment	(169,947)	(28,352)
Others	<u>(14,665)</u>	<u>(12,838)</u>
Net cash generated from investing activities	<u>12,815,388</u>	<u>2,958,810</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper payable	10,349,344	1,599,974
Issuance of corporate bonds	19,000,000	14,000,000
Repayments of corporate bonds	-	(8,000,000)
Proceeds from (repayments of) other borrowings	600,323	(500,265)
Acquisition of ownership interests in subsidiaries	(53,421,923)	-
Cash dividend paid	(8,244,420)	(8,982,659)
Others	<u>212,489</u>	<u>27,483</u>
Net cash used in financing activities	<u>(31,504,187)</u>	<u>(1,855,467)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,393,199)	11,959,513
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>14,873,993</u>	<u>2,914,480</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,480,794</u>	<u>\$ 14,873,993</u>

(Continued)

KGI Bank

## 1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 57,812,543	\$ 41,562,162
Financial assets at fair value through profit or loss	23,904,374	71,917,709
Financial assets at fair value through other comprehensive income	197,503,631	201,829,447
Debt instruments measured at amortized cost	13,112,516	11,526,785
Financial assets for hedging	251,279	102,479
Securities purchased under resell agreements	3,609,158	30,168,313
Receivables, net	21,137,817	26,314,761
Discounts and loans, net	373,670,389	374,887,143
Investments accounted for using the equity method, net	5,916,251	1,729,629
Other financial assets, net	1,086,575	1,095,475
Property and equipment, net	5,387,909	5,103,634
Right-of-use assets, net	3,666,610	1,746,314
Investment property, net	1,624,473	1,279,682
Deferred tax assets	524,763	1,041,969
Other assets, net	<u>4,449,956</u>	<u>10,192,276</u>
Total assets	<u>\$ 713,658,244</u>	<u>\$ 780,497,778</u>
Deposits from the Central Bank and banks	\$ 20,823,546	\$ 11,426,738
Funds from the Central Bank and financial institutions	129,490	76,030
Financial liabilities at fair value through profit or loss	20,307,688	71,033,649
Financial liabilities for hedging	73,006	641,307
Notes and bonds issued under repurchase agreements	42,781,169	59,286,757
Payables	7,192,913	6,630,935
Current tax liabilities	878,223	644,352
Deposits and remittances	502,812,083	513,426,427
Bank debentures payable	25,241,122	20,351,293
Principal received on structured notes	17,930,084	21,640,763
Provisions	473,464	443,360
Lease liabilities	3,812,545	1,764,739
Deferred tax liabilities	60,915	19,831
Other liabilities	<u>5,062,206</u>	<u>6,124,853</u>
Total liabilities	<u>647,578,454</u>	<u>713,511,034</u>
Common stock	46,061,623	46,061,623
Capital surplus	7,258,874	7,251,306
Retained earnings	12,927,710	10,110,204
Other equity	<u>(168,417)</u>	<u>3,563,611</u>
Total equity	<u>66,079,790</u>	<u>66,986,744</u>
Total liabilities and equity	<u>\$ 713,658,244</u>	<u>\$ 780,497,778</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Years Ended December 31	
	2021	2020
Interest revenue	\$ 11,036,626	\$ 11,651,702
Interest expense	<u>(2,249,172)</u>	<u>(4,042,555)</u>
Interest profit, net	8,787,454	7,609,147
Noninterest profits and gains, net	<u>2,522,853</u>	<u>3,749,955</u>
Total net revenues	11,310,307	11,359,102
Reversal of allowance (allowance) for bad debts and losses on commitments and guarantees, net	147,602	(409,651)
Operating expenses	<u>(6,534,360)</u>	<u>(6,225,058)</u>
Net profit before income tax	4,923,549	4,724,393
Income tax expense	<u>(785,781)</u>	<u>(500,035)</u>
Net profit for the year	4,137,768	4,224,358
Other comprehensive income (loss) for the year, net of income tax	<u>(2,317,268)</u>	<u>2,391,483</u>
Total comprehensive income (loss) for the year	<u>\$ 1,820,500</u>	<u>\$ 6,615,841</u>
Basic earnings per share	<u>\$0.90</u>	<u>\$0.92</u>

(Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Current assets	\$ 247,877,170	\$ 220,428,636
Noncurrent assets	<u>35,730,118</u>	<u>53,603,610</u>
Total assets	<u>\$ 283,607,288</u>	<u>\$ 274,032,246</u>
Current liabilities	\$ 200,632,782	\$ 195,621,321
Noncurrent liabilities	<u>11,651,646</u>	<u>6,550,817</u>
Total liabilities	<u>212,284,428</u>	<u>202,172,138</u>
Common stock		
Capital surplus	32,995,978	34,363,397
Retained earnings	7,706,245	8,648,583
Other equity	33,293,038	25,958,900
Total equity	<u>(2,672,401)</u>	<u>2,889,228</u>
	<u>71,322,860</u>	<u>71,860,108</u>
Total liabilities and equity	<u>\$ 283,607,288</u>	<u>\$ 274,032,246</u>

2. Condensed statements of comprehensive income

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

	For the Years Ended December 31	
	2021	2020
Revenues	\$ 23,147,701	\$ 14,923,303
Costs and expenses	<u>(13,960,227)</u>	<u>(10,426,788)</u>
Profit from operations	<u>9,187,474</u>	<u>4,496,515</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	4,510,814	3,837,113
Other income and loss	<u>626,556</u>	<u>867,996</u>
Total non-operating income or loss	<u>5,137,370</u>	<u>4,705,109</u>
Net profit before income tax	14,324,844	9,201,624
Income tax benefit (expense)	<u>(1,391,636)</u>	<u>(476,299)</u>
Net profit for the year	12,933,208	8,725,325
Other comprehensive income (loss) for the year, net of income tax	<u>(4,223,909)</u>	<u>1,234,404</u>
Total comprehensive income (loss) for the year	<u>\$ 8,709,299</u>	<u>\$ 9,959,729</u>
Basic earnings per share	<u>\$3.66</u>	<u>\$2.46</u>

(Continued)

## CDIB Capital Group

### 1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2021	2020
Current assets	\$ 4,742,422	\$ 4,550,941
Noncurrent assets	<u>33,083,626</u>	<u>33,474,784</u>
Total assets	<u>\$ 37,826,048</u>	<u>\$ 38,025,725</u>
Current liabilities	\$ 1,874,833	\$ 2,442,635
Noncurrent liabilities	<u>766,261</u>	<u>813,805</u>
Total liabilities	<u>2,641,094</u>	<u>3,256,440</u>
Common stock	20,411,159	20,411,159
Capital surplus	593,947	590,409
Retained earnings	15,501,990	14,577,712
Other equity	<u>(1,322,142)</u>	<u>(809,995)</u>
Total equity	<u>35,184,954</u>	<u>34,769,285</u>
Total liabilities and equity	<u>\$ 37,826,048</u>	<u>\$ 38,025,725</u>

### 2. Condensed statements of comprehensive income

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

	For the Years Ended December 31	
	2021	2020
Operating revenues	\$ 2,081,762	\$ (704,604)
Operating cost	<u>(16,257)</u>	<u>-</u>
Gross profit (loss)	2,065,505	(704,604)
Operating expenses	<u>(1,887,315)</u>	<u>(513,284)</u>
Profit (loss) from operations	178,190	(1,217,888)
Non-operating income and expenses	<u>10,193,758</u>	<u>150,768</u>
Net profit (loss) before income tax	10,371,948	(1,067,120)
Income tax benefit	<u>(470,906)</u>	<u>11,704</u>
Net profit (loss) for the year	9,901,042	(1,055,416)
Other comprehensive income (loss) for the year, net of income tax	<u>(488,911)</u>	<u>(1,343,516)</u>
Total comprehensive income (loss) for the year	<u>\$ 9,412,131</u>	<u>\$ (2,398,932)</u>
Basic earnings (loss) per share	<u>\$4.85</u>	<u>\$(0.52)</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Current assets	\$ 58,909	\$ 56,362
Noncurrent assets	<u>1,761,278</u>	<u>1,629,220</u>
Total assets	<u>\$ 1,820,187</u>	<u>\$ 1,685,582</u>
Current liabilities	\$ 274,872	\$ 224,794
Noncurrent liabilities	<u>117,237</u>	<u>3,348</u>
Total liabilities	<u>392,109</u>	<u>228,142</u>
Common stock	1,133,600	1,133,600
Capital surplus	139,538	139,538
Retained earnings	181,713	225,335
Other equity	<u>(26,773)</u>	<u>(41,033)</u>
Total equity	<u>1,428,078</u>	<u>1,457,440</u>
Total liabilities and equity	<u>\$ 1,820,187</u>	<u>\$ 1,685,582</u>

2. Condensed statements of comprehensive income

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

	<u>For the Years Ended</u>	
	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenues and gains	\$ 169,554	\$ 229,573
Expenses and losses	<u>(88,327)</u>	<u>(84,490)</u>
Net profit before income tax	81,227	145,083
Income tax expense	<u>(13,549)</u>	<u>(21,425)</u>
Net profit for the year	67,678	123,658
Other comprehensive income (loss) for the year, net of income tax	<u>14,316</u>	<u>(17,419)</u>
Total comprehensive income (loss) for the year	<u>\$ 81,994</u>	<u>\$ 106,239</u>
Basic earnings per share	<u>\$0.60</u>	<u>\$0.63</u>

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 153,787,291	\$ 101,376,515
Receivables	17,038,235	19,920,386
Current tax assets	-	526,131
Financial assets at fair value through profit or loss	435,588,827	375,555,929
Financial assets at fair value through other comprehensive income	280,355,344	482,873,124
Financial assets measured at amortized cost	1,201,310,968	1,046,395,601
Investments accounted for using the equity method, net	1,017,001	69,863
Investment property	43,216,992	36,838,917
Loans	33,931,189	33,557,049
Reinsurance assets	891,059	740,256
Property and equipment	12,036,982	12,414,988
Right-of-use assets	4,699,054	6,058,770
Intangible assets	304,998	234,530
Deferred tax assets	13,074,033	10,861,287
Other assets	7,749,971	7,724,396
Separate account product assets	<u>101,041,555</u>	<u>84,564,106</u>
<b>Total assets</b>	<b><u>\$ 2,306,043,499</u></b>	<b><u>\$ 2,219,711,848</u></b>
Payables	\$ 13,169,025	\$ 13,264,436
Current tax liabilities	1,924,345	2,591,206
Financial liabilities at fair value through profit or loss	981,018	7,931,359
Bonds Payable	10,000,000	10,000,000
Lease liabilities	1,768,675	1,751,214
Insurance liabilities	1,988,686,889	1,896,680,430
Foreign exchange valuation reserve	3,351,124	4,023,007
Provisions	199,799	212,754
Deferred tax liabilities	4,153,657	10,126,831
Other liabilities	3,757,700	8,909,300
Separate account product liabilities	<u>101,041,555</u>	<u>84,564,106</u>
<b>Total liabilities</b>	<b><u>2,129,033,787</u></b>	<b><u>2,040,054,643</u></b>
Common stock	49,206,531	47,313,972
Capital surplus	7,224,556	7,214,523
Retained earnings	94,990,656	70,988,356
Other equity	<u>25,587,969</u>	<u>54,140,354</u>
<b>Total equity</b>	<b><u>177,009,712</u></b>	<b><u>179,657,205</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 2,306,043,499</u></b>	<b><u>\$ 2,219,711,848</u></b>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Years Ended December 31	
	2021	2020
Operating revenues	\$ 300,244,299	\$ 323,248,432
Operating costs	(261,277,061)	(301,457,969)
Operating expenses	<u>(7,592,150)</u>	<u>(6,085,643)</u>
Profit from operations	31,375,088	15,704,820
Non-operating income and expenses	<u>(28,416)</u>	<u>(67,957)</u>
Income from continuing operations before income tax	31,346,672	15,636,863
Income tax expense	<u>(2,806,434)</u>	<u>(89,027)</u>
Net income	28,540,238	15,547,836
Other comprehensive income (loss) for the year, net of income tax	<u>(29,208,422)</u>	<u>24,113,661</u>
Total comprehensive income (loss) for the year	<u>\$ (668,184)</u>	<u>\$ 39,661,497</u>
Basic earnings per share	<u>\$5.80</u>	<u>\$3.16</u>

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	US\$ 2,000 thousand	Note 1,b,1)	US\$ 2,262 thousand	\$ -	\$ -	US\$ 2,262 thousand	(Note 3)	8.86	\$ -	\$ 67,536	\$ -
Beauteek (Shanghai) Co., Ltd.	Cosmetics and skin care products sales.	US\$ 1,700 thousand	Note 1,b,1)	US\$ 53 thousand	-	-	US\$ 53 thousand	(Note 3)	-	-	1,657	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US\$ 35,200 thousand	Note 1,b,2)	US\$ 1,400 thousand	-	-	US\$ 1,400 thousand	(Note 3)	1.66	-	43,985	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US\$ 17,130 thousand	Note 1,b,3)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US\$ 87,070 thousand	Note 1,b,4),16)	US\$ 228 thousand	US\$ 13 thousand	-	US\$ 241 thousand	(Note 3)	1.83	-	6,671	-
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods.	EUR 4,460 thousand	Note 1,b,5),17)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	5,042	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 28,000 thousand	Note 1,b,4),15)	US\$ 948 thousand	-	-	US\$ 948 thousand	(Note 3)	2.36	-	6,483	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 3,000 thousand	Note 1,b,4),15)	US\$ 33 thousand	-	-	US\$ 33 thousand	(Note 3)	2.36	-	228	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale.	CNY 171,574 thousand	Note 1,b,4),15)	US\$ 297 thousand	-	-	US\$ 297 thousand	(Note 3)	2.36	-	2,030	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,4),15)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.36	-	284	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film.	CNY 19,812 thousand	Note 1,b,15)	US\$ 5,051 thousand	-	-	US\$ 5,051 thousand	(Note 3)	3.89	-	34,534	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,7)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	(8,076)	100.00	(8,076)	267,875	-
CDIB Private Equity (Fujian) Co., Ltd.	Fund management.	CNY 10,000 thousand	Note 9	-	-	-	-	6,076	70.00	4,253	66,406	-
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Fund management.	CNY 12,000 thousand	Note 1,b,7)	CNY 6,686 thousand	-	-	CNY 6,686 thousand	(2,437)	70.00	(1,706)	32,649	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 600,000 thousand	Note 1,b,6),7)	CNY 350,000 thousand	\$ -	\$ -	CNY 350,000 thousand	\$ (232,686)	-	\$ (81,927)	\$ 755,448	\$ -
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Fund management.	CNY 7,000 thousand	Note 10	-	-	-	-	(14,403)	65.00	(9,362)	56,655	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,7)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	1,384	65.00	900	34,044	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 828,367 thousand	Note 1,b,6),7)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	169,688	-	51,500	1,152,431	-
Kunshan Yida Healthcare Private Equity Enterprise (Limited Partnership)	Equity investment	CNY 422,000 thousand	Note 1,b,6),7)	CNY 89,224 thousand	CNY 34,633 thousand	-	CNY 123,857 thousand	124,892	-	37,905	561,553	-
Beijing Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,8)	US\$ 5,000 thousand	-	-	US\$ 5,000 thousand	(Note 3)	5.44	-	150,880	-
Lightel Technologies (Shenzhen) Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps.	US\$ 4,100 thousand	Note 1,b,9)	US\$ 337 thousand	-	-	US\$ 337 thousand	(Note 3)	11.58	-	9,857	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 313,432 thousand	Note 1,b,5),10)	US\$ 2,311 thousand	-	-	US\$ 2,311 thousand	(Note 3)	7.74	-	63,994	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 195,686 thousand	Note 1,b,5),10)	US\$ 1,678 thousand	-	-	US\$ 1,678 thousand	(Note 3)	7.74	-	46,473	-
Jiangsu Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product.	HK\$ 761,576 thousand	Note 1,b, 5),18)	US\$ 9,248 thousand	-	-	US\$ 9,248 thousand	(Note 3)	5.46	-	50,672	-
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries.	CNY 350,379 thousand	Note 1,b, 11)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	(Note 3)	2.67	-	50,712	-
Best Logistics Technology (China) Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials.	US\$ 183,000 thousand	Note 1,b, 12)	US\$ 211 thousand	-	-	US\$ 211 thousand	(Note 3)	-	-	2,360	-
Suyin KGI Consumer Finance Co., Ltd.	Consumer financial business.	CNY 2,600,000 thousand	Note 1,a	CNY 200,400 thousand	CNY 740,000 thousand	-	CNY 940,400 thousand	72,135	36.17	26,542 (Note 2,b,1)	4,113,459	-
CDIB International Leasing Corporation	Financial leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	7,247	100.00	7,247 (Note 2,b,2)	121,647	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,13)	US\$ 4,000 thousand	\$ -	US\$ 787 thousand	US\$ 3,213 thousand	\$ (452)	100.00	\$ (452) (Note 2,b,3)	\$ -	\$ -
CCB Life Insurance Company Limited	Life insurance.	CNY 7,120,461 thousand	Note 1,a	12,880,969	-	-	12,880,969	4,842,303	19.90	80,404	14,582,181	148,983
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US\$ 13,380 thousand	Note 1,b,14)	US\$ 396 thousand	US\$ 58 thousand	-	US\$ 454 thousand	(Note 3)	0.85	-	1,241	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US\$ 5,000 thousand	Note 1,b,14)	US\$ 120 thousand	-	-	US\$ 120 thousand	(Note 3)	0.88	-	328	-
Taro Technology (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements.	US\$ 30,000 thousand	Note 1,b,19)	US\$ 2,000 thousand	-	-	US\$ 2,000 thousand	(Note 3)	1.01	-	55,380	-
Rokid Business (Hangzhou) Co., Ltd.	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 15,000 thousand	Note 1,b,19)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	1.01	(Note 2,a)	83,070	-
Ningbo DINGYAO Transmission Machinery Co., Ltd.	Business in machinery and equipment; hi-tech product.	CNY 500 thousand	Note 1,b, 20)	-	US\$ 159 thousand	-	US\$ 159 thousand	(Note 3)	2.90	-	4,390	-
Kunshan Beiju Machine Co., Ltd.	Business in welding fixture and fixture for inspection.	US\$ 8,000 thousand	Note 1,b, 20)	-	US\$ 812 thousand	-	US\$ 812 thousand	(Note 3)	5.68	-	22,482	-
Kunshan Royal Precision Tools Corporation Ltd.	Business in belt-driven Spindle.	US\$ 3,956 thousand	Note 1,b, 20)	-	US\$ 526 thousand	-	US\$ 526 thousand	(Note 3)	5.68	-	14,563	-
Kunshan XIJU Machinery Co., Ltd.	Business in CNC machine accessories.	US\$ 5,619 thousand	Note 1,b, 20)	-	US\$ 290 thousand	-	US\$ 290 thousand	(Note 3)	5.68	-	8,038	-
Dongguan NANJU Machinery Co., Ltd.	Business in machinery equipment and its accessories.	CNY 1,500 thousand	Note 1,b, 20)	-	US\$ 42 thousand	-	US\$ 42 thousand	(Note 3)	3.97	-	1,168	-
Chongqing TAIJU Machinery Co., Ltd.	Business in import and export of goods, production and sales; CNC; machining center; tool magazine.	US\$ 591 thousand	Note 1,b, 20)	-	US\$ 49 thousand	-	US\$ 49 thousand	(Note 3)	3.97	-	1,345	-
Elixiron Immunotherapeutics Inc.	Research and development of new drugs for cancer and antiviral immunity.	CNY 6,332 thousand	Note 1,b, 21)	US\$ 21 thousand	US\$ 175 thousand	-	US\$ 196 thousand	(Note 3)	9.32	-	5,492	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$23,718,339	US\$950,732 thousand	\$224,825,203

(Continued)

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through a third area by:
  - 1) Beauty Essentials International Ltd.
  - 2) Capital Excel Investments Limited.
  - 3) Hartec Asia Pte Ltd.
  - 4) CDIB Capital Investment I Limited
  - 5) CDIB Capital Investment II Limited.
  - 6) CDIB Venture Capital (Hong Kong) Corporation Limited.
  - 7) CDIB Private Equity (Hong Kong) Corporation Limited.
  - 8) Shengzhuang Holdings Limited.
  - 9) Lightel Technologies, Inc.
  - 10) CBA Sport International Limited.
  - 11) CCAP Tutwo Holdings (Hong Kong) Limited.
  - 12) Best Logistics.
  - 13) Richpoint Company Limited.
  - 14) Deluxe Technology Group Co., Ltd.
  - 15) CDIB Capital Asia Partners L.P.
  - 16) Great Team Backend Foundry, Inc.
  - 17) Sungjoo Design Tech & Distribution Inc.
  - 18) Great Rich Technologies Limited.
  - 19) Rokid Corporation Limited.
  - 20) POJU (Cayman) International Co., Ltd.
  - 21) Elixiron Immunotherapeutics (Cayman) Limited
- c. Other.

Note 2: In the column "Investment Gain"

- a. If it is in preparation and there is no investment gain, it should state clearly.
- b. Investment Gain recognition was based on the following and should state clearly.
  - 1) Financial statements audited by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
  - 2) Financial statements audited by the CPA firm of the parent company in Taiwan;
  - 3) Other.

Note 3: Investee Company was not significantly influenced by the Company; therefore the Group cannot acquire the related financial information.

Note 4: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary's investment in Focal Tech (Shenzhen) Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary's investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 6: Subsidiary of the Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yangzhou Enteres Industrial Co., Ltd., Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 7: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.

Note 8: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 9: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

(Continued)

Note 10: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: China Development Venture Capital Co., Ltd. passed a resolution of the board of directors acting on behalf of the shareholders meeting on July 20, 2020, and its 100% holding of CDIB Venture Capital (Hong Kong) Corporation Limited was transferred to China Development Capital Co., Ltd. by way of capital reduction in kind., And set July 27, 2020 as the reference date for the material reduction.

Note 12: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary's investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary's investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 14: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary's investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

Note 15: Subsidiary of the Corporation formerly indirectly invested in GSD Industrial (China) Co., Ltd. through its subsidiary's investment in GSD Technologies Co., Ltd. has been listed on the Taiwan Stock Exchange on September 21, 2018, refer to its financial report for the information.

Note 16: KGI Investment Advisory (Shanghai) Co., Ltd. applies liquidation, Taiwan competent authority authorized the acceptance on July 16, 2020, and located competent authority authorized the acceptance on July 20, 2021.

Note 17: Unrecovered the amount of investment is recognized investment loss.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	\$ 636,624	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	636,624	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	218,787	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	218,787	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	878,223	Note 4	0.03%
2	KGI Bank	The Corporation	2	Current tax liabilities	878,223	Note 4	0.03%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	2,372,268	Note 4	0.07%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	2,372,268	Note 4	0.07%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	1,444,662	Note 4	0.04%
2	KGI Bank	The Corporation	2	Deposits and remittances	1,444,662	Note 4	0.04%
0	The Corporation	CDIB Capital Management Corporation	1	Current tax assets	100,550	Note 4	0.00%
4	CDIB Capital Management Corporation	The Corporation	2	Current tax liabilities	100,550	Note 4	0.00%
5	China Life Insurance Co., Ltd.	KGI Bank	3	Cash and cash equivalents	913,551	Note 4	0.03%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Deposits and remittances	913,551	Note 4	0.03%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	4,474,132	Note 4	0.13%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	4,474,132	Note 4	0.13%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other assets	4,139,173	Note 4	0.12%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	4,139,173	Note 4	0.12%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial assets	\$ 786,409	Note 4	0.02%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	786,409	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other assets	4,194,468	Note 4	0.12%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial assets	600,000	Note 4	0.02%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	4,794,468	Note 4	0.14%
3	KGI Securities Co., Ltd.	KGI Bank	3	Cash and cash equivalents	321,426	Note 4	0.01%
2	KGI Bank	KGI Securities Co., Ltd.	3	Deposits and remittances	321,426	Note 4	0.01%
3	KGI Securities Co., Ltd.	KGI Bank	3	Receivables, net	883,997	Note 4	0.03%
2	KGI Bank	KGI Securities Co., Ltd.	3	Payables	883,997	Note 4	0.03%
6	CDIB Venture Capital (Hong Kong) Corporation Limited	KGI Bank	3	Cash and cash equivalents	844,711	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital (Hong Kong) Corporation Limited	3	Deposits and remittances	844,711	Note 4	0.02%
7	CDIB Management Consulting Corporation	KGI Bank	3	Cash and cash equivalents	129,238	Note 4	0.00%
2	KGI Bank	CDIB Management Consulting Corporation	3	Deposits and remittances	129,238	Note 4	0.00%
8	CDIB Management Capital Consulting Corporation	KGI Bank	3	Cash and cash equivalents	181,694	Note 4	0.01%
2	KGI Bank	CDIB Management Capital Consulting Corporation	3	Deposits and remittances	181,694	Note 4	0.01%
3	KGI Securities Co., Ltd.	KGI Bank	3	Other financial liabilities	326,505	Note 4	0.01%
2	KGI Bank	KGI Securities Co., Ltd.	3	Cash and cash equivalents	326,505	Note 4	0.01%
5	China Life Insurance Co., Ltd.	KGI Bank	3	Receivables, net	1,662,596	Note 4	0.05%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Other liabilities	1,662,596	Note 4	0.05%
3	KGI Securities Co., Ltd.	China Life Insurance Co., Ltd.	3	Receivables, net	167,892	Note 4	0.00%
5	China Life Insurance Co., Ltd.	KGI Securities Co., Ltd.	3	Payables	167,892	Note 4	0.00%
3	KGI Securities Co., Ltd. and its subsidiaries	China Life Insurance Co., Ltd.	3	Service fee revenue and commission income	207,556	Note 4	0.11%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
5	China Life Insurance Co., Ltd.	KGI Securities Co., Ltd. and its subsidiaries	3	Service fee revenue and commission expense	\$ 207,556	Note 4	0.11%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Service fee revenue and commission income	213,004	Note 4	0.11%
5	China Life Insurance Co., Ltd.	KGI Bank	3	Service fee revenue and commission expense	213,004	Note 4	0.11%
5	China Life Insurance Co., Ltd.	KGI Bank	3	Others	156,232	Note 4	0.08%
2	KGI Bank	China Life Insurance Co., Ltd.	3	Operating expense	156,232	Note 4	0.08%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Cash and cash equivalents	1,053,092	Note 4	0.03%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Other financial liabilities	1,053,092	Note 4	0.03%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	137,510	Note 4	0.00%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Other financial liabilities	137,510	Note 4	0.00%
9	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Cash and cash equivalents	247,523	Note 4	0.01%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	247,523	Note 4	0.01%
9	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,219,378	Note 4	0.04%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,219,378	Note 4	0.04%
9	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	164,040	Note 4	0.00%
11	KGI Futures (Hong Kong) Limited	KGI Futures Co., Ltd.	3	Other financial liabilities	164,040	Note 4	0.00%
11	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	144,264	Note 4	0.00%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	144,264	Note 4	0.00%
11	KGI Futures (Hong Kong) Limited	KGI Securities (Singapore) Pte. Ltd.	3	Equity of futures trader	343,937	Note 4	0.01%
10	KGI Securities (Singapore) Pte. Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	343,937	Note 4	0.01%
12	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Financial liabilities at fair value through profit or loss	444,251	Note 4	0.01%
13	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Other financial assets	444,251	Note 4	0.01%
12	KGI Asia Limited	KGI Securities (Singapore) Pte. Ltd.	3	Other liabilities	351,850	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
10	KGI Securities (Singapore) Pte. Ltd.	KGI Asia Limited	3	Receivables, net	\$ 351,850	Note 4	0.01%
12	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Other liabilities	267,457	Note 4	0.01%
13	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Receivables, net	267,457	Note 4	0.01%
12	KGI Asia Limited	KGI International (Hong Kong) Limited	3	Receivables, net	632,578	Note 4	0.02%
13	KGI International (Hong Kong) Limited	KGI Asia Limited	3	Payables	632,578	Note 4	0.02%
12	KGI Asia Limited	PT KGI Sekuritas Indonesia	3	Receivables, net	582,514	Note 4	0.02%
14	PT KGI Sekuritas Indonesia	KGI Asia Limited	3	Payables	582,514	Note 4	0.02%
11	KGI Futures (Hong Kong) Limited	KGI International (Hong Kong) Limited	3	Equity of futures trader	207,310	Note 4	0.01%
13	KGI International (Hong Kong) Limited	KGI Futures (Hong Kong) Limited	3	Receivables, net	207,310	Note 4	0.01%
13	KGI International (Hong Kong) Limited	KGI International Holdings Limited	3	Cash and cash equivalents	2,241,657	Note 4	0.06%
15	KGI International Holdings Limited	KGI International (Hong Kong) Limited	3	Other financial liabilities	2,241,657	Note 4	0.06%
12	KGI Asia Limited	KGI International Holdings Limited	3	Cash and cash equivalents	1,383,985	Note 4	0.04%
15	KGI International Holdings Limited	KGI Asia Limited	3	Other financial liabilities	1,383,985	Note 4	0.04%
11	KGI Futures (Hong Kong) Limited	KGI International Holdings Limited	3	Cash and cash equivalents	1,605,137	Note 4	0.05%
15	KGI International Holdings Limited	KGI Futures (Hong Kong) Limited	3	Other financial liabilities	1,605,137	Note 4	0.05%
3	KGI Securities Co., Ltd.	KGI Securities Investment Advisory Co., Ltd.	3	Operating expense	178,800	Note 4	0.09%
16	KGI Securities Investment Advisory Co., Ltd.	KGI Securities Co., Ltd.	3	Others	178,800	Note 4	0.09%
17	KGI Hong Kong Limited	KGI Asia Limited	3	Others	1,930,507	Note 4	1.00%
12	KGI Asia Limited	KGI Hong Kong Limited	3	Others	1,930,507	Note 4	1.00%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	243,517	Note 4	0.13%
9	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee revenue and commission expense	243,517	Note 4	0.13%
17	KGI Hong Kong Limited	KGI International (Hong Kong) Limited	3	Others	385,112	Note 4	0.20%
13	KGI International (Hong Kong) Limited	KGI Hong Kong Limited	3	Others	385,112	Note 4	0.20%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
18	KGI International Finance Limited	KGI International Holdings Limited	3	Cash and cash equivalents	\$ 365,307	Note 4	0.01%
15	KGI International Holdings Limited	KGI International Finance Limited	3	Other financial liabilities	365,307	Note 4	0.01%
17	KGI Hong Kong Limited	KGI Investments Management Limited	3	Others	114,421	Note 4	0.06%
19	KGI Investments Management Limited	KGI Hong Kong Limited	3	Others	114,421	Note 4	0.06%
17	KGI Hong Kong Limited	KGI Futures (Hong Kong) Limited	3	Others	147,718	Note 4	0.08%
11	KGI Futures (Hong Kong) Limited	KGI Hong Kong Limited	3	Others	147,718	Note 4	0.08%
20	CDIB Capital International Corporation	KGI Bank	3	Cash and cash equivalents	581,194	Note 4	0.02%
2	KGI Bank	CDIB Capital International Corporation	3	Deposits and remittances	581,194	Note 4	0.02%
21	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Others	317,955	Note 4	0.17%
20	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expense	317,955	Note 4	0.17%
20	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Others	416,600	Note 4	0.22%
22	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expense	416,600	Note 4	0.22%
22	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	125,569	Note 4	0.00%
2	KGI Bank	CDIB Global Markets Limited	3	Deposits and remittances	125,569	Note 4	0.00%
20	CDIB Capital International Corporation	CDIB Capital Investment I Limited	3	Others	319,366	Note 4	0.17%
23	CDIB Capital Investment I Limited	CDIB Capital International Corporation	3	Operating expense	319,366	Note 4	0.17%

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$100 million.

(Concluded)

**TABLE 15-1****KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2021****(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>Richpoint Company Limited</b>	<b>KG Investments Holdings Limited</b>	<b>KGI International Holdings Limited</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,049,598	\$ 1	\$ 66,236
Other receivables	3,287	-	-
Other receivables - related parties	<u>-</u>	<u>-</u>	<u>13,045,237</u>
Total current assets	<u>5,052,885</u>	<u>1</u>	<u>13,111,473</u>
<b>NONCURRENT ASSETS</b>			
Financial assets at fair value through other comprehensive income - noncurrent	-	-	1,393,000
Investments accounted for using the equity method	<u>579,722,642</u>	<u>570,180,253</u>	<u>790,735,490</u>
Total noncurrent assets	<u>579,722,642</u>	<u>570,180,253</u>	<u>792,128,490</u>
<b>TOTAL</b>	<u>\$ 584,775,527</u>	<u>\$ 570,180,254</u>	<u>\$ 805,239,963</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	\$ 73,100,000	\$ -	\$ -
Commercial paper payable	-	-	210,775,260
Other payables	22,002	-	-
Other payables - related parties	<u>-</u>	<u>5,541,413</u>	<u>25,248,034</u>
Total current liabilities	<u>73,122,002</u>	<u>5,541,413</u>	<u>236,023,294</u>
Total liabilities	<u>73,122,002</u>	<u>5,541,413</u>	<u>236,023,294</u>
<b>EQUITY</b>			
Common stock	92,872,376	156,864,163	209,248,261
Capital reserve	880,840	86,152	54,670,859
Special reserve	-	9,759,135	387,913
Retained earnings	419,194,916	399,223,998	305,980,633
Other equity	<u>(1,294,607)</u>	<u>(1,294,607)</u>	<u>(1,070,997)</u>
Total equity	<u>511,653,525</u>	<u>564,638,841</u>	<u>569,216,669</u>
<b>TOTAL</b>	<u>\$ 584,775,527</u>	<u>\$ 570,180,254</u>	<u>\$ 805,239,963</u>

**TABLE 15-2****KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2021****(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>KGI Limited</b>	<b>KGI International Limited</b>	<b>Global Treasure Investments Limited</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 4,875	\$ 431	\$ -
Other receivables - related parties	-	1,009,858	-
Other current assets	<u>-</u>	<u>-</u>	<u>1</u>
Total current assets	<u>4,875</u>	<u>1,010,289</u>	<u>1</u>
<b>NONCURRENT ASSETS</b>			
Investments accounted for using the equity method	<u>453,287,344</u>	<u>69,141,564</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 453,292,219</u>	<u>\$ 70,151,853</u>	<u>\$ 1</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Other payables - related parties	<u>\$ -</u>	<u>\$ 1,404</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>1,404</u>	<u>-</u>
<b>EQUITY</b>			
Common stock	389,239,174	81,511,717	1
Retained earnings (accumulated deficit)	<u>64,053,045</u>	<u>(11,361,268)</u>	<u>-</u>
Total equity	<u>453,292,219</u>	<u>70,150,449</u>	<u>1</u>
<b>TOTAL</b>	<u>\$ 453,292,219</u>	<u>\$ 70,151,853</u>	<u>\$ 1</u>

**TABLE 15-3****KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2021****(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>KGI Hong Kong Limited</b>	<b>KGI Nominees (Hong Kong) Limited</b>	<b>KGI Asia (Holdings) Pte. Ltd.</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 701,153	\$ -	\$ 225,199
Prepayments	1,743,031	-	-
Other receivables	195,278	-	-
Other receivables - related parties	8,972,594	1	-
Other current assets	<u>1,463,779</u>	<u>-</u>	<u>-</u>
Total current assets	<u>13,075,835</u>	<u>1</u>	<u>225,199</u>
<b>NONCURRENT ASSETS</b>			
Investments accounted for using the equity method	-	-	168,975,237
Property and equipment	4,901,506	-	-
Right-of-use assets	24,608,312	-	-
Other noncurrent assets	<u>48,414</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>29,558,232</u>	<u>-</u>	<u>168,975,237</u>
<b>TOTAL</b>	<u>\$ 42,634,067</u>	<u>\$ 1</u>	<u>\$ 169,200,436</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	\$ -	\$ -	\$ 95,111,111
Other payable	23,060,336	-	52,350
Current tax liabilities	235,209	-	-
Other payable - related parties	-	-	39,393
Lease liabilities - current	<u>4,743,649</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>28,039,194</u>	<u>-</u>	<u>95,202,854</u>
<b>NONCURRENT LIABILITIES</b>			
Provisions - noncurrent	1,493,660	-	-
Lease liabilities - noncurrent	<u>20,292,531</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>21,786,191</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>49,825,385</u>	<u>-</u>	<u>-</u>
<b>EQUITY</b>			
Common stock	15,000	1	75,749,306
Special reserve	66,956	-	-
Accumulated deficit	(7,273,274)	-	(2,031,129)
Other equity	<u>-</u>	<u>-</u>	<u>279,405</u>
Total equity	<u>(7,191,318)</u>	<u>1</u>	<u>73,997,582</u>
<b>TOTAL</b>	<u>\$ 42,634,067</u>	<u>\$ 1</u>	<u>\$ 169,200,436</u>

**TABLE 16-1****KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in U.S. Dollars)**

	<b>Richpoint Company Limited</b>	<b>KG Investments Holdings Limited</b>	<b>KGI International Holdings Limited</b>
REVENUES			
Other operating income	\$ (106,024)	\$ 1,660	\$ 684,773
COSTS AND EXPENSES			
Financial costs	(266,768)	-	(1,492,655)
Other operating expenses	<u>(35,572)</u>	<u>(5,232)</u>	<u>(50,131)</u>
Total costs and expenses	<u>(302,340)</u>	<u>(5,232)</u>	<u>(1,542,786)</u>
GAIN (LOSS) FROM OPERATIONS	<u>(408,364)</u>	<u>(3,572)</u>	<u>(858,013)</u>
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	42,352,509	42,372,187	42,947,488
OTHER PROFITS (LOSSES)	<u>100,505</u>	<u>-</u>	<u>282,712</u>
NON-OPERATING REVENUE AND EXPENSE	<u>42,453,014</u>	<u>42,372,187</u>	<u>43,230,200</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>42,044,650</u>	<u>42,368,615</u>	<u>42,372,187</u>
OTHER COMPREHENSIVE INCOME (LOSSES)	<u>(12,882,949)</u>	<u>(12,998,951)</u>	<u>(12,998,951)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 29,161,701</u>	<u>\$ 29,369,664</u>	<u>\$ 29,373,236</u>

**KGI SECURITIES AND ITS SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in U.S. Dollars)**

	<b>KGI Limited</b>	<b>KGI International Limited</b>	<b>Global Treasure Investments Limited</b>
REVENUES			
Other operating income	\$ _____ -	\$ _____ 30	\$ _____ -
COSTS AND EXPENSES			
Total costs and expenses	_____ -	_____ -	_____ -
PROFIT FROM OPERATIONS	_____ -	_____ 30	_____ -
OTHER PROFIT (LOSSES)	_____ -	_____ -	_____ -
NON-OPERATING REVENUE AND EXPENSE	_____ -	_____ -	_____ -
NET PROFIT FOR THE YEAR	_____ -	_____ 30	_____ -
OTHER COMPREHENSIVE INCOME (LOSSES)	_____ -	_____ -	_____ -
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	<u>\$ _____ -</u>	<u>\$ _____ 30</u>	<u>\$ _____ -</u>

**TABLE 16-3****KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in U.S. Dollars)**

	<b>KGI Hong Kong Limited</b>	<b>KGI Nominees (Hong Kong) Limited</b>	<b>KGI Asia (Holdings) Pte. Ltd.</b>
<b>REVENUES</b>			
Net profit of derivative instrument - counter	\$ -	\$ -	\$ (77,561)
Other operating income	<u>526,508</u>	<u>-</u>	<u>81,659</u>
Total revenues	<u>526,508</u>	<u>-</u>	<u>4,098</u>
<b>COSTS AND EXPENSES</b>			
Financial costs	(454,541)	-	(1,000,634)
Other operating expense	(27,784,949)	-	-
Employee benefits	(41,531,461)	-	-
Depreciation and amortization	(6,989,170)	-	-
Other operating expenses	<u>(13,326,536)</u>	<u>-</u>	<u>(39,030)</u>
Total costs and expenses	<u>(90,086,657)</u>	<u>-</u>	<u>(1,039,664)</u>
LOSS FROM OPERATIONS	<u>(89,560,149)</u>	<u>-</u>	<u>(1,035,566)</u>
OTHER REVENUE AND EXPENSE	<u>92,353,808</u>	<u>-</u>	<u>5,611,727</u>
NON-OPERATING REVENUE AND EXPENSE	<u>92,353,808</u>	<u>-</u>	<u>5,611,727</u>
NET PROFIT FOR THE YEAR BEFORE TAX	2,793,659	-	4,576,161
TAX EXPENSE	<u>(235,209)</u>	<u>-</u>	<u>(547,938)</u>
NET PROFIT FOR THE YEAR	<u>2,558,450</u>	<u>-</u>	<u>4,028,223</u>
OTHER COMPREHENSIVE INCOME (LOSSES)	<u>-</u>	<u>-</u>	<u>(1,522,914)</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	<u>\$ 2,558,450</u>	<u>\$ -</u>	<u>\$ 2,505,309</u>

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash in banks	Checking deposits and demand deposits	\$ 77,650,359
	Time deposits	<u>77,164,038</u>
		<u>154,814,397</u>
Others (Note)		<u>13,048,429</u>
		<u>\$ 167,862,826</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
							Unit Price	Gross Amount		
Financial assets mandatorily classified as at FVTPL										
Stocks						\$ 194,530,567		\$ 207,350,016	\$ -	
Mutual funds						178,726,395		168,819,138	-	
Operating securities								67,945,917	-	
Bank debentures						38,605,837		39,906,323	-	
Others (Note 1)								<u>65,786,267</u>	<u>(3,142)</u>	Note 2
								<u>549,807,661</u>	<u>(3,142)</u>	
Financial assets designated as at FVTPL										
Others (Note 1)								<u>4,740,512</u>	<u>-</u>	
								<u>4,740,512</u>	<u>-</u>	
								<u>\$ 554,548,173</u>	<u>\$ (3,142)</u>	

Note 1: The amount of each product in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 49.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value		Note
								Unit Price	Gross Amount	
Debt investment										
Government bonds	Expires before 2060					\$ 156,539,121	\$ 867,616		\$ 157,406,737	Note 2
Corporate bonds	Expires before 2070					113,415,398	6,905,257		120,320,655	
Bank debentures	Expires before 2048					87,595,331	5,433,777		93,029,108	
Negotiable certificates of deposit	Expires before 2023					70,180,000	(64,020)		70,115,980	Note 2
Others (Note 1)						<u>1,992,234</u>	<u>50,614</u>		<u>2,042,848</u>	
						<u>429,722,084</u>	<u>13,193,244</u>		<u>442,915,328</u>	
Financial instrument										
Common Stocks						40,534,543	11,556,944		52,091,487	
Others (Note 1)						<u>11,807,374</u>	<u>560,132</u>		<u>12,367,506</u>	
						<u>52,341,917</u>	<u>12,117,076</u>		<u>64,458,993</u>	
						<u>\$ 482,064,001</u>	<u>\$ 25,310,320</u>		<u>\$ 507,374,321</u>	

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 49.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****SECURITIES PURCHASED UNDER RESALE AGREEMENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Face Value</b>	<b>Carrying Amount</b>	<b>Note</b>
Corporate bonds	\$ 15,603,419	\$ 15,007,379	
Government bonds	10,112,210	9,905,720	
Commercial papers	2,100,000	2,098,902	
Bank debentures	<u>1,162,576</u>	<u>1,303,798</u>	
	<u>\$ 28,978,205</u>	<u>\$ 28,315,799</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Allowance for Impairment Loss	Net Value	Note
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 39,096,851	\$ (3,010)	\$ 39,093,841	
Receivable accounts for settlement	33,581,605	(270,340)	33,311,265	
Interest receivable	18,125,119	(11,184)	18,113,935	
Accounts receivable factoring without recourse	8,152,050	(103,881)	8,048,169	
Receivable of securities business money lending	7,330,973	(549)	7,330,424	
Accounts receivable - forfeiting	6,683,802	-	6,683,802	
Others (Note)	<u>19,257,217</u>	<u>(1,390,515)</u>	<u>17,866,702</u>	
	<u>\$ 132,227,617</u>	<u>\$ (1,779,479)</u>	<u>\$ 130,448,138</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### REINSURANCE ASSETS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
1. Claims recoverable from reinsurers			
	Individual health insurance	\$ 536,573	
	Individual life insurance	145,928	
	Group insurance	58,511	
	Investment-linked insurance	28,264	
	Individual accident insurance	<u>13,208</u>	
		<u>\$ 782,484</u>	
2. Due from reinsurers and ceding companies			
	Central Reinsurance Corporation	<u>\$ 20,653</u>	
3. Reinsurance reserve assets			
	Ceded unearned premium reserve	\$ 67,418	
	Ceded reserve for claims	<u>20,504</u>	
		<u>\$ 87,922</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## DEBT INVESTMENT MEASURED AT AMORTIZED COST

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Bank debentures	Expires before 2110			\$ 1,494,706,959	0.00-9.02	\$ (43,300)	\$ (868,112,404)	\$ 626,551,255	
Corporate bonds	Expires before 2069			404,001,012	0.00-8.20	(115,304)	26,169,025	430,054,733	
Government bonds	Expires before 2110			147,893,501	0.38-7.75	(9,635)	12,053,953	159,937,819	
Others	Expires before 2054			<u>11,325,225</u>	0.81-6.75	<u>(802)</u>	<u>(187,243)</u>	<u>11,137,180</u>	
				<u>\$ 2,057,926,697</u>		<u>\$ (169,041)</u>	<u>\$ (830,076,669)</u>	1,227,680,987	
Less: Security deposit								<u>(7,402,206)</u>	
								<u>\$ 1,220,278,781</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2021		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Balance, December 31, 2021			Market Value or Net Assets Value		Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT\$)	Total Amount		
CDIB & Partners Investment Holding Corporation	367,200	\$ 5,871,970	-	\$ 197,660	-	\$ -	367,200	34	\$ 6,069,630	\$16.53	\$ 6,069,630		
Suyin KGI Consumer Finance Co., Ltd.	-	-	-	4,113,459	-	-	-	-	4,113,459		4,113,459		
CDIB Capital Asia Partners L.P.	-	3,037,253	-	-	-	231,639	-	-	2,805,614		2,805,614		
KGI Securities (Thailand) Public Company Limited	696,614	2,422,459	-	145,782	-	-	696,614	35	2,568,241	3.69	2,568,241		
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	-	1,199,488	-	-	-	47,057	-	-	1,152,431		1,152,431		
Others (Note 3)		<u>2,644,754</u>		<u>1,175,348</u>		<u>301,486</u>			<u>3,518,616</u>		<u>3,518,616</u>		
		<u>\$ 15,175,924</u>		<u>\$ 5,632,249</u>		<u>\$ 580,182</u>			<u>\$ 20,227,991</u>		<u>\$ 20,227,991</u>		

Note 1: The increase in the current year includes capital increase, investment income accounted for using equity method, capital surplus, unrealized gain on financial transactions, and effects of changes on consolidated subsidiaries.

Note 2: The decrease in the current year includes dissolution and liquidation, investment loss accounted for using equity method, capital surplus, unrealized loss on financial transactions, the distribution of cash dividends, and effects of changes on consolidated subsidiaries.

Note 3: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****OTHER FINANCIAL ASSETS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Note</b>
Separate-account insurance products		\$ 101,041,555	
Guarantee deposits received on futures contracts			
Overseas guarantee deposits received on future contracts		21,487,518	
Cash in banks		22,144,101	
Settlement of futures clearing agency		6,251,630	
Settlement of other futures dealer		890,181	
Others (Note 1)		<u>691</u>	
Others (Note 2)		<u>3,136,113</u>	
		<u>\$ 154,951,789</u>	

Note 1: The amount of each product in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Item	Royalty-Surface Right	Buildings and Facilities	Land	Computer Equipment	Transportation Equipment	Other Equipment	Total	Remark
Cost								
Balance at January 1, 2021	\$ 10,181,934	\$ 3,945,196	\$ 1,741,790	\$ 220,185	\$ 59,527	\$ 50,266	\$ 16,198,898	
Additions	-	980,386	-	12,066	28,005	31,059	1,051,516	
Deductions	-	(795,612)	-	(1,250)	(11,545)	(12,847)	(821,254)	
Reclassification	(1,208,648)	580	(142,530)	-	-	(30)	(1,350,628)	
Effects of exchange rate changes	-	(33,152)	-	-	-	-	(33,152)	
Balance at December 31, 2021	<u>8,973,286</u>	<u>4,097,398</u>	<u>1,599,260</u>	<u>231,001</u>	<u>75,987</u>	<u>68,448</u>	<u>15,045,380</u>	
Revaluation of lease liability								
Balance at January 1, 2021	-	(40,711)	(544,307)	-	-	-	(585,018)	
Additions	-	-	-	-	-	-	-	
Deductions	-	(952)	-	-	-	-	(952)	
Reclassification	-	(14)	-	-	-	-	(14)	
Effects of exchange rate changes	-	1,106	-	-	-	-	1,106	
Balance at December 31, 2021	<u>-</u>	<u>40,571</u>	<u>(544,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(584,878)</u>	
Accumulated depreciation								
Balance at January 1, 2021	(184,696)	(1,282,360)	(25,568)	(37,171)	(21,032)	(13,289)	(1,564,116)	
Additions	(158,558)	(777,833)	(18,642)	(44,358)	(20,934)	(18,406)	(1,038,731)	
Deductions	-	635,082	-	1,145	10,376	10,663	657,266	
Reclassification	55,740	(154)	7,396	-	-	-	62,982	
Effects of exchange rate changes	-	12,687	-	-	-	-	12,687	
Balance at December 31, 2021	<u>(287,514)</u>	<u>(1,412,578)</u>	<u>(36,814)</u>	<u>(80,384)</u>	<u>(31,590)</u>	<u>(21,032)</u>	<u>(1,869,912)</u>	
Carrying amounts at December 31, 2021	<u>\$ 8,685,772</u>	<u>\$ 2,644,249</u>	<u>\$ 1,018,139</u>	<u>\$ 150,617</u>	<u>\$ 44,397</u>	<u>\$ 47,416</u>	<u>\$ 12,590,590</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## COMMERCIAL PAPER PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Carrying Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
CDFH								
Commercial paper payable	Non-guaranteed	2022/03/10	0.31-0.39	\$ 5,150,000	\$ (176)	\$ 5,149,824	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2022/02/21	0.26-0.36	4,000,000	(298)	3,999,702	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/23	0.33-0.38	1,700,000	(151)	1,699,849	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/03/21	0.38-0.39	1,500,000	(136)	1,499,864	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/16	0.37	1,300,000	(77)	1,299,923	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/10	0.37	1,050,000	(55)	1,049,945	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/18	0.33	800,000	(31)	799,969	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/14	0.39	300,000	(17)	299,983	Non-collateral	-
				<u>15,800,000</u>	<u>(941)</u>	<u>15,799,059</u>		
China Development Asset Management Corp.								
Commercial paper payable	Grand Bills Finance Corporation	2022/01/11	0.78	20,000	(4)	19,996	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2022/01/17	0.89	20,000	(8)	19,992	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2022/01/17	0.89	20,000	(8)	19,992	Non-collateral	-
				<u>60,000</u>	<u>(20)</u>	<u>59,980</u>		
KGI Bank and its subsidiaries								
Commercial paper payable	Non-guaranteed	2022/03/09	0.69-0.72	660,000	(209)	659,791	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/17	0.70	620,000	(200)	619,800	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/18	0.69-0.70	500,000	(26)	499,974	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/12/25	1.06	500,000	(77)	499,923	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/16	0.69-0.70	500,000	(111)	499,889	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/14	0.69-0.70	450,000	(36)	449,964	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/14	0.69	400,000	(39)	399,961	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/17	0.68-0.69	380,000	(7)	379,993	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/01/17	0.69	300,000	(35)	299,965	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/17	0.70	140,000	(56)	139,944	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/18	0.70	50,000	(13)	49,987	Non-collateral	-
Commercial paper payable	Non-guaranteed	2022/02/18	0.70	40,000	(12)	39,988	Non-collateral	-
				<u>4,540,000</u>	<u>(821)</u>	<u>4,539,179</u>		
KGI Securities and its subsidiaries								
Commercial paper payable	Non-guaranteed	2022/01/11	0.56	816,060	(38)	816,022	Non-collateral	-
				<u>816,060</u>	<u>(38)</u>	<u>816,022</u>		
				<u>\$ 21,216,060</u>	<u>\$ (1,820)</u>	<u>\$ 21,214,240</u>		

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Liabilities	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
						Unit Price	Gross Amount		
Financial liabilities held for trading									
Borrowed securities payable							\$ 11,012,190	\$ -	
Option and futures contracts							6,553,181	(98)	
Currency swap and forward exchange contracts							5,739,505	(559)	
Interest rate swap contracts							3,999,440	(719)	
Others (Note)							10,744,333	(1,421)	
							<u>38,048,649</u>	<u>(2,797)</u>	
Financial liabilities designated as at FVTPL									
Bank debentures payable									
P18KGIB1	Principal due on maturity; maturity date: 2048/01/30	200	US\$ 1,000	US\$ 200,000	-		5,741,521	-	
P18KGIB2	Principal due on maturity; maturity date: 2048/02/27	160	US\$ 1,000	US\$ 160,000	-		4,612,844	-	
Structured products							9,294,131	-	
Others (Note)							1,012	-	
							<u>19,649,508</u>	<u>-</u>	
							<u>\$ 57,698,157</u>	<u>\$ (2,797)</u>	

Note: The amount of each product in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Face Value</b>	<b>Carrying Amount</b>	<b>Note</b>
Corporate bonds	\$ 57,774,759	\$ 56,891,519	
Bank debentures	25,447,376	24,903,171	
Government bonds	<u>20,235,164</u>	<u>20,090,120</u>	
	<u>\$ 103,457,299</u>	<u>\$ 101,884,810</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**PROVISION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Item	Beginning Balance	Changes	Other Changes	Ending Balance	Note
Insurance liabilities					
Reserve for life insurance liabilities	\$ 1,859,860,159	\$ 105,714,449	\$ (13,108,761)	\$ 1,952,465,847	Note 1
Premium deficiency reserve	4,139,991	(1,633,657)	(71,000)	2,435,334	Note 2
Special reserve	6,633,515	993,325	120,978	7,747,818	Note 3
Unearned premium reserve	4,509,133	190,354	(2)	4,699,485	Note 4
Reserve for claims	2,463,643	142,482	(555)	2,605,570	Note 5
Other reserve	19,073,989	(341,154)	-	18,732,835	
Foreign exchange valuation reserve	4,023,007	(671,883)	-	3,351,124	
Other (Note 6)	<u>1,764,746</u>	<u>168,508</u>	<u>-</u>	<u>1,933,254</u>	
	<u>\$ 1,902,468,183</u>	<u>\$ 104,562,424</u>	<u>\$ (13,059,340)</u>	<u>\$ 1,993,971,267</u>	

Note 1: Other changes include \$13,114,031 thousands of gains on foreign exchanges, and \$5,270 thousands of losses on reserve for life insurance - payables for the insured.

Note 2: Other changes include \$71,000 thousands of gains on foreign exchanges.

Note 3: Other changes include gain on equity instruments dividend policy measured at FVTOCI transferred to unappropriated earnings and reduce the amount of special reserve.

Note 4: Other changes include \$2 thousand of gains on foreign exchanges.

Note 5: Other changes include \$555 thousands of gains on foreign exchanges.

Note 6: The amount of each item in others does not exceed 5% of the account balance.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### STATEMENT OF LEASE LIABILITIES DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate (%)	Amount	Note
Building and facilities	Mainly for the use of branches, parking spaces and offices	1 to 15 years	0.50-9.79	\$ 2,693,453	
Land	For surface rights and building and land rights	70 years	0.77-3.50	1,532,820	
Computer equipment	For operation use	1 to 5 years	0.56-1.07	134,363	
Transportation equipment	For operation use	3 to 7 years	0.49-1.32	43,428	
Other equipment	For operation use	1 to 7 years	0.51-1.03	<u>51,152</u>	
				<u>\$ 4,455,216</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### SHARE OF THE PROFIT (LOSS) OF ASSOCIATED AND JOINT VENTURES FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

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Investees	Amount	Note
Share of the profit (loss) of associated and joint ventures		
KGI Securities (Thailand) Public Company Limited	\$ 570,117	
CDIB & Partners Investment Holding corporation	387,049	
CDIB Capital Asia Partners L.P.	(153,635)	
CDIB Capital Growth Partners L.P.	106,338	
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	(81,927)	
CDIB Capital Healthcare Ventures Limited	81,754	
CDIB Capital Creative Industries Limited	(69,566)	
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	51,501	
Other (Note)	<u>17,266</u>	
	908,897	
Others	<u>1,566</u>	
	<u>\$ 910,463</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Allowance for bad debts - accounts receivable	\$ (224,368)	
Allowance for bad debts - guarantee liabilities	(26,911)	
Reversal of allowance for bad debts - discounts and loans	61,723	
Others	<u>3,158</u>	
	<u>\$ (186,398)</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES****NET CHANGE IN INSURANCE LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Reserve for life insurance liabilities	\$(105,714,449)	
Premium deficiency reserve	1,633,657	
Special reserve	(993,325)	
Reserve for claims	(142,791)	
Other reserve	<u>341,154</u>	
	<u>\$(104,875,754)</u>	

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

### EMPLOYEE BENEFITS EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Net Income and Gains Other Than Interest Income	Other Selling and Administrative Expense	Total	Note
Salaries and wages	\$ 17,988,652	\$ 3,840,262	\$ -	\$ 21,828,914	
Employee insurance	1,212,645	-	-	1,212,645	
Pension	722,967	-	-	722,967	
Remuneration of directors and supervisors	645,755	-	-	645,755	
Other employee benefits	<u>1,685,905</u>	<u>-</u>	<u>-</u>	<u>1,685,905</u>	
	<u>\$ 22,255,924</u>	<u>\$ 3,840,262</u>	<u>\$ -</u>	<u>\$ 26,096,186</u>	

Note:

- As of December 31, 2021 and 2020, the number of employees in the Group were 13,197 and 12,821, including 32 and 34 directors who are not concurrently serving as employees, respectively.
- As of December 31, 2021 and 2020, the average employee benefits were \$1,933 thousand and \$1,646 thousand, respectively.
- As of December 31, 2021 and 2020, the average salaries and wages were \$1,658 thousand and \$1,427 thousand, respectively.
- The average salaries increased by 16% year over year.
- As of December 31, 2021 and 2020, the Corporation set up the audit committee to replace the supervisory board.

(Continued)

6. In order to implement corporate governance and enhance the functions of the Company's Board of Directors and establish performance targets (KPIs) to enhance the efficiency of the Board's operations, the Board of Directors of the Company has passed the stipulation of the "Board Performance Evaluation Criteria", which requires that the Board of Directors of the Company shall perform an internal performance evaluation of the Board of Directors at least once a year, which will include the evaluation of the performance of the Board as a whole, individual Board members and functional committees, and that the external performance evaluation of the Board of Directors shall be performed by an external professional independent organization or external expert scholar at least once every three years to enhance the independence and efficiency of the Boards' performance evaluation. The Remuneration Committee and the board formulated the "Guidelines for Remunerations Payment to Directors and to Functional Committee Members". The Company's directors' remuneration is taking into account each director's degree of participation in and contribution to the operation of the Company, the nature of his or her duties, future risks and other factors, as well as the results of a comprehensive assessment of the directors' individual performance.

The performance of the company's managers is not only related to financial indicators, but also related to some important indicators, such as the sustainable management, talent cultivation project, and etc.

The performance indicators of managers include the following:

- Financial indicators: Including business performance and cost control
- Management indicators: Including statute compliance, information security, leadership management, and etc.
- Special indicators: Special contributions or influential events would be taken into consideration while evaluating performance and remuneration.

A manager's remuneration is determined by the individual's job function and work experience, with due consideration of the Company's financial performance, wage growth across the job market, price fluctuations, prospective risks, and other internal/external factors. Ultimately, it is the Company's goal to present remuneration packages relevant with job performance and competitive to talent recruiting.

(Concluded)

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND  
SUBSIDIARIES**

**DEPRECIATION AND AMORTIZATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	<b>Note</b>
Intangible assets	\$ 1,301,380	
Right-of-use assets	1,036,149	
Building and facilities	631,153	
Machinery and computer equipment	335,051	
Others (Note)	<u>327,697</u>	
	<u>\$ 3,631,430</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.