

ShinKong Insurance Co., Ltd.
Financial Statements and Independent Auditor's
Review Report
For the First Quarter of 2022 and 2021

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

Company address: 11F., NO.13, Chienkuo N.Rd., Sec.2 Taipei,
Taiwan, R.O.C.

Tel. No.: (02)2507-5335

TEL: (02)2507-5335

Financial reports Table of Contents

Item	Page
1. Cover	1
2. Table of Contents	2
3. Review report of independent auditors	3
4. Balance Sheet	4~5
5. Statement of Comprehensive Income	6
6. Statement of Changes in Shareholders' Equity	7
7. Statement of Cash Flows	8
8. Notes to Financial Statement	
(1) History and Business scope of the Company	9~10
(2) Date and procedures of authorization of financial statements for issue	11
(3) Application of New Standards, Amendments and Interpretations	11~13
(4) Summary of significant accounting policies	13~34
(5) Critical accounting judgments, estimates and key sources of assumption uncertainty	34~36
(6) Descriptions of major accounts	36~61
(7) Risk management information of insurance contracts and financial instruments	62~92
(8) Related party transactions	93~94
(9) Collateralized assets	95
(10) Significant contingent liabilities and unrecognized contractual commitments	95
(11) Significant subsequent events	95
(12) Losses due to major disasters	95
(13) Major litigation pending or concluded	95
(14) The signing, completion, voidance, or lapse of major contracts	95
(15) Employee pension related information	95
(16) Information on discontinued operations	96
(17) Major operations, assets and liabilities assigned to or assumed from other insurance companies	96
(18) The sharing method of revenue, cost, expense and profit (loss) between the insurance enterprise and the financial holding company and other subsidiaries in terms of business or trading activities, joint business promotions, sharing of information, and sharing of facilities or premises.	96
(19) Investment Trust Operations	96
(20) Information on private securities	96
(21) Major organizational adjustments and significant management reforms	96
(22) Material effects of changes in government laws and regulations	96
(23) Others	97~102
(24) Property insurance related information	102
(25) Additional Disclosures	103
(26) Unqualified reinsurance reserve	104~105
9. Tables related to insurance business	106~109

Review report of independent auditors

To: ShinKong Insurance Co., Ltd.

Foreword

We have reviewed the accompanying balance sheet of ShinKong Insurance Co., Ltd. as of March 31, 2022 and 2021 and the related statements of income, retained earnings, cash flows and notes (including the summary of major accounting policies) to the financial statements for the years then ended. These financial statements to be prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and the International Accounting Standards (IAS) 34 “Interim Financial Reporting” that was recognized and announced with effect by the Financial Supervisory Commission are the responsibility of the company’s management. Our responsibility is to make a conclusion on these financial statements based on our review.

Scope

We conducted our review in accordance with Generally Accepted Accounting Standards (GAAS) No.65 “Review of Financial Statements.” Those standards require that we perform inquiries (mainly to the personnel in charge of finance and accounting matters), analytical procedures, and other review procedures. The scope of a review is apparently not to the extent of an audit; therefore, we would not be able to detect all identifiable matters through an audit, and we could not issue an audit opinion.

Conclusion

In our conclusion, the financial statements referred to above present fairly, in all material respects, the financial position of ShinKong Insurance Co., Ltd. as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and the International Accounting Standards (IAS) 34 “Interim Financial Reporting” that was recognized and announced with effect by the Financial Supervisory Commission.

Ernst & Young Global Limited

The competent authorities approved the processing of financial reports of the public company

Auditing and Certification No.: (93) Chin-Kuan-Certificate-Zi No. 0930133943

Chin-Kuan-Cheng-Shen-Zi No. 1030025503

Hsu Daniel

CPA:

Chang Bob

April 15, 2022

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet

As at March 31, 2022, December 31, 2021 and March 31, 2021

(31 March 2022 and 2021 reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NTD thousands

Assets			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Account titles	Note	Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents	4, 6 and 7	\$11,700,717	26	\$11,766,660	27	\$10,849,810	26
12000	Accounts receivable	4, 6 and 7	1,761,020	4	1,945,038	4	1,831,499	4
14110	Financial assets at fair value through profit or loss	4, 6 and 7	8,918,423	20	8,823,185	20	8,534,732	20
14145	Financial assets at amortized cost	4, 6 and 7	7,373,540	17	6,941,041	16	6,066,347	15
14190	Financial assets at fair value through other comprehensive income	4, 6 and 7	1,525,428	3	1,388,344	3	1,284,115	3
14200	Investment property	4 and 6	2,413,907	5	2,408,457	5	2,661,665	6
15000	Reinsurance contract assets	4 and 6	8,207,281	19	8,246,645	19	8,163,083	20
16000	Property, plant, and equipment	4 and 6	1,292,627	3	1,308,643	3	1,075,461	3
16700	Right-of-use assets	4 and 6	33,060	-	34,394	-	33,650	-
17000	Intangible assets	4 and 6	22,754	-	27,455	-	16,458	-
17800	Deferred income tax assets	4 and 6	254,797	1	262,673	1	234,679	1
18000	Other assets	6	715,692	2	732,945	2	772,992	2
1XXXX	Total assets		<u>\$44,219,246</u>	<u>100</u>	<u>\$43,885,480</u>	<u>100</u>	<u>\$41,524,491</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet (continued)

As at March 31, 2022, December 31, 2021 and March 31, 2021

(31 March 2022 and 2021 reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NTD thousands

Liabilities and equity			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Account titles	Note	Amount	%	Amount	%	Amount	%
21000	Accounts Payables	6 and 7	\$2,342,470	5	\$2,894,222	7	\$2,692,815	7
21700	Current income tax liabilities	4 and 6	366,547	1	275,164	1	239,602	1
23200	Financial liabilities at fair value through profit or loss	4, 6 and 7	91,657	-	-	-	11,992	-
23800	Lease liabilities	4 and 6	33,693	-	34,924	-	34,201	-
24000	Insurance liability	4 and 6	25,507,459	58	25,067,097	57	24,368,077	59
27000	Reserve for liabilities	4 and 6	99,087	-	119,280	-	125,826	-
28000	Deferred tax liabilities	4 and 6	16,386	-	34,389	-	27,361	-
25000	Others		148,133	-	203,172	-	125,666	-
2XXXX	Total liabilities		<u>28,605,432</u>	<u>64</u>	<u>28,628,248</u>	<u>65</u>	<u>27,625,540</u>	<u>67</u>
31000	Capital stock	6	3,159,633	8	3,159,633	8	3,159,633	8
32000	Capital reserves	4 and 6	64,800	-	64,800	-	64,800	-
33000	Retained earnings							
33100	Legal reserve	4	3,200,891	7	3,200,891	7	2,873,498	7
33200	Special reserve	4	5,669,201	13	5,669,201	13	4,881,819	12
33300	Undistributed earnings	6	2,034,239	5	1,466,970	3	1,419,153	3
34000	Other equity		1,485,050	3	1,695,737	4	1,500,048	3
3XXXX	Total equity		<u>15,613,814</u>	<u>36</u>	<u>15,257,232</u>	<u>35</u>	<u>13,898,951</u>	<u>33</u>
	Total Liabilities and Equity		<u>\$44,219,246</u>	<u>100</u>	<u>\$43,885,480</u>	<u>100</u>	<u>\$41,524,491</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Statement of Comprehensive Income
January 1 to March 31, 2022 and 2021
(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in Thousands of New Taiwan dollars, except for Earnings Per Share)

Unit: NTD thousands

Code	Account titles	Note	From January 1 to March 31, 2022		From January 1 to March 31, 2021	
			Amount	%	Amount	%
41000	Operating revenues:					
41110	Written premiums	4 and 7	\$5,709,911	122	\$5,420,239	121
41120	Reinsurance premium income	4 and 7	189,740	4	192,079	4
41100	Premium revenues		5,899,651	126	5,612,318	125
51100	Less: Reinsurance premiums expense	4 and 7	(1,169,283)	(25)	(1,243,496)	(28)
51310	Net changes in unearned premium reserve	4 and 7	(371,860)	(8)	(420,044)	(9)
41130	Retained earned premium		4,358,508	93	3,948,778	88
41300	Reinsurance commission income	7	75,700	2	112,158	3
41400	Handling fees earned		11,551	-	11,201	-
41500	Net gain(loss) from investment		223,029	5	400,311	9
41510	Interest revenue		85,351	2	82,739	2
41521	Gain (loss) on financial assets and liabilities at fair value through profit or loss		(218,729)	(4)	499,962	11
41526	Net gains from derecognition of financial assets at amortized cost		5,386	-	-	-
41527	Realized gain on financial assets at fair value through other comprehensive income		-	-	41	-
41550	Profit or loss from foreign exchange		174,673	4	(3,469)	-
41570	Profit or loss from investment property		19,607	-	20,513	1
41585	Expected credit impairment losses and gains on reversal of investments		(2,432)	-	5,837	-
41600	(Losses) gains from adoption of overlay approach		159,173	3	(205,312)	(5)
41800	Other operating revenue		5,384	-	6,179	-
	Total operating revenues		4,674,172	100	4,478,627	100
51000	Operating cost:					
51200	Insurance claims and benefits		(2,713,701)	(58)	(2,479,263)	(55)
41200	Less: Benefits & Claims Recovered from reinsurers		653,677	14	473,523	11
51260	Retained claims and benefits		(2,060,024)	(44)	(2,005,740)	(44)
51300	Other insurance liabilities net change		(289,983)	(6)	(302,145)	(7)
51500	Commission expense	7	(753,743)	(16)	(727,099)	(16)
51800	Other operating cost		(21,671)	(1)	(31,600)	(1)
	Total operating cost		(3,125,421)	(67)	(3,066,584)	(68)
58000	Operating expenses:					
58100	Business expense	6	(793,491)	(17)	(770,777)	(18)
58200	Administrative expenses	6	(98,945)	(2)	(91,870)	(2)
58300	Employee training expense		(303)	-	(4,024)	-
58400	Expected credit impairment losses and gains on reversal of non-investments		2,177	-	(5,034)	-
	Total operating expenses		(890,562)	(19)	(871,705)	(20)
61000	Operating revenues		658,189	14	540,338	12
59000	Non-operating revenues and expenses		1,566	-	2,606	-
62000	Income from continuing operations before tax		659,755	14	542,944	12
63000	Income tax expense	4 and 6	(92,486)	(2)	(70,655)	(2)
66000	Net income		567,269	12	472,289	10
83000	Other comprehensive income	6				
83100	Items that are not re-classified as profit or loss					
83190	Gains (losses) on equity instruments at fair value through other comprehensive income		(9,881)	-	14,062	-
83200	Items that are or may be reclassified subsequently to profit or loss					
83290	Gains (losses) on debt instruments at fair value through other comprehensive income		(52,057)	-	(41,586)	(1)
83295	Other comprehensive income (loss) from adoption of overlay approach		(159,173)	(3)	205,312	5
83280	Income taxes relating to items that are or may be reclassified subsequently to profit or loss		10,424	-	25,174	1
	Other Comprehensive income in current period (net after tax)		(210,687)	(3)	202,962	5
85000	Total comprehensive income in current period		\$356,582	9	\$675,251	15
	Earnings per share					
97500	Basic earnings per share (denominated in New Taiwan dollars)	6	\$1.80		\$1.49	

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Changes in Equity

January 1 to March 31, 2022 and 2021

(Reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NTD thousands

Item	Capital stock	Capital reserves	Retained earnings			Other equity		Total equity
			Legal reserve	Special reserve	Undistributed earnings	Unrealized gain on financial assets measured at fair value through other comprehensive profit or loss	Other comprehensive income reclassified using the overlay approach	
Balance as of January 1, 2021	\$3,159,633	\$64,800	\$2,873,498	\$4,881,819	\$946,864	\$77,583	\$1,219,503	\$13,223,700
Net income in January 1 to March 31, 2021	-	-	-	-	472,289	-	-	472,289
Other comprehensive income in January 1 to March 31, 2021	-	-	-	-	-	(19,263)	222,225	202,962
Total comprehensive income in current period	-	-	-	-	472,289	(19,263)	222,225	675,251
Balance as of March 31, 2021	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$2,873,498</u>	<u>\$4,881,819</u>	<u>\$1,419,153</u>	<u>\$58,320</u>	<u>\$1,441,728</u>	<u>\$13,898,951</u>
Balance as of January 1, 2022	\$3,159,633	\$64,800	\$3,200,891	\$5,669,201	\$1,466,970	\$90,869	\$1,604,868	\$15,257,232
Net income in January 1 to March 31, 2022	-	-	-	-	567,269	-	-	567,269
Other comprehensive income in January 1 to March 31, 2022	-	-	-	-	-	(51,514)	(159,173)	(210,687)
Total comprehensive income in current period	-	-	-	-	567,269	(51,514)	(159,173)	356,582
Balance as of March 31, 2022	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$3,200,891</u>	<u>\$5,669,201</u>	<u>\$2,034,239</u>	<u>\$39,355</u>	<u>\$1,445,695</u>	<u>\$15,613,814</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSE

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statements of Cash Flows

January 1 to March 31, 2022 and 2021

(Reviewed only, not audited in accordance with the generally accepted auditing standards)

Unit: NTD thousands

Item	From January 1 to March 31, 2022	From January 1 to March 31, 2021
Cash flow from operating activities:		
Income from continuing operations before tax	\$659,755	\$542,944
Adjusted Items:		
Revenue, expense and loss		
Depreciation expenses	20,623	19,555
Amortization expenses	7,361	6,170
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	218,729	(499,962)
Net losses (gains) on financial assets at fair value through other comprehensive income	-	(41)
Interest expenses	186	191
Interest income	(5,386)	-
Net changes in insurance liabilities	(85,351)	(82,739)
Expected credit impairment losses (reversal gains) of investments	661,843	722,189
Expected credit impairment losses of (reversal gains) non-investments	2,432	(5,837)
Losses (gains) from adoption of overlay approach	(159,173)	205,312
(Gains) losses on disposal or scrapping of property and equipment	13	(212)
Changes in operating assets and liabilities		
Decrease in accounts receivable	206,124	34,778
Increase in financial assets at fair value through profit or loss	(247,220)	(861,203)
Decrease (increase) in financial assets at fair value through other comprehensive income	(199,083)	7,222
Increase in financial assets at amortized cost	(429,822)	(283,144)
Decrease (increase) of reinsurance contracts assets	(182,117)	40,021
(Increase) decrease of other assets	14,932	(14,495)
Increase (decrease) of payables	(551,752)	254,226
Increase of financial liabilities at fair value through profit or loss	-	8,161
Decrease of provisions	(20,193)	(1,720)
Decrease of other liabilities	(55,039)	(69,884)
Cash inflow from operating activities	<u>(145,315)</u>	<u>26,566</u>
Interest received	69,608	71,434
Dividend received	20,723	1,766
Interest paid	(26)	(28)
Income tax paid	<u>(806)</u>	<u>(560)</u>
Net cash provided by (used in) operating activities	<u>(55,816)</u>	<u>99,178</u>
Cash flows from investment activities		
Acquisition of property and equipment	(5,764)	(7,933)
Disposal of property and equipment	-	450
Acquisition of investment property	-	(213,631)
Acquisition of intangible assets	-	(93)
Net cash used in investing activities	<u>(5,764)</u>	<u>(221,207)</u>
Cash flows from financing activities:		
Principle repayment of lease liabilities	<u>(4,363)</u>	<u>(3,929)</u>
Net cash used in financing activities	<u>(4,363)</u>	<u>(3,929)</u>
Increase (decrease) of cash and cash equivalents in current period	(65,943)	(125,958)
Balance of cash and cash equivalents at the beginning of period	11,766,660	10,975,768
Balance of cash and cash equivalents at the ending of period	<u>\$11,700,717</u>	<u>\$10,849,810</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements

January 1 to March 31, 2022 and January 1 to March 31, 2021

(Reviewed only, not audited in accordance with the generally accepted auditing standards)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. Company history and business scope

Shin Kong Insurance Co., Ltd. (hereinafter referred to as the Company) held a founding shareholders' meeting on March 20, 1963, and officially started the business on May 1 of the same year. With the main business of property insurance, the Company was initially settled at No. 43 Guanqian Road, Taipei City, and later moved to No. 35, Section 1, Wuchang Street, Taipei City on April 24, 1965 to meet the business expansion, and then moved to No. 34, Baoqing Road, Taipei City on January 30, 1973, and then again moved to the new corporate building at No. 15, Section 2, Jianguo North Road on January 20, 1983 for business expansion and restructuring. Capital: Initially NT\$ 32,000 thousand in 1963, and increased to NT\$ 54,400 thousand in 1977. Through the years of capital increase, as of March 31, 2022, the paid-in capital amounted to NT\$ 3,159,633 thousand.

Organization:

The Company has a total of 25 branches, including offices in Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Shalu, Changhua, Yunlin, Chiayi, Tainan, Kaohsiung, Pingtung, Shilin, Xinying, Yuanlin, Fengshan, Nantou, Zhongli, Lanyang, Xizhi, Shuanghe, Neihu, Fengyuan, Xinzhuang, and international insurance businesses. The branches have a total of 5 communications offices, with service posts established all over Taiwan.

Head office: 11F., No. 15, Sec. 2, Jianguo N. Rd., Taipei City
Tel: (02) 2507-5335 (pilot)

Branches:

- | | |
|----------------------|---|
| (1) Banqiao Branch: | 15F, No. 266, Section 1, Wenhua Road, Banqiao District, New Taipei City
TEL: (02) 2254-5568 |
| (2) Taoyuan Branch: | 21F, Building A, No. 205, Fuxing Road, Taoyuan City
Tel: (03) 338-4003 |
| (3) Hsinchu Branch: | 5F, No. 192 Minsheng Road, Hsinchu City
TEL: (03) 533-9121 |
| (4) Miaoli Branch: | 4F, No. 462, Zhongzheng Road, Miaoli City
TEL: (037) 352-311 |
| (5) Taichung branch: | 12F, No. 340, Section 2, Taiwan Boulevard, North District, Taichung City
Tel: (04) 2322-1158 |
| (6) Shalu Branch: | No. 609, Section 2, Zhonghua Road, Wuqi District, Taichung City
Tel: (04) 2662-0099 |

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (7) Changhua Branch: No. 326, Section 2, Zhongshan Road, Changhua City
Tel: (04) 724-2147
- (8) Yunlin Branch: 3F, No. 148, Xinsheng Road, Huwei Town, Yunlin County
Tel: (05) 632-1389
- (9) Chiayi Branch: 5F, No. 427, Minguang Road, Chiayi City
Tel: (05) 225-3190
- (10) Tainan Branch: 12F, No. 32, Section 1, Yonghua Road, West Central District, Tainan City
Tel: (06) 227-1313
- (11) Kaohsiung Branch: 12F, No. 154, Zhongzheng 3rd Road, Xinxing District, Kaohsiung City
Tel: (07) 235-3197
- (12) Pingtung Branch: Suite 1-2, 8F, No. 450, Ziyong Road, Pingtung City
Tel: (08) 738-2000
- (13) Shilin Branch: 2F, No. 222, Wenlin North Road, Beitou District, Taipei City
Tel: (02) 2828-7010
- (14) Xinying Branch: 5F, No. 10, Zhongzheng Road, Xinying District, Tainan City
Tel: (06) 635-6569
- (15) Yuanlin Branch: 2F, No. 2, Section 2, Datong Road, Yuanlin Township, Changhua County
Tel: (04) 835-5151
- (16) Fengshan Branch: Suite 1, 10F, No. 224, Ziyong Road, Fengshan District, Kaohsiung City
Tel: (07) 745-6131
- (17) Nantou Branch: No. 24, Datong South Street, Nantou City, Nantou County
Tel: (049) 224-5747
- (18) Zhongli Branch: Suite A, 9F, No. 121, Huanxi Road, Zhongli City, Taoyuan County
Tel: (03) 491-1808
- (19) Lanyang Branch: 1F, No. 398, Gongzheng Road, Luodong Town, Yilan County
Tel: (03) 955-2640
- (20) Xizhi Branch: 13F, Building D, No. 82, Section 1, Xintai 5th Road, Xizhi District, New Taipei City
Tel: (02) 2696-0606
- (21) Shuanghe Branch: 14F, No. 2, Jianba Road, Zhonghe District, New Taipei City
Tel: (02) 8226-2620
- (22) Neihu Branch: 6F, No. 295 Ruiguang Road, Neihu District, Taipei City
Tel: (02) 2627-2026
- (23) Fengyuan Branch: 6F, No. 23 Yuanhuan West Road, Fengyuan District, Taichung City
Tel: (04) 2529-0748
- (24) Xinzhuang Branch: 4F, No. 149, Zhongzheng Road, Xinzhuang District, New Taipei City
Tel: (02) 2277-0903
- (25) International Insurance Branch: 10F, No. 15, Section 2, Jianguo North Road, Taipei City
Tel: (02) 2507-5335

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2. Financial Reporting Date and Procedures

This financial report was approved by the Board of Directors and released on April 15, 2022.

3. Application of New and Revised Standards and Interpretation

1. Changes in accounting policies resulting from the first application of International Financial Reporting Standards (IFRS)

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Interpretation Announcements that have been approved by the Financial Supervisory Committee (FSC) and applicable for fiscal years beginning after January 1, 2022. The first application of the new standards and amendments does not have significant impact on the Company.

2. The company did not adopt the following new/amended/revised standards and interpretations that are issued by IASB but not yet recognized by the FSC as of the financial report publication date:

No.	New/amended/revised standards and interpretation	The IASB's issuance is effective for the years after the following dates
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investment in Associates and Joint Ventures" – Assets sales or investment of investors and their associates or joint ventures	To be determined by IASB
2	IFRS 17 "Insurance contracts"	January 1, 2023
3	Classification of liabilities as current or non-current and postpone of effective date (amendments to IAS 1)	January 1, 2023
4	Disclosure Initiative – Accounting policy (amendments to IAS 1)	January 1, 2023
5	Definition of accounting estimates (amendments to IAS 8)	January 1, 2023
6	Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)	January 1, 2023

- (1) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investment in Associates and Joint Ventures" – Assets sales or investment of investors and their associates or joint ventures

This plan is to handle the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investment in Associates and Joint Ventures" regarding the loss of control by investing in associates or joint ventures at the cost of the subsidiary. According to IAS 28, the profit or loss amount should be eliminated in accordance with the downstream transaction when exchange non-monetary assets for the equity of the associates or joint ventures. According to IFRS 10, the entire profit and loss should be recognized at the time of losing the control over the subsidiary. This amendment restricts the aforementioned provisions of IAS 28. The profit or loss arising from the sales or investment of business assets that meet the definition in IFRS 3 shall be fully recognized.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

According to this amendment to IFRS 10, the sales or investment between the investors and associates or joint ventures for the subsidiary that does not meet the definition in IFRS 3, the profit or loss incurred shall be recognized for the amount that is not attributable to the investors.

(2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model of insurance contracts, including all accounting-related matters (recognition, measurement, presentation, and disclosure principles). The core of IFRS 17 is a general model. Under this model, the original recognition is based on the sum of the fulfillment cash flow and contractual service margin to measure the insurance contracts, of which, the fulfillment cash flows include:

- A. Estimated value of future cash flows
- B. Discount rate: reflect the adjustment to the time value of money and the financial risks (to the extent when financial risks are not included in the estimated value of future cash flows) related to the future cash flows; and
- C. Adjustments to non-financial risks

The book amount of the insurance contract group at the end of each reporting period is the sum of the remaining coverage liabilities and the incurred claims liabilities.

In addition to the general model, it also provides:

- A. Specific applicable methods (variable fee approach) for contracts with direct participation characteristics
- B. Simplified method (premium allocation approach) for short-term contracts

Upon the initial application of the standards, enterprises adopted IFRS9 may re-designate and re-classify the financial assets that comply with the requirements of the standards. Enterprises are not required to re-prepare the comparison information to reflect the changes in the classification of such assets; the differences between the former carrying amount and the carrying amount on the date of initial application shall be recognized in the opening retained earnings or other equity as at the date of initial application. When an enterprise has restated its comparison information, the comparison information shall reflect the requirements of IFRS9 on such financial assets being affected. In addition, for financial assets derecognized during the comparison period after the date of initial application of the standards, enterprises may elect the applicable overlay approach based on the individual financial assets, as if such assets have been re-classified according to the re-designation requirements under the standards during the comparison period.

This standard was announced in May of 2017 and amended in June 2020. This amendment, except for having the effective date postponed for 2 years (that is, postponed from January 1, 2021 to January 1, 2023) in the transitional clause with additional exemptions provided; also, reducing the cost of adopting this standard by simplifying some regulations and amend some regulations to make some situations easier to interpret. This standard in effect will replace the transitional standard (that is, IFRS 4 “Insurance Contracts”).

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(3) Classification of liabilities as current or noncurrent (Amendments to IAS 1)

This is to amend the classification of liabilities as current or noncurrent in paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements.”

(4) Disclosure Initiative – Accounting Policy (Amendments to IAS 1)

This amendment is to improve the disclosure of accounting policies in order to provide more useful information to investors and other main users of financial statements.

(5) Definition of Accounting Estimates (Amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in order to help companies classify changes in accounting policies and accounting estimates.

(6) Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendments restrict the scope of the exemption of recognition deferred tax in paragraphs 15 and 24 of IAS 12 — Income Taxes; therefore, the exemption does not apply to the same taxable amount upon initial recognition and the deductible temporary differences.

The aforementioned standards and explanations issued by IASB but not yet recognized by the FSC are applicable on the date determined by the FSC. The company is currently assessing the potential impact of the new/amended standards and explanations in (2) and is not yet able to reasonably estimate the impact of the aforementioned standards or interpretations on the company; however, the other new/amended standards and explanations have no significant impact on the company.

4. Summary of Significant Accounting Policies

1. Compliance Statement

The financial statements are prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” and IAS 34 “Interim Financial Reporting” that was recognized and announced with effect by the Financial Supervisory Commission.

2. Basis of preparation

The financial statements are prepared on the basis of historical costs, except for financial instruments measured at fair value and the net defined benefit liabilities recognized by deducting the present values of defined benefit obligations from the fair value of plan assets. Unless otherwise specified, amounts in financial statements are expressed in thousand NT dollars.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

3. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and time deposits or investments that are short-term, highly liquid, convertible to fixed amounts of cash at any time with little risk of value changes (including time deposits within 12 months of contractual period).

4. Transactions in foreign currencies

The Company's financial statements are expressed in NT dollars, which is the Company's functional currency. Transactions in foreign currencies are converted to the functional currency based on the exchange rate on the transaction date. At the end of each reporting period, monetary items in foreign currencies are converted at the closing exchange rate of that day; non-monetary items in foreign currencies measured at fair value are converted at the exchange rate on the day that the fair value is determined; non-monetary items in foreign currencies measured at historical cost are converted at the exchange rate of the transaction day.

Except for the following, the exchange differences arising from the delivery or conversion of monetary items are recognized as gains or losses of the current period:

- (1) If the exchange differences from foreign currencies borrowed to obtain qualified assets are regarded as adjustments to interest costs, becoming part of the borrowing costs, they are capitalized as the costs of the assets.
- (2) Foreign currencies applicable to IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.
- (3) For monetary items that form part of the reporting entity's net investment in foreign institutions, the exchange differences resulting from initial recognition are recognized as other comprehensive income, and reclassified from equity to gains and losses when the net investment is disposed.

When the profits and losses of non-monetary items are recognized as other comprehensive income, any components of the conversion of the profits and losses are recognized as other comprehensive income. When the profits and losses of non-monetary items are recognized as gains and losses, any components of the conversion of the profits and losses are recognized as gains and losses.

5. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

Financial assets and financial liabilities applicable to IFRS 9 "Financial Instruments" are measured at fair value on initial recognition, and are directly attributable to the transaction cost of acquisition or issuance of the financial assets and financial liabilities (except for those measured at fair value through profit or loss), to be deducted from or added to the fair values of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

All the recognition and delisting of financial assets through the Company's normal trade practice are accounted for on the transaction day.

The Company classifies financial assets into the following categories: those subsequently measured at amortized cost, those measured at fair value through other comprehensive income, and those measured at fair value through profit or loss, based on the following features:

- A. Operating models
- B. Contractual cash flows

Financial assets at amortized cost

Financial assets that meet the following two conditions are measured at amortized cost and listed on the balance sheet as financial assets and other assets measured at accounts receivable and amortized cost:

- A. Operating models: holding financial assets to collect contractual cash flows
- B. Contractual cash flows: cash flows entirely for paying principals and interests on the principals in circulation

Such financial assets (excluding those involved in hedging) are subsequently measured at amortized cost [the amount measured on initial recognition, minus the principal paid, plus or minus the accumulated amortization of the difference between the original amount and the maturity amount (using the effective interest method), and adjustment of allowance for losses]. Upon derecognition, through amortization or recognition of impaired profits or losses, the profits or losses are recognized as gains and losses.

The interests calculated by the effective interest method (multiplying the effective interest rate by the total book value of the financial asset) or based on following conditions are recognized as gains and losses:

- A. For purchased or originated credit-impaired financial assets, it is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost.
- B. For financial assets other than the aforementioned, but subsequently become credit impairment, it is calculated as the effective interest rate multiplied by the amortized cost.

Financial assets at fair value through other comprehensive income

Financial assets that meet the following two conditions are measured at fair value through other comprehensive income, and are listed on the balance sheet as financial assets at fair value through other comprehensive income:

- A. Operating model: collecting contractual cash flows and selling financial assets.
- B. Contractual cash flows: cash flows entirely for paying principals and interests on the principals in circulation

Recognition of gains and losses related to such financial assets are explained as follows:

- A. Before derecognition or reclassification, except for impaired profits or losses and foreign exchange profits or losses that are recognized as gains and losses, the profits and losses of the financial assets are recognized as other comprehensive income.
- B. Upon derecognition, the cumulative profits or losses previously recognized as other comprehensive income are reclassified from equity to gains or losses for adjustment.
- C. The interests calculated by the effective interest method (multiplying the effective interest rate by the total book value of the financial asset) or based on following conditions are recognized as gains and losses:
 - (a) For POCI financial assets, it is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost.
 - (b) For financial assets other than the aforementioned, but subsequently become credit impairment, it is calculated as the effective interest rate multiplied by the amortized cost.

In addition, for equity instruments applicable for IFRS 9 and are neither held for trading, nor recognized as contingent consideration by the acquirer in a merger under IFRS 3, and on initial recognition, it is optional (irrevocably) to list its subsequent fair value changes as other comprehensive income. The amount listed as other comprehensive income shall not subsequently be transferred to gains and loss (when disposing such equity instruments, the cumulative amount listed as other equity are directly transferred to retained earnings), and shall be listed on the balance sheet as financial assets at fair value through other comprehensive income. Dividends from investments are recognized as gains or losses, unless the dividends clearly represent part of the recovery of investment costs.

Financial assets at fair value through profit or loss

Except for the measurement by amortized cost under specific conditions as mentioned above or at fair value through other comprehensive income, financial assets are measured at fair value through profit or loss, and are listed on the balance sheet as financial assets and accounts receivable measured at fair value through profit or loss.

The profits or losses generated from remeasurement of such financial assets measured at fair value are recognized as gains and losses, whose profits or losses include any and all dividends or interests generated from the financial assets.

(2) Impairment of financial assets

The Company's debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost are recognized as expected credit losses to measure allowance for losses. For the debt instruments measured at fair value through other comprehensive income, the allowance for losses is recognized as other comprehensive income, without reducing the book value of the investment.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The Company measures expected credit losses to reflect the following:

- A. unbiased and probability-weighted amounts determined by evaluating all possible outcomes.
- B. Time value of money
- C. Reasonable and supportable information related to past events, current conditions and forecasts of future economic conditions (that can be obtained without excessive costs or investment on the balance sheet date)

Measurement of allowance for losses is explained as follows:

- A. It is measured by the amount of 12-month expected credit losses: including financial assets whose credit risk has not significantly increased since initial recognition, or those that are determined to be low in credit risk at the balance sheet date. In addition, it also includes the allowance for losses which are measured at lifetime expected credit losses in the duration of previous financial reports, but on the current balance sheet day no longer meets the criteria for a significant increase in credit risk since initial recognition.
- B. Measurement of lifetime expected credit losses: including financial assets with credit risk significantly increased since initial recognition, or POCI financial assets.
- C. For accounts receivable or contract assets arising from transactions under IFRS 15, the Company uses lifetime expected credit losses to measure allowance for losses.
- D. For lease receivables arising from transactions under IFRS 16, the Company uses lifetime expected credit losses to measure allowance for losses.

In addition to the above assessments, the Company has also provided adequate allowance for bad debts in accordance with the “Guidelines for Handling Assessment of Assets, Overdue and Non-Performing Loans and Bad Debts by Insurance Enterprises,” and the amount shall not be lower than the following standards: (1) 0.5% of the 1st type loan assets after deducting from life insurance loans, advanced premiums, and the balance of claims to government agencies, and 2%, 10%, 50%, respectively, of the balances of claims of loan assets from 2nd to 5th types (attention required, recovery expected, recovery difficult, and recovery hopeless), as well as the total of all the balances. 2. 1% of the total of the 1st to 5th types of loan assets after deducting from life insurance loans, advanced premiums and the balance of claims to government agencies. 3. Overdue and non-performing loans that have been reasonably assessed as free of secured claims. 4. If the sum of the minimum allowances for bad debts assessed in accordance with the criteria stated above in the 1st to 3rd subparagraphs is lower than the amount required by generally accepted accounting principles, the latter shall prevail. If the competent authority requires that the allowance for bad debts of specific loan assets be increased in accordance with its standards and deadlines in order to strengthen the capacity for losses of the specific loan assets, the Company shall comply.

On each balance sheet day, the Company compares the changes in the default risk of financial instruments from the initial recognition day, in order to assess whether the credit risk of the financial instruments has increased significantly after the initial recognition. For further information about the credit risks, please see Note 7.

(3) Derecognition of financial assets

The Company's financial assets are derecognized when one of the following conditions is met:

- A. The contractual rights from the cash flows of financial assets are terminated.
- B. The financial assets have been transferred and almost all the risks and rewards from the ownership of the assets have been transferred to others.
- C. Almost all risks and rewards of asset ownership have neither been transferred nor retained, but control of the assets has been transferred.

When a financial asset is derecognized as a whole, the difference between its book value and the received or receivable consideration plus any cumulative profits or losses recognized as other comprehensive income is recognized as gains and loss.

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The liabilities and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments

The Company's equity instruments refer to any contract with remaining equity after deducting all liabilities from assets. Equity instruments issued by the Company are recognized with the amount received deducting the cost of direct issuance.

Financial liabilities

Financial liabilities applicable to IFRS 9 are classified on initial recognition as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated to be measured at fair value through profit or loss.

When one of the following conditions is met, financial liabilities are classified as held for trading:

- A. The main purpose of acquisition is to sell them in a short time;
- B. on initial recognition, it is a part of the portfolio of identifiable financial instruments under merger management, and there is evidence that the portfolio is to be operated for short-term profits in the near future; or
- C. Derivative instruments (except for financial guarantee contracts or designated derivatives that are effective hedging instruments).

For a contract containing one or more embedded derivatives, the overall hybrid (combined) contract can be designated as a financial liability measured at fair value through profit and loss; when one of the following factors is met to provide more relevant information, the hybrid contract can be designated on initial recognition as measured at fair value through profit and loss:

- A. The designation can eliminate or significantly reduce inconsistencies in measurement or recognition; or
- B. A group of financial liabilities or a group of financial assets and financial liabilities are managed and evaluated on the fair value basis, based on written risk management or investment strategies, and the information on the investment portfolio provided to the management within the consolidated company is also based on fair value.

The profits or losses out of remeasurement of such financial liabilities are recognized as gains and losses, including any interests paid for the financial liabilities.

Financial liabilities measured at mortized cost

Financial liabilities measured at amortized cost include payables and lease liabilities, which are measured by the effective interest method after initial recognition. When financial liabilities are derecognized and amortized by the effective interest method, the related profit or loss and amortization are recognized as gains and losses.

The calculation of the amortized cost considers the discount or premium at the time of acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when its obligation is discharged, cancelled or invalidated.

When the Company and creditors exchange debt instruments with materially different terms, or make major changes to all or part of the terms of existing financial liabilities (whether or not due to financial difficulties), the original liabilities are derecognized and new ones recognized, and when the financial liabilities are derecognized, the difference between their book values and the total considerations paid or payable (including transferred non-cash assets or liabilities assumed) is recognized as gains and losses.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can be offset and listed on the balance sheet as a net amount only when the recognized amount currently has legal exercise rights of mutual offsetting and is intended to settle on a net amount or to realize assets and liquidate liabilities at the same time.

(6) Derivative instruments

The derivative instruments signed by the Company include forward foreign exchange contracts and exchange contracts, mainly for managing the risk of changes in exchange rates. The initial recognition and subsequent measurement of such derivatives are based on fair value, and when the fair value is positive, the derivatives are recognized as assets, otherwise recognized as liabilities.

(7) Overlay approach for financial assets

When the Company applied IFRS 9 for the first time, the overlay approach described in IFRS 4 “Insurance Contracts” was adopted, and for the designated financial assets, an amount was reclassified between gains and losses and other comprehensive income, making the gains and losses of the designated assets at the closing day of the reporting period equal to the gains and losses of such financial assets if designated to comply with IAS 39. Accordingly, the reclassified amount is the difference between the following two items:

- A. Gains and losses of the designated financial assets applicable to IFRS 9; and
- B. Gains and losses of such financial assets if designated to comply with IAS 39.

A financial asset meets the specific requirements of the overlay approach only when the following conditions are met:

- A. The financial asset is applicable to IFRS 9 through gains and losses measured at fair value, but if IAS 39 is applied, it will not be measured at fair value through gains or losses as a whole; and
- B. The financial asset is not held for activities linked to contracts within the scope of IFRS 4 “Insurance Contracts.”

Thereafter, a financial asset is designated as qualified for overlay approach only when one of the following conditions is met:

- A. The asset is initially recognized; or
- B. The asset is newly qualified for being held for activities linked to the contract within the scope of the IFRS 4 “Insurance Contracts,” but previously did not meet the requirements.

The overlay approach should continue to be applied to the designated financial asset until it is derecognized; however, when the financial asset no longer meets the requirements of being held for activities linked to contracts within the scope of IFRS 4 “Insurance Contracts,” it should be de-designated; also, on the beginning day of any annual period, designations of financial assets to the overlay approach may all be ceased, and when such an act occurs, IAS 8 “Accounting Policy Changes” should be applied.

6. Measurement at fair value

Fair value refers to the price under which an amount is received from selling an asset or paid for transferring a liability in an orderly transaction among market participants on the measurement day. The measurement of fair value assumes that the sale of assets or transfer of liabilities takes place in one of the following markets:

- (1) The main market for such assets or liabilities, or
- (2) If there is no such a main market, the most favorable market shall apply.

The main market or the most favorable market must be accessible by the market participants.

The fair value of an asset or a liability is assumed by the market participants to price the asset or liability, and it is assumed that the market participants are acting in their best economic interests.

The measurement at fair value of a non-financial asset takes into account the efficacy that the buyer will take the asset to its highest and best use or the seller will sell the asset to the counterpart who will take the asset to its highest and best use, in order to generate economic benefits.

The Company adopts evaluation techniques which allow collection of appropriate and sufficient information under relevant circumstances so as to measure fair values, as well as maximize the use of observable input values and minimize the use of unobservable input values.

7. Property, plant, and equipment

Property, plant, and equipment are recognized based on the acquisition costs, and are listed after deducting accumulated depreciation and accumulated impairment. The said costs include the costs of dismantling and removing the property, plant and equipment and restoring the venue, as well as the necessary interests incurred out of unfinished projects. Significant components of the property, plant, and equipment are depreciated separately. Significant components of the property, plant and equipment that need to be periodically replaced are treated as individual assets, recognized based on their individual service life and depreciated separately. The book value of the replacement cost is derecognized in accordance with IAS 16 "Property, Plant and Equipment." A major maintenance cost qualified for recognition is regarded as replacement cost and recognized as part of the book value of the equipment, while other repair and maintenance expenses are recognized as gains and losses.

Depreciation of the following assets is accrued using the straight-line method, based on the estimated service life:

Buildings and structures	5–50 years
Miscellaneous equipment	5 years

The property, plant and equipment or any of its significant components after initial recognition that are disposed of or not expected to generate inflow of economic benefits from future use or disposal are derecognized into gains and losses.

The residual value, service life and depreciation method of the property, plant and equipment are assessed at the end of each fiscal year, and if the expected value is different from the previous estimate, the change is regarded as a change in accounting estimates.

8. Investment property

The company's own investment property is measured at the original cost, including the acquisition cost. The book value of investment property includes the cost of repairing or adding new investment to the property if only the cost is recognizable; however, the maintenance expenses incurred from day to day are not regarded as part of the cost. After initial recognition, the investment property, except for being qualified as a non-current asset held for sale (or included in the disposal group of being held for sale) according to IFRS 5 "Non-current Assets held for Sale and Discontinued Operations," the measurement of investment property is based on the cost model in accordance with IAS 16 "Property, Plant and Equipment"; however, if it is held by the lessee as a right-of-use asset and regarded as not being held for sale according to IFRS 5, the stipulations of IFRS 16 are applied.

Depreciation of the following assets is accrued using the straight-line method, based on the estimated service life:

Buildings and structures	30–50 years
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Investment property is derecognized into gains and losses when it is disposed of or will no longer be used and economic benefits out of future disposal are not expected.

Assets are transferred into or out of investment property based on their actual use.

When a property either meets or no longer meets the definition of investment property and evidence shows change of use, the property is either transferred into or out of investment property, accordingly.

9. Leases

On the execution date, a contract is assessed whether it is attributed to, or includes, leasing. If a contract has transferred control of use of identified assets for a period of time in exchange for consideration, it is (or includes) a lease. Whether a contract has transferred control of use of identified assets for a period of time is determined on the basis of the following two factors over the entire period of use:

- (1) Obtaining the right to almost all economic benefits from the use of the identified assets;
and
- (2) The right to direct the use of the identified assets.

For a contract that is attributed to (or includes) a lease, the lease components in the contract are regarded as individual ones and are treated separately from the non-lease components. For a contract that includes one lease component and one or more additional lease or non-lease components, the consideration is allocated to the lease components, based on the relative stand-alone price of each lease component and the aggregate of stand-alone prices of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined on the basis of the prices charged by the lesser (or similar suppliers) separately for the components (or similar components). If the observable stand-alone price is not readily available, the maximized observable information is used to estimate the stand-alone price.

The Company as a lessee

In addition to compliance and selection of short-term leases or leases of low-value target assets, when the Company is the lessee of the lease contract, all the leases are recognized using the right-of-use assets and lease liabilities.

The lease liabilities are measured at present value of the lease payment not yet paid on the commencement date. If the lease implied interest rate is easy to determine, the lease payment is discounted at the said implied interest rate. If it is not, the interest rate for the lessee's incremental borrowing is used. On the commencement date, the lease payments included in the lease liabilities include the following due payments related to the right-to-use assets during the lease period but not yet paid on that date:

- (1) Fixed payments (including substantive fixed payments), minus any collectable lease incentives;
- (2) Lease payments that vary depending on changes in an index or rate (initial measurement by the index or rate on the commencement date);
- (3) The amount expected to be paid by the lessee under the residual value guarantee;
- (4) The price of exercising the purchase option, if exercising the option is reasonably assured; and
- (5) The penalty payable for the termination of the lease, if in the lease period it shows that the lessee will exercise the option to terminate the lease.

After the commencement date, the lease liabilities are measured at amortized cost, and the effective interest rate method is used to increase the book value of the lease liabilities to reflect the interests on lease liabilities; fulfilled lease payments reduce the book value of lease liabilities.

On the commencement date, the right-of-use asset is measured by the costs, which include:

- (1) The amount from initial measurement of the lease liabilities;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any initial direct costs incurred by the lessee; and
- (4) The estimated cost for the lessee to dismantle and remove the target asset and restore the venue, or restore the target asset to the state required by the lease terms and conditions.

The right-of-use asset is subsequently measured by deducting the accumulated depreciation and accumulated impairment loss from the cost, i.e. using the cost model to measure the right-of-use asset.

If the ownership of the target asset is transferred to the Company, or if the cost of the right-of-use asset reflects that the company will exercise the purchase option, when the lease period expires, the right-of-use asset is depreciated from the commencement date till the end of the service life of the target asset. Otherwise, the right-of-use asset is depreciated from the commencement date till the end of the service life of the right-of-use asset or till the expiration of the lease period, whichever is earlier.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and deal with any identified impairment losses accordingly.

In addition to compliance and selection of short-term leases or leases of low-value target assets, the right-of-use assets and lease liabilities are listed in the balance sheet, and the lease-related depreciation and interests are listed in the consolidated income statement.

For short-term leases and leases of low-value target assets, the lease payments are recognized as expenses on a straight-line basis or another systematic basis during the lease period.

The Company as a lesser

The leases are classified into operating and financial ones on the date of contract establishment. A lease transferring almost all the risks and rewards attached to the ownership of the target asset is classified as a financial lease; otherwise, as an operating lease. On the commencement date, the assets held under the financial leases are listed in the balance sheet as financial lease payments receivable based on the net lease investment.

For contracts including lease and non-lease components, the consideration in the contract is allocated in accordance with IFRS 15.

The lease payments out of operating leases are recognized as rental income on a straight-line basis or another systematic basis. Variable lease payments of operating leases that are not dependent on a certain index or rate are recognized as rental income when they occur.

10. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of an intangible asset acquired through a merger is the fair value on the acquisition date. An intangible asset after being initially recognized has its book value based on its cost minus accumulated amortization and accumulated impairment losses. An internally generated intangible asset not qualified for recognition is not capitalized; instead, it is recognized as gains and losses when it occurs.

The service life of intangible assets is assessed as limited.

The intangible asset with a limited service life is amortized over its service life, and an impairment test is performed when a sign of impairment appears. The amortization period and amortization method of intangible assets with limited service life are reviewed at least at the end of each fiscal year. If the estimated service life of an asset is different from the previous estimate or the expected pattern of future economic benefit consumption has changed, the amortization method or amortization period are adjusted and considered as changes in accounting estimates.

The profit or loss arising from derecognition of intangible assets is recognized as gains and losses.

11. Impairment of non-financial assets

On the closing date of each reporting period, assets applicable to IAS 36 are assessed for signs of impairment. If an asset has signs of impairment or is scheduled for an annual impairment test, the asset or the cash-generating unit of the asset is the test target. If the book value of the tested asset or its cash-generating unit is greater than its recoverable amount, an impairment loss is recognized. The recoverable amount is the net fair value or use value, whichever is greater.

At the end of each reporting period, assets other than goodwill are assessed for signs that the impairment loss previously recognized is reduced or no longer exists. If such signs appear, the recoverable amount of the asset or its cash-generating unit is assessed. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment loss is reversed. However, if the book value after the reversal does not exceed the value before the impairment loss was recognized, the accrued depreciation or amortization is deducted from the book value.

The impairment loss and the number of reversals of continuing operations are recognized as gains and losses.

12. Segmentation requirements for specific assets

The Company's business of compulsory automobile liability insurance (hereinafter referred to as the Insurance) is based on Article 4 of the "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance" stipulated in Article 47, Paragraph 3 of the "Compulsory Automobile Liability Insurance Act" for the insurance-related accounting.

The special reserve fund for the Insurance in accordance with Article 5 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance" is used for purchase of treasury bills or time deposits in financial institutions. However, funds approved by the competent authority may be used to purchase the following domestic securities:

- (1) Non-exchangeable government bonds;
- (2) Financial bonds, negotiable certificates of deposit, bank acceptance drafts, commercial promissory notes guaranteed by financial institutions. However, financial bonds are limited to general financial bonds.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The amount of the purchased treasure bills and the time deposits in financial institutions shall not be less than 30% of the total retained pure premiums earned that has been certified by a CPA in the most recent period, and the competent authority may also consider the Company's operations to appropriately increase the lower limit of loan-deposit ratio of the time deposits.

If the balance of the special reserve fund has not reached 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, the reserve shall be fully used to purchase treasure bills or for time deposits in financial institutions.

In accordance with Article 6 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance," the funds (various reserves, payables, temporary credits and pending transfers) held for the Insurance, except for special reserves as stipulated above, shall be used for demand deposits and time deposits in financial institutions. However, funds approved by the competent authority may be used to purchase the following domestic securities:

- (1) Treasury bills;
- (2) Negotiable certificates of deposit, bank acceptance drafts, and commercial promissory notes guaranteed by financial institutions;
- (3) Repurchase government bonds.

The above demand deposits in financial institutions shall neither be less than 45% of the funds held by the Company for the Insurance after deducting the special reserve and nor be less than 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, and the competent authority may appropriately increase the loan-deposit ratio of the demand deposits based on the Company's operating conditions.

If the total amount of unearned premium reserve and claims reserve of the Insurance is less than 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, the funds held for the Insurance shall be fully used for demand deposits in financial institutions.

In accordance with Article 11 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance," when the property insurance business ceases to operate or ceases to deal with the aforementioned insurance, the various reserves of such insurance shall be transferred and merged into the various reserves of other insurers undertaking such insurance. If there is no other insurer to undertake such insurance, and the liability for the Insurance is over and the special reserve has a positive balance, the asset corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

When the property insurance business is ordered to suspend operations for liquidation, or ordered to dissolve, or its license for the Insurance is revoked, if no other insurer undertakes the Insurance, and the liability for the Insurance is over and the special reserve has a positive balance, the asset corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

13. Classification of insurance contracts

An insurance contract refers to an agreement in which the insurer accepts the transfer of significant insurance risks from the policyholder, and agrees to compensate the policyholder when an uncertain event (insurance event) occurs in the future and causes damage to the policyholder. The significant insurance risks refer to the occurrence of any insurance event that causes the Company to pay

significant amounts of additional benefits.

An insurance contract with a financial product nature refers to a contract that transfers significant financial risks. The financial risk refers to the risk that one or more specific interest rates, financial product prices, commodity prices, exchange rates, price indices, rate indices, credit ratings, credit indices or other variables may change in the future. If any of the above variables is non-financial, it is not regarded as held by a party to the contract.

An insurance policy that meets the definition of an insurance contract at initial judgment remains an insurance contract before all its rights and obligations disappear or expire, even if the insurance risks it undertakes during the policy period has been significantly reduced. However, if an insurance contract with a financial product nature transfers significant insurance risks to the Company after its renewal, it is reclassified as an insurance contract.

14. Insurance liability

The insurance liability reserve provided for insurance contracts is based on the “Regulations on Insurance Companies Various Reserves,” “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance,” “Risk Spreading Mechanism of Residential Earthquake Insurance,” “Regulations on Property Insurance Companies Various Reserves for Energy Insurance,” “Property Insurance Companies Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance,” and “Notes on Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance),” and certified by an FSC-licensed actuary. The insurance liability reserves are provided as follows:

(1) Unearned premium reserve

For valid contracts not yet expired or underwriting risks not yet terminated during the insurance period, the unearned premium reserve is set aside based on calculated unexpired risks of individual insurances.

(2) Loss reserve

The loss reserve is calculated based on the insurance types and past claims experience and expenses by actuarial principles, and provided in accordance with the reported but not settled (outstanding loss) and unreported claims, while the outstanding loss are calculated on a case-by-case basis by the insurance types.

(3) Special reserves

Special reserves are divided into “Special Reserves for catastrophic event” and “Special Reserves for fluctuation of risk,” and in accordance with IAS 12 “Income Taxes,” the annually added provisions are deducted by the income taxes and listed in the special surplus reserve under equity. The amount to be written down or recovered as required by statutory regulations and deducted by income tax in accordance with IAS 12 can be carried out from the appropriated retained earnings of the special surplus reserve under equity.

On January 1, 2013, the special reserves initially set aside under insurance liabilities, including special reserves for catastrophic event and special reserves for fluctuation of risk for insurance types other than compulsory automobile liability insurance, nuclear energy insurance, policy-based basic residential earthquake insurance, commercial earthquake insurance, and typhoon flood insurance, have the highest priority to supplement the special reserves for catastrophic event and special reserves for fluctuation of risk to full level, listed under liabilities, and in accordance with IAS 12, the special reserves for catastrophic event and special reserves for fluctuation of risk of other insurance types are deducted by income taxes and listed in the special surplus reserve under equity.

Special reserves for catastrophic event

The reserve for each insurance type is set aside in accordance with the ratio of special reserve for catastrophic event as stipulated by the competent authority.

For an accident qualified for the major disaster conditions issued by the authority, where the total amount of individual company's accumulated retained claims for each insurance type amounts to \$30,000, and the total amount of the overall property insurance industry's claims payable for each insurance type exceeds \$2,000,000, the claims can be written down from the special reserve for the catastrophic event.

Catastrophic event special reserves for commercial earthquake insurance and typhoon flood insurance provided for more than 30 years can be withdrawn; catastrophic event reserves for other insurance types provided for more than 15 years can have a withdrawal mechanism established by an actuary and sent to the competent authority for reference.

Special reserves for fluctuation of risk

When the balance of the actual indemnity of an insurance written down from the insurance's catastrophic event special reserve exceeds the expected indemnity, if it is a commercial earthquake insurance or a typhoon flood insurance, a special reserve for fluctuation of risk equal to 75% of the difference is set aside, and for the other insurance types, the special reserve is 15% of the difference.

When the balance of the actual indemnity of an insurance written down from its special reserve for catastrophic event exceeds the expected indemnity, the excess may be written down from the special reserve for fluctuation of risk. If the special reserve for fluctuation of risk is insufficient to write down the indemnity, special reserves for fluctuation of risk provided for other insurance types may be used for the write-down, and the insurance types as well as the amounts of the substitute write-down should comply with relevant regulations set by the competent authority and sent to the authority for reference.

When the accumulated special reserve for the fluctuation of risk in commercial earthquake insurance exceeds 18 times its current year's retained premiums earned, or such a reserve for the typhoon flood insurance exceeds 8 times its current year's retained premiums earned, or such a reserve for the accident insurance or the health insurance exceeds 30% of its current year's retained premiums earned, or such a reserve for other type insurance exceeds 30% of its current year's retained earned premium, the excess is withdrawn.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(4) Premium deficiency reserve

The unexpired contracts or undertaken risks during the insurance period are assessed for possible claims and expenses in the future, and if the assessment exceeds the unearned premium reserve and expected future premium revenues, the premium deficiency reserve is provided.

(5) Policy reserve

The minimum Policy reserve of a health insurance with a period of more than one year is regularly revised on an annual basis. The Policy reserve for a health insurance with special features is determined by the competent authority.

15. Liability adequacy test

In accordance with Article 24-1 of the “Regulations on Insurance Companies Various Reserves” to test an insurance contract for its liability adequacy required by IFRS 4, the insurance’s future cash flow is assessed based on the current information on each balance sheet date to test the adequacy of recognized insurance liabilities, and a reserve for the inadequacy is provided based on the principle of actuarial practice.

16. Treasury stock

Treasury stocks are recognized at the acquisition cost and listed as a deduction of equity. The trading spread of treasury stocks is recognized under equity.

17. Share-based payment transactions

The cost of stock-based payment transactions between the Company and employees for equity delivery is measured at fair value of the equity instrument on the date of grant, and the fair value is measured by an appropriate pricing model. The date that the subscription price and the number of shares are confirmed is the grant date, on which the expenses are recognized at the fair value of the equity instruments, and the equity is increased accordingly.

18. Insurance premium revenues and acquisition costs

The insurance premium revenues of the direct underwriting business are recognized based on all the insurance policies undertaken and approved in the current period; the ceded-in reinsurance premium revenues are regularly booked on the bill arrival date, and on the balance sheet date the unreached reinsurance premium revenues are assessed with a reasonable and systematic method. The related acquisition costs (such as commission expenses, agency fees, handling fees and reinsurance commissions) are recognized in the same period without being deferred.

The unearned premium reserve is set aside for valid insurance contracts not expired or with undertaking risks not yet terminated during the insurance period, and the unearned premiums are calculated based on the unexpired risks of individual insurances, for which the reserves are set aside by the insurance categories.

The unearned premium reserve for the compulsory automobile liability insurance is set aside in accordance with the provisions of the “Regulations for the Various Reserves for Compulsory Automobile Liability Insurance.”

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The unearned premium reserve for the residential earthquake insurance is set aside in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.”

The unearned premium reserve for the nuclear energy insurance is set aside in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” (Jinguanbaocai Zi No. 10102517091).

Unless otherwise stipulated by laws, provision for the unearned premium reserve is decided by an actuary based on the insurance attributes, and the amount (no change permitted unless approved by the competent authority) is certified by a certified actuary.

Taxes related to insurance business incomes are recognized on an accrual basis in accordance with the laws of value-added taxes, non-value-added taxes and stamp taxes.

19. Costs of insurance claims

Insurance claims of direct underwriting are recognized based on the reported and settled claims (including indemnity expense) incurred and accepted in the current period, and if the claims department has determined the amount of the claims while the accounting and financial department has not yet performed the payment procedure, or if the claims department has not yet determined the amount of the claims, the claims are estimated according to actual data on a case-by-case basis by insurance category, and recognized as a net change in reserve for RBNS claims.

The reinsurance claims of ceded-in reinsurance are booked on the bill arrival date, and on the balance sheet date, unreached reinsurance claims are estimated with a reasonable and systematic method and recognized as a net change in the claims reserve.

Unreported insurance claims of ceded-in reinsurance and direct underwriting are calculated based on past claims experience and expenses by the insurance type, in accordance with actuarial principles, and are recognized as a net change in the reserve for unreported claims.

The claims recoverable from reinsurers (including claim expenses) of a ceded reinsurance contract, if already paid, are recognized as claims recovered from reinsurers; if they are Outstanding loss or unreported (including claim expenses), they are recognized as a net change in the Loss reserve.

The Loss reserve is not calculated by discount.

Claims reserve for the compulsory automobile liability insurance is set aside in accordance with the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.”

Claims reserve for the residential earthquake insurance is set aside in accordance with the “Risk Spreading Mechanism of Residential Earthquake Insurance.”

Claims reserve for the nuclear energy insurance is set aside in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” (Jinguanbaocai Zi No. 10102517091).

20. Undertaking remnants and subrogation rights

The remnants of the direct underwriting business that are accepted by law as a result of the claims settlement are recognized at fair value; for the right of recovery of the equity of an underwriting object obtained by law, if the actual recovery situation is clear (likely future inflow of economic benefits) and the amount can be reliably measured, it is recognized.

21. Reinsurance

In order to limit the amount of losses that may be caused by certain risk exposure events, the Company operates the reinsurance business in accordance with the business needs and relevant insurance laws and regulations. For the ceded reinsurance, the Company shall not refuse to perform its obligations to the insured on the grounds that the reinsurer has failed to perform its obligations.

The ceded reinsurance business is recognized as reinsurance expenses by ceded reinsurance contracts. Its financial report includes considerations for the deadline and should be consistent with the premium revenues. On the balance sheet date, unreached reinsurance expenses are estimated with a reasonable and systematic method. Its related income (e.g. reinsurance commission income) are recognized in the same period. The relevant reinsurance gains and losses are not deferred.

Reinsurance reserves include: ceded unearned premium reserve, ceded Claims reserve, ceded policy reserve, ceded premium deficiency reserve, and ceded liabilities adequacy reserve, which are the rights to the reinsurer in accordance with the “Regulations on Insurance Companies Various Reserves” and the reinsurance contracts.

The Company’s rights to the reinsurer are reinsurance contract assets, including reinsurance reserve assets, claims recoverable from reinsurers, and net due from reinsurers and ceding companies, which are regularly assessed to determine whether they have been impaired or cannot be recovered. When objective evidence shows that events that occurred after the initial recognition of the reinsurance contract assets may make it impossible to recover all of the receivables specified in the contract, and the impact on the amounts recoverable from the reinsurer can be reliably measured, the portion of the recoverable amounts less than the book value of the reinsurance contract assets is recognized as impairment losses. The reinsurance contracts are classified by determining whether they transfer significant insurance risks to the reinsurer, and if not, the contracts are measured and recognized by deposit accounting.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

22. Co-insurance organization, co-insurance and guarantee fund agreement

The Company has entered into a “Compulsory Automobile Liability Insurance Co-Insurance Contract” with all member companies that have been approved by the competent authority to operate compulsory automobile liability insurance, agreeing that all the underwritten business is included in the co-insurance, and violators must pay liquidated damages, and the co-insurance organization may audit the business. The underwritten co-insurance business is calculated based on pure premiums, which are allocated according to the agreed co-insurance ratio. Any member company participating in the co-insurance shall not arbitrarily withdraw from the business, except for liquidation or closure. Ceasing to operate the automobile liability insurance business spells withdrawal from the co-insurance at the same time, and the natural maturity mechanism is applied to the unexpired liabilities.

The company has entered into a “Travel Agency Performance Bond Co-Insurance Contract” with property insurance companies in the underlying business and reinsurance companies, agreeing that all the underwritten business is included in the co-insurance, and violators must pay liquidated damages, and the co-insurance organization may audit the business. The underwritten co-insurance business is calculated based on the inclusion of co-insurance premiums (i.e. risk premiums), and each member company bears its own co-insurance liabilities according to its underwriting portion, and is not jointly liable. A member company may notify the co-insurance organization in writing to withdraw from the co-insurance three months before the beginning of the following year; its initial co-insurance underwriting portion remains till the end of the current year, and it continues to be responsible for the unfulfilled liabilities till their natural maturity.

23. Stability fund

To protect the basic rights and interests of the insured and maintain financial stability according to Article 143-1 of the Insurance Law, a stability fund is established, of which a fund for compulsory insurance is set aside with the contribution rate based on Article 44 of the Compulsory Automobile Insurance Act, and another fund for non-compulsory insurance is also set aside according to the “Life Insurance and Property Insurance Stability Fund Contribution Standard,” both of which are deposited in the Property Insurance Stability Fund, and booked under the account of Stability Fund Expenditure.

24. Retirement Benefits Plan

The Company’s employee retirement plan is applicable to all employees who are officially employed, and a retirement fund is fully set aside for the management by the Supervisory Committee of Business Entities’ Labor Retirement Reserve and deposited into a dedicated pension fund account; since the retirement fund is deposited in the name of the committee, it is completely separated from the Company, and therefore not included in the above financial statements.

For the post-retirement benefit plan of the defined contribution plan, the monthly pension contribution rate shall not be less than 6% of the employee’s monthly salary, and the amount allocated is recognized as current expenses.

The post-retirement benefit plan of the defined benefit plan is listed based on an actuarial report with the projected unit credit method on the closing date of the reporting period. The remeasurement of the net defined benefit liability (asset) includes any changes in the return of plan assets and the impact of the asset ceiling, minus the net interest of the net defined benefit liability (asset), and actuarial gains and losses. When the remeasurement of the net defined benefit liability (asset) occurs, it is listed under other comprehensive income, and immediately recognized in retained surplus. The service cost of previous period is the amount of change in the present value of the defined benefit obligation caused by the planned revision or reduction, and is recognized as an expense on the earlier date of the following two:

- (1) When the planned revision or reduction occurs; and
- (2) When the related restructuring costs or resignation benefits are recognized.

The net interest of the net definite benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both of which are determined at the beginning of the annual reporting period, and then in consideration of any change in the net defined benefit liability (asset) due to the appropriated amount and benefit payment.

When the loss is recognized as gains and losses, any exchange component of the profit or loss is recognized as gains and losses.

25. Taxation

The income tax expense (benefit) refers to the aggregate amount related to the current income tax and deferred income tax included in the current gains and losses.

Income tax expenses in the current period

The current income tax liability (asset) related to the current and previous periods is measured by the tax rate and tax laws that have been legislated or substantively legislated at the end of the reporting period. The current income tax and those recognized as other comprehensive income or directly recognized as equity are respectively recognized as other comprehensive income other than gains and losses.

The additional profit-making enterprise income tax on the undistributed surplus is recognized as income tax expense on the day when the shareholders' meeting decides the surplus distribution.

Deferred tax

The deferred income tax is calculated based on the temporary difference between the tax basis of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

Except for the following two, all the taxable temporary differences are recognized as deferred income tax liabilities:

- (1) The initial recognition of goodwill; or the initially recognized assets or liabilities that are not generated by a business merger and does not affect accounting profits at the time of the transaction, nor does it affect the taxable incomes (losses);
- (2) Taxable temporary differences arising from investment in subsidiaries, affiliates and joint agreement equity, whose reversal timing is controllable and is unlikely to be reversed in the foreseeable future.

Except for the following two, deductible temporary differences, unused tax losses and deferred income tax assets arising from unused tax deductions are recognized within the range of possible future taxable incomes:

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (1) Deductible temporary differences related to the initially recognized assets or liabilities from non-merger transactions that neither affect accounting profits nor taxable incomes (losses) at the time of the transaction;
- (2) Deductible temporary differences related to investment in subsidiaries, affiliates, and joint agreement equity that are likely to be reversed only in the foreseeable future, and recognized with sufficient taxable income at the time of reversal for use by the temporary differences.

Deferred income tax assets and liabilities are measured by the tax rate for the period in which the assets are expected to be realized or the liabilities settled, and the tax rate is based on the tax rate and tax law that has been legislated or substantively legislated at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the book value of the assets expected to be recovered or the liabilities to be settled at the end of the reporting period. The deferred income tax related to items not recognized as gains and losses is not recognized as gains and losses; instead, it is recognized as other comprehensive income or directly as equity depending on it transaction. Deferred income tax assets are reviewed and recognized at the end of the reporting period.

The deferred income tax assets and liabilities have the statutory enforcement power to offset only the current income tax assets and liabilities, where the deferred income tax belongs to the same taxpayer and levied by the same tax authority.

The interim income tax expenses are accrued and disclosed at the tax rate applicable to the expected total earnings of the current year, that is, the estimated annual average effective tax rate is applied to the net income before tax of the interim period. The estimated annual average effective tax rate only includes the current income tax expense. The deferred income tax is consistent with the annual financial report and is recognized and measured in accordance with the provisions of IAS 12 “Income Tax.” When there is change in tax rate during the interim period, the impact of the change in tax rate on the deferred income tax shall be entirely recognized in the profit and loss, other comprehensive profit and loss, or directly recognized in the equity.

5. Main Source of Significant Accounting Judgment, Estimates and Assumptions Uncertainty

The preparation of the Company’s financial statements requires the corporate management to make judgments, estimates and assumptions at the end of the reporting period, which affects the disclosure of revenues, expenses, and assets and liabilities as well as contingent liabilities. However, the uncertainties in these major assumptions and estimates may result in significant future adjustments to the book value of the assets or liabilities.

1. Judgments

In the process of adopting the Company’s accounting policies, the corporate management makes the following judgments that have a significant impact on the amounts recognized in the financial statements:

- (1) The level of significance of insurance risk transfer measured based on the risk ratio of the initial insurance policy.

Insurance policy risk ratio

= (Amount paid by the insurance company under the scenario of an insured accident/Amount paid by the insurance company under the scenario of a non-insured accident-1)×100%

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The initial insurance policy that meets one of the following conditions is recognized as an insurance contract:

- A. The insurance period is greater than or equal to 5 years, and at least 5 policy years with the risk ratio greater than 10% (or 5%);
- B. The insurance period is less than 5 years, and more than half of the policy years with the risk ratio greater than 10% (or 5%).

The formula to calculate the insurance risk ratio shows that apparently property insurance policies usually meet the conditions for transferring significant insurance risks, and therefore insurers can often directly recognize most property insurance policies as insurance contracts without calculating the risk ratio of the initial insurance policy.

- (2) Use the risk ratio of the reinsurance policy to measure the level of significance of the insurance risk transfer.

The reinsurance policy risk ratio = $(\Sigma \text{ present value of the net loss incurred by the ceded-in reinsurer} \times \text{probability of occurrence} / \text{present value of the expected premium of the ceded-in reinsurer}) \times 100\%$

The reinsurance policy with risk ratio greater than 1% is recognized as a reinsurance contract.

2. Estimates and assumptions

The main information source of uncertainty about the future estimates and assumptions made at the end of the reporting period has a significant risk of causing significant adjustments in the book value of assets and liabilities in the next fiscal year. It is described as follows:

(1) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized on the balance sheet cannot be obtained from the active market, the fair value is determined using valuation techniques, including income approach (such as discounted cash flow model) or market approach, whose assumed changes will affect the fair value of the reported financial instruments. Please see Note 7 for details.

(2) Insurance liabilities

The insurance liabilities are measured in accordance with the “Regulations on Insurance Companies Various Reserves”

The unearned premium reserve is calculated based on the unexpired risks by risk types, and the reserves are set aside in accordance with the risk characteristics determined by the actuary.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The Claims reserve is estimated based on the past claim experiences and settlement expenses and actuarial principles. The main assumptions are the loss development factor and the expected claim rate, leading to the final indemnity cost. The loss development factors and expected claim rates are based on the Company's historical claim experiences, taking into account adjustments to the Company's policies such as fee rates and claims management.

The estimation of the liability adequacy reserve complies with the "Actuarial Standards of Practice of Promulgation 40 - Contract Classification and Liability Adequacy Test" promulgated by the Actuarial Association of Chinese Taipei. When the liability adequacy reserve is assessed, the current estimate of the insurance contract future cash flow is based on reasonable estimation of future insurance benefits, premium revenues and related expenses.

The professional judgment used in the above liability assessment affects the net change in insurance liabilities and the insurance liabilities recognized in the financial statements.

(3) Reinsurance reserve asset

It includes ceded unearned premium reserve, ceded claims reserve, ceded liability reserve, ceded premium deficiency reserve, and ceded liability adequacy reserve. The reserves are estimated in accordance with the "Regulations on Insurance Companies Various Reserves" and by the terms of the reinsurance contracts.

(4) Post-retirement benefit plan

The pension costs of the post-retirement benefit plan and the present value of the defined benefit obligations are decided by the actuarial valuation. The actuarial valuation involves a variety of assumptions, including: determined discount rates as well as increases in future wages, mortality and pension payments. For detailed descriptions of the assumptions used to measure the pension costs and the defined benefit obligations, please see Note 6.

6. Major accounting items described

1. Cash and cash equivalents

(1) This item is detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Cash on hand	\$8,656	\$10,396	\$9,437
Working capital	1,608	1,623	2,003
Check deposit	31,732	62,666	27,941
Demand deposits	2,013,174	2,027,204	2,068,361
Time deposits	9,295,110	9,310,166	8,692,068
Cash equivalents—RP	-	-	50,000
Cash equivalents – Short-term notes	350,437	354,605	-
Total	<u>\$11,700,717</u>	<u>\$11,766,660</u>	<u>\$10,849,810</u>

(2) For the guarantee provided with the Company's bank deposits, please see Note 9.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2. Accounts receivable

(1) This item is detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Notes receivable	\$260,490	\$270,908	\$315,827
Notes receivable- Non-performing loans	170	-	-
Less: Allowance for losses	(2,775)	(2,709)	(3,158)
Net amount	<u>\$257,885</u>	<u>\$268,199</u>	<u>\$312,669</u>
Insurance premium receivable	\$1,001,417	\$1,253,962	\$1,016,759
Insurance premium receivable – Non-performing loans	203,161	139,299	122,780
Less: Allowance for losses	(19,170)	(28,372)	(21,342)
Net amount	<u>\$1,185,408</u>	<u>\$1,364,889</u>	<u>\$1,118,197</u>
Other receivables	\$318,964	\$313,469	\$401,720
Other receivable- Non-performing loans	95	220	148
Less: Allowance for losses	(1,332)	(1,739)	(1,235)
Net amount	<u>\$317,727</u>	<u>\$311,950</u>	<u>\$400,633</u>

(2) The aging analysis of accounts receivable:

Item	2022.3.31	2021.12.31	2021.3.31
Notes receivable			
Less than 90 days	\$260,660	\$270,908	\$315,827
91–365 days	-	-	-
More than 366 days	-	-	-
Total	<u>\$260,660</u>	<u>\$270,908</u>	<u>\$315,827</u>
Insurance premium receivable			
Less than 90 days	\$1,001,417	\$1,253,962	\$1,016,759
91–365 days	199,083	133,043	116,751
More than 366 days	4,078	6,256	6,029
Total	<u>\$1,204,578</u>	<u>\$1,393,261</u>	<u>\$1,139,539</u>
Other receivables			
Less than 90 days	\$318,964	\$269,976	\$401,720
91–365 days	73	43,615	130
More than 366 days	22	98	18
合計	<u>\$319,059</u>	<u>\$313,689</u>	<u>\$401,868</u>

(3) The Impairment is assessed according to the “Guidelines for Handling Assessment of Assets, Overdue and Non-Performing Loans and Bad Debts by Insurance Enterprises” and IFRS 9. For the details of allowance for losses, please see Note 7.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

3. Financial assets and financial liabilities at fair value through profit or loss

(1) This item is detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$2,489,944	\$2,468,560	\$1,986,907
Stock	5,345,486	5,295,282	5,464,852
Financial bonds	51,133	51,137	51,121
Asset securities	1,031,860	960,234	972,549
Derivatives	-	47,972	59,303
Total	<u>\$8,918,423</u>	<u>\$8,823,185</u>	<u>\$8,534,732</u>
Financial liabilities mandatorily measured at fair value through profit or loss:			
Derivatives	<u>\$91,657</u>	<u>\$-</u>	<u>\$11,992</u>

(2) No guarantee provided for the financial assets at fair value through profit or loss.

(3) For the details of derivatives, please see Note 23.2.

(4) Since the application of IFRS 9, the Company has also adopted the overlay approach of IFRS 4 “*Insurance Contracts*” to express profit or loss of the designated financial assets. The financial assets related to the invested insurance contracts and designated to the overlay approach are as follows:

	2022.3.31	2021.12.31	2021.3.31
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$2,489,944	\$2,468,560	\$1,986,907
Stock	5,345,486	5,295,282	5,464,852
Asset securities	1,031,860	960,234	972,549
Total	<u>\$8,867,290</u>	<u>\$8,724,076</u>	<u>\$8,424,308</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (5) During January 1 to March 31, 2022 and January 1 to March 31, 2021, respectively, the amounts of reclassification between profit or loss and other comprehensive income of such financial assets designated to the overlay approach are as follows:

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Gains (losses) due to applying IFRS 9 to profit or loss	\$(76,713)	\$536,609
(Gains) losses if applying IAS 39 to profit or loss	(82,460)	(331,297)
Gains (losses) on reclassification using overlay approach	<u>\$(159,173)</u>	<u>\$205,312</u>

Due to the adoption of overlay approach, profits from financial assets at fair value through profits or loss are decreased from NT\$218,729 thousand to NT\$59,556 thousand and loss are decreased from NT\$499,962 thousand to NT\$294,650 thousand during January 1 to March 31, 2022 and January 1 to March 31, 2021, respectively.

4. Financial assets at fair value through other comprehensive income

- (1) This item is detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Equity instruments measured at fair value through other comprehensive income:			
Unlisted stocks (including OTC)	\$267,200	\$270,647	\$298,554
Preference shares	912,145	730,767	614,373
Debt instruments measured at fair value through other comprehensive income:			
Corporate bonds	346,083	386,930	371,188
Total	<u>\$1,525,428</u>	<u>\$1,388,344</u>	<u>\$1,284,115</u>

- (2) The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income during January 1 to March 31, 2022 and January 1 to March 31, 2021, are as follows:

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Investments still held on the balance sheet date	\$-	\$-
Realized gain on investment related	-	41
Dividends recognized in the current period	<u>\$-</u>	<u>\$41</u>

- (3) No guarantee provided for the financial assets measured at fair value through other comprehensive income. For details of relevant credit risks, please see Note 7.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

5. Financial assets at amortized cost

Item	2022.3.31	2021.12.31	2021.3.31
Government bonds	\$528,881	\$529,856	\$532,824
Corporate bonds	6,536,836	6,105,924	5,386,747
Financial bonds	848,785	844,489	683,494
Less: Refundable deposits	(528,818)	(529,455)	(532,393)
Less: Allowance for losses	(12,144)	(9,773)	(4,325)
Total	<u>\$7,373,540</u>	<u>\$6,941,041</u>	<u>\$6,066,347</u>

The Company recorded disposal gains of NT\$5,386 thousand from January 1 to March 31, 2022, due to the disposal of its partial corporate bonds in advance in response to the increase in credit risks. From January 1 to March 31, 2022, there was no disposal of financial asset at amortized costs.

The Refundable deposit takes the government bonds as its collateral and re-recognized as a refundable deposit. Please see Note 9 for more information. For information about the credit risks, please see Note 7.

6. Reinsurance assets

Item	2022.3.31	2021.12.31	2021.3.31
Claims Recoverable from Reinsurers - net	\$253,511	\$279,531	\$313,432
Claims Recoverable from Reinsurers – Non-Performing Loans	-	-	307
Less: Allowance for losses	(2,536)	(2,795)	(3,214)
Net amount	<u>\$250,975</u>	<u>\$276,736</u>	<u>\$310,525</u>
Due from Reinsurers & Ceding Companies	\$823,257	\$603,361	\$396,062
Due from Reinsurers & Ceding Companies – Non-Performing Loans	39,202	43,595	79,225
Less: Allowance for losses	(25,012)	(17,387)	(41,359)
Net amount	<u>\$837,447</u>	<u>\$629,569</u>	<u>\$433,928</u>
Reinsurance reserve assets			
Ceded unearned premium reserve	\$2,976,862	\$3,042,421	\$2,718,342
Ceded Claims reserve	4,141,997	4,297,919	4,700,288
Total	<u>\$7,118,859</u>	<u>\$7,340,340</u>	<u>\$7,418,630</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

7. Property, plant, and equipment

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Miscellaneous equipment	Prepayments for equipment	Total
Costs:					
2022.1.1	\$891,007	\$525,973	\$440,130	\$23,279	\$1,880,389
Additions	-	-	4,630	1,134	5,764
Disposals	-	-	(608)	-	(608)
Transfer	(8,531)	(2,984)	1,074	(1,074)	(11,515)
2022.3.31	<u>\$882,476</u>	<u>\$522,989</u>	<u>\$445,226</u>	<u>\$23,339</u>	<u>\$1,874,030</u>
2021.1.1	\$687,236	\$481,559	\$422,407	\$19,633	\$1,610,835
Additions	-	-	1,522	6,411	7,933
Disposals	-	-	(2,319)	-	(2,319)
Transfer	-	-	-	(372)	(372)
2021.3.31	<u>\$687,236</u>	<u>\$481,559</u>	<u>\$421,610</u>	<u>\$25,672</u>	<u>\$1,616,077</u>
Depreciation & impairment:					
2022.1.1	\$-	\$(227,980)	\$(343,765)	\$-	\$(571,745)
Depreciation	-	(2,130)	(10,218)	-	(12,348)
Disposals	-	-	595	-	595
Transfer	-	2,095	-	-	2,095
2022.3.31	<u>\$-</u>	<u>\$(228,015)</u>	<u>\$(353,388)</u>	<u>\$-</u>	<u>\$(581,403)</u>
2021.1.1	\$-	\$(212,657)	\$(318,143)	\$-	\$(530,800)
Depreciation	-	(1,965)	(9,932)	-	(11,897)
Disposals	-	-	2,081	-	2,081
2021.3.31	<u>\$-</u>	<u>\$(214,622)</u>	<u>\$(325,994)</u>	<u>\$-</u>	<u>\$(540,616)</u>
Carrying amount:					
2022.3.31	<u>\$882,476</u>	<u>\$294,974</u>	<u>\$91,838</u>	<u>\$23,339</u>	<u>\$1,292,627</u>
2021.12.31	<u>\$891,007</u>	<u>\$297,993</u>	<u>\$96,365</u>	<u>\$23,279</u>	<u>\$1,308,644</u>
2021.3.31	<u>\$687,236</u>	<u>\$266,937</u>	<u>\$95,616</u>	<u>\$25,672</u>	<u>\$1,075,461</u>

(2) The above assets were not pledged to others as collateral.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

8. Investment property

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Prepayments for buildings	Total
Costs:				
2022.1.1	\$2,012,420	\$571,132	\$-	\$2,583,552
Additions	-	-	-	-
Transfer	8,531	2,984	-	11,515
2022.3.31	<u>\$2,020,951</u>	<u>\$574,116</u>	<u>\$-</u>	<u>\$2,595,067</u>
2021.1.1	\$2,026,215	\$477,193	\$114,698	\$2,618,106
Additions	124,976	88,655	-	213,631
Transfer	65,000	49,698	(114,698)	-
2021.3.31	<u>\$2,216,191</u>	<u>\$615,546</u>	<u>\$-</u>	<u>\$2,831,737</u>
Depreciation & impairment:				
2022.1.1	\$(22,608)	\$(152,487)	\$-	\$(175,095)
Depreciation	-	(3,970)	-	(3,970)
Transfer	-	(2,095)	-	(2,095)
2022.3.31	<u>\$(22,608)</u>	<u>\$(158,552)</u>	<u>\$-</u>	<u>\$(181,160)</u>
2021.1.1	\$(22,608)	\$(143,594)	\$-	\$(166,202)
Depreciation	-	(3,870)	-	(3,870)
2021.3.31	<u>\$(22,608)</u>	<u>\$(147,464)</u>	<u>\$-</u>	<u>\$(170,072)</u>
Carrying amount:				
2022.3.31	<u>\$1,998,343</u>	<u>\$415,564</u>	<u>\$-</u>	<u>\$2,413,907</u>
2021.12.31	<u>\$1,989,812</u>	<u>\$418,645</u>	<u>\$-</u>	<u>\$2,408,457</u>
2021.3.31	<u>\$2,193,583</u>	<u>\$468,082</u>	<u>\$-</u>	<u>\$2,661,665</u>
			2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Rental income from investment property			\$19,607	\$20,513
Less: direct operating expenses incurred by investment property that generates rental income in the current period			(874)	(694)
Total			<u>\$18,733</u>	<u>\$19,819</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (2) The above assets were not pledged to others as collateral.
- (3) The investment property is not measured at fair value, but the fair value information is revealed, and the fair value is of level 3. As of March 31, 2022, December 31, 2021 and March 31, 2021, the fair values of the investment property was NT\$2,538,436 thousand and NT\$2,538,436 thousand and NT\$2,901,157 thousand, respectively, and the fair values were evaluated by an external independent valuation expert. The fair values were determined and supported by market evidence, using at least two evaluation methods, such as comparative approach and cost approach, and estimated with the weighted score method, in which the main parameters used are:

	2022.3.31	2021.12.31	2021.3.31
Discount rate	<u>0.75%~3.28%</u>	<u>0.75%~3.28%</u>	<u>0.89%~3.36%</u>

9. Intangible assets

Item	2022.3.31	2021.12.31	2021.3.31
Computer software cost	\$261,149	\$236,865	\$236,865
Increase in the current period	-	8,038	93
Transfer in the current period	-	16,246	372
Total	<u>\$261,149</u>	<u>\$261,149</u>	<u>\$237,330</u>
Computer software cost – cumulative amortization	\$(233,694)	\$(217,340)	\$(217,340)
Increase in the current period	(4,701)	(16,354)	(3,532)
Total	<u>\$(238,395)</u>	<u>\$(233,694)</u>	<u>\$(220,872)</u>
Carrying amount:	<u>\$22,754</u>	<u>\$27,455</u>	<u>\$16,458</u>

10. Other assets

- (1) This item is detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Prepayments	\$18,657	\$36,866	\$32,761
Refundable deposits	637,466	627,855	645,993
Other assets - others	59,569	68,224	94,238
Total	<u>\$715,692</u>	<u>\$732,945</u>	<u>\$772,992</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(2) The refundable deposits are detailed as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Insurance business deposits	\$528,818	\$529,455	\$532,393
Club deposits	37,679	37,679	37,679
Other deposits	86,448	76,200	77,400
Less: cumulative impairment loss	(15,479)	(15,479)	(1,479)
Total	<u>\$637,466</u>	<u>\$627,855</u>	<u>\$645,993</u>

(3) In accordance with Articles 141 and 142 of the Insurance Law, bonds are deposited in the Central Bank as the insurance deposits.

11. Accounts Payables

Item	2022.3.31	2021.12.31	2021.3.31
Claims and benefits payable	\$24,260	\$18,852	\$98,453
Commission payable	296,406	277,969	312,337
Due to Reinsurers & Ceding Companies	1,267,503	1,559,847	1,579,997
Other payables	754,301	1,037,554	702,028
Total	<u>\$2,342,470</u>	<u>\$2,894,222</u>	<u>\$2,692,815</u>

12. Insurance liabilities

Item	2022.3.31	2021.12.31	2021.3.31
Unearned premium reserve	\$12,590,675	\$12,284,374	\$11,663,312
Claims reserve	10,438,795	10,318,849	10,328,905
Special reserve	2,477,788	2,463,675	2,372,130
Premium deficiency reserve	-	-	3,655
Policy reserve	201	199	75
Total	<u>\$25,507,459</u>	<u>\$25,067,097</u>	<u>\$24,368,077</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) Unearned premium reserve

① Unearned premium reserve & ceded unearned premium reserve

2022.3.31			
Item	Unearned premium reserve	Ceded unearned premium reserve	Retention
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	
Fire insurance	\$1,998,905	\$(850,171)	\$1,148,734
Marine insurance	475,082	(325,587)	149,495
Motor insurance	6,244,819	(727,947)	5,516,872
Engineering insurance	1,397,446	(888,510)	508,936
Liability insurance	1,219,490	(103,876)	1,115,614
Accident & health insurance	1,254,933	(80,771)	1,174,162
Total	<u>\$12,590,675</u>	<u>\$(2,976,862)</u>	<u>\$9,613,813</u>

2021.12.31			
Item	Unearned premium reserve	Ceded unearned premium reserve	Retention
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	
Fire insurance	\$2,036,741	\$(948,608)	\$1,088,133
Marine insurance	527,584	(376,026)	151,558
Motor insurance	6,180,017	(755,945)	5,424,072
Engineering insurance	1,277,805	(801,914)	475,891
Liability insurance	1,097,465	(105,498)	991,967
Accident & health insurance	1,164,762	(54,430)	1,110,332
Total	<u>\$12,284,374</u>	<u>\$(3,042,421)</u>	<u>\$9,241,953</u>

2021.3.31			
Item	Unearned premium reserve	Ceded unearned premium reserve	Retention
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	
Fire insurance	\$1,668,164	\$(690,343)	\$977,821
Marine insurance	412,497	(253,666)	158,831
Motor insurance	5,910,678	(743,466)	5,167,212
Engineering insurance	1,261,376	(783,409)	477,967
Liability insurance	1,051,745	(114,630)	937,115
Accident & health insurance	1,358,852	(132,828)	1,226,024
Total	<u>\$11,663,312</u>	<u>\$(2,718,342)</u>	<u>\$8,944,970</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

② Adjustment of changes in unearned premium reserve & ceded unearned premium reserve

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Unearned premium reserve	Ceded unearned premium reserve	Unearned premium reserve	Ceded unearned premium reserve
Opening amount	\$12,284,374	\$3,042,421	\$11,189,285	\$2,664,359
Current deposits	12,590,675	2,976,862	11,663,312	2,718,342
Current recovery	(12,284,374)	(3,042,421)	(11,189,285)	(2,664,359)
Closing amount	\$12,590,675	\$2,976,862	\$11,663,312	\$2,718,342

(2) Claims reserve

① Claims reserve & Ceded Claims reserve

Item	2022.3.31		
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$8,036,530	\$(3,454,017)	\$4,582,513
IBNR	2,402,265	(687,980)	1,714,285
Total	\$10,438,795	\$(4,141,997)	\$6,296,798

Item	2021.12.31		
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$7,956,694	\$(3,613,608)	\$4,343,086
IBNR	2,362,155	(684,311)	1,677,844
Total	\$10,318,849	\$(4,297,919)	\$6,020,930

Item	2021.3.31		
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$8,213,593	\$(4,025,683)	\$4,187,910
IBNR	2,115,312	(674,605)	1,440,707
Total	\$10,328,905	\$(4,700,288)	\$5,628,617

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

② Net changes in Claims reserve and Ceded Claims reserve

2022.1.1-2022.3.31						
Item	Direct underwriting (including ceded-in reinsurance)		Net change in Claims reserve	Ceded reinsurance		Net change in Ceded Claims reserve
	Deposit (1)	Recovery (2)		Deposit (4)	Recovery (5)	
Outstanding losses	\$8,036,530	\$7,956,694	\$79,836	\$3,454,017	\$3,613,608	\$(159,591)
IBNR	2,402,265	2,362,155	40,110	687,980	684,311	3,669
Total	<u>\$10,438,795</u>	<u>\$10,318,849</u>	<u>\$119,946</u>	<u>\$4,141,997</u>	<u>\$4,297,919</u>	<u>\$(155,922)</u>

2021.1.1-2021.3.31						
Item	Direct underwriting (including ceded-in reinsurance)		Net change in Claims reserve	Ceded reinsurance		Net change in Ceded Claims reserve
	Deposit (1)	Recovery (2)		Deposit (4)	Recovery (5)	
Outstanding losses	\$8,213,593	\$7,460,902	\$752,691	\$4,025,683	\$3,625,544	\$400,139
IBNR	2,115,312	2,174,112	(58,800)	674,605	707,010	(32,405)
Total	<u>\$10,328,905</u>	<u>\$9,635,014</u>	<u>\$693,891</u>	<u>\$4,700,288</u>	<u>\$4,332,554</u>	<u>\$367,734</u>

③ Outstanding losses and Incurred but not reported losses (IBNR) Claims reserve to policyholders

Item	2022.3.31		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,998,074	\$14,929	\$3,013,003
Marine insurance	850,946	46,445	897,391
Motor insurance	2,566,556	1,463,552	4,030,108
Engineering insurance	588,329	41,655	629,984
Liability insurance	806,744	344,632	1,151,376
Accident & health insurance	225,881	491,052	716,933
Total	<u>\$8,036,530</u>	<u>\$2,402,265</u>	<u>\$10,438,795</u>

Item	2021.12.31		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,101,334	\$14,095	\$3,115,429
Marine insurance	819,744	46,189	865,933
Motor insurance	2,460,057	1,443,867	3,903,924
Engineering insurance	532,447	38,874	571,321
Liability insurance	844,694	330,411	1,175,105
Accident & health insurance	198,418	488,719	687,137
Total	<u>\$7,956,694</u>	<u>\$2,362,155</u>	<u>\$10,318,849</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.3.31		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,647,189	\$7,401	\$3,654,590
Marine insurance	642,900	73,231	716,131
Motor insurance	2,433,799	1,248,166	3,681,965
Engineering insurance	482,643	43,648	526,291
Liability insurance	818,675	259,661	1,078,336
Accident & health insurance	188,387	483,205	671,592
Total	\$8,213,593	\$2,115,312	\$10,328,905

④ Reinsurance assets –Ceded Claims reserve for Outstanding losses and IBNR Claims reserve to policyholders

Item	2022.3.31		
	Ceded Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,041,816	\$1,046	\$2,042,862
Marine insurance	653,330	25,299	678,629
Motor insurance	216,344	464,548	680,892
Engineering insurance	235,396	5,601	240,997
Liability insurance	279,181	119,535	398,716
Accident & health insurance	27,950	71,951	99,901
Total	\$3,454,017	\$687,980	\$4,141,997

Item	2021.12.31		
	Ceded Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,247,297	\$1,055	\$2,248,352
Marine insurance	627,406	26,114	653,520
Motor insurance	231,427	461,527	692,954
Engineering insurance	190,979	4,538	195,517
Liability insurance	293,712	115,956	409,668
Accident & health insurance	22,787	75,121	97,908
Total	\$3,613,608	\$684,311	\$4,297,919

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.3.31		
	Ceded Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,683,703	\$1,582	\$2,685,285
Marine insurance	537,303	48,856	586,159
Motor insurance	253,456	421,945	675,401
Engineering insurance	195,649	17,425	213,074
Liability insurance	326,401	107,363	433,764
Accident & health insurance	29,171	77,434	106,605
Total	<u>\$4,025,683</u>	<u>\$674,605</u>	<u>\$4,700,288</u>

⑤ Adjustment of changes in Claims reserve and Ceded Claims reserve

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Claims reserve	Ceded Claims reserve	Claims reserve	Ceded Claims reserve
Opening amount	\$10,318,849	\$4,297,919	\$9,635,014	\$4,332,554
Current deposits	10,438,795	4,141,997	10,328,905	4,700,288
Current recovery	(10,318,849)	(4,297,919)	(9,635,014)	(4,332,554)
Closing amount	<u>\$10,438,795</u>	<u>\$4,141,997</u>	<u>\$10,328,905</u>	<u>\$4,700,288</u>

(3) Special reserves

① Special reserve – compulsory automobile liability insurance

Item	2022.1.1-2022.3.31	2021.1.1-2021.3.31
Opening amount	\$170,540	\$80,504
Current deposits	52,063	20,039
Current recovery	(32,105)	(39,085)
Closing amount	<u>\$190,498</u>	<u>\$61,458</u>

② Special reserve – non-compulsory automobile liability insurance

Item	Liabilities			
	2022.1.1-2022.3.31			
	catastrophic event	fluctuation of risk	Property appreciation	Total
Opening amount	\$491,038	\$1,576,248	\$225,849	\$2,293,135
Current deposits	-	-	-	-
Current recovery	(5,845)	-	-	(5,845)
Closing amount	<u>\$485,193</u>	<u>\$1,576,248</u>	<u>\$225,849</u>	<u>\$2,287,290</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	Liabilities			
	2021.1.1-2021.3.31			
	Catastrophic event	Fluctuation of risk	Property appreciation	Total
Opening amount	\$514,421	\$1,576,248	\$225,849	\$2,316,518
Current deposits	-	-	-	-
Current recovery	(5,846)	-	-	(5,846)
Closing amount	\$508,575	\$1,576,248	\$225,849	\$2,310,672

When the company initially applied IFRSs, the property appreciation measured at fair value in the initial DAY application should be used to make up the adverse effects of other accounting items caused by the initial application, and the unrealized value added amount from the re-evaluation should be fully listed as a special reserve on the date of conversion.

According to the “Guidelines for Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance),” starting from January 1, 2013, property insurance companies should use the special reserves for catastrophic event and fluctuation of risk provided under liabilities before December 31, 2012 for insurances other than the compulsory automobile liability insurance, nuclear energy insurance, policy-based basic residential earthquake insurance, commercial earthquake insurance, and typhoon flood insurance, to make up with higher priority the special reserves for catastrophic event and fluctuation of risk of the commercial earthquake insurance and typhoon flood insurance to their full level, and list them under liabilities, and then deduct the taxes from the balance of the above special reserves in accordance with IAS 12 and list the remainder in the special reserve under owner’s equity.

According to Article 2 of the “Compulsory Automobile Liability Insurance Act” and paragraph 1, Article 24-2 of the “Regulations for the Provision Appropriation for the Insurance Companies” established under the authorization of paragraph 2, Article 145 and paragraph 2, Article 148-3 of the “Insurance Act,” from April 1, 2021, property insurance companies shall appropriate NT\$30 from each insurance contract as the special provision based on the business expense of the insured under the compulsory automobile liability insurance business it operates. Subsequently, for the major business of the property insurance companies, when there are net losses from the insurance premium for the year, they shall use the provision hereof to make compensation first; for the insufficient part, they shall comply with Article 8 of the “Regulations for the Provision Appropriation for Compulsory Automobile Liability Insurance.”

- (1) Matters to be attended and disclosed in accordance with the “Guidelines on Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance)” are:

The impact of not being subject to the said precaution on the net income (loss) before tax, liabilities, equity, and earnings per share in the period from January 1 to March 31, 2022 and 2021 was a decrease of NT\$5,845 thousand, a decrease of NT\$1,830,521 thousand, an increase of NT\$1,459,741 thousand, and a decrease of NT\$0.01 per share, respectively; and also a decrease of NT\$5,846 thousand, a decrease of NT\$1,853,904 thousand, an increase of NT\$1,478,446 thousand, and a decrease of NT\$0.01 per share, respectively.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (2) Matters to be disclosed in accordance with the “Guidelines for Strengthening Reserves of Residential Earthquake Coinsurance Organization Members” are:

The impact of not being subject to the said precaution on the liabilities and equity in the period from January 1 to March 31, 2022 and 2021 was a decrease of NT\$171,516 thousand and an increase of NT\$137,213 thousand, respectively; also, there was no impact on the earnings per share.

- (3) Matters to be disclosed in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” are:

The impact of not being subject to the said precaution on the liabilities and equity in the period from January 1 to March 31, 2022 and 2021 was a decrease of \$59,405 thousand and an increase of \$47,524 thousand, respectively; also, there was no impact on the earnings per share.

(4) Premium deficiency reserve

① Details of premium deficiency reserve

Item	2022.3.31		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$-	\$-	\$-

Item	2021.12.31		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$-	\$-	\$-

Item	2021.3.31		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$3,655	\$-	\$3,655

- ② Recognized loss of net premium deficiency reserve – net change in premium deficiency reserve and net change in ceded premium deficiency reserve

2022.1.1-2022.3.31							
Item	Net change in			Net change			
	Direct underwriting (including ceded-in reinsurance)			in ceded premium deficiency reserve		Current recognized loss (profit) of net premium deficiency reserve	
	Deposit	Recovery		Deposit	Recovery		
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(6)

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Marine insurance	\$-	\$-	\$-	\$-	\$-	\$-	\$-
	2021.1.1-2021.3.31						
	Direct underwriting (including ceded-in reinsurance)		Net change in premium deficiency reserve	Ceded reinsurance		Net change in ceded premium deficiency reserve	Current recognized loss (profit) of net premium deficiency reserve
Item	Deposit (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)	(7)=(3)-(6)
Marine insurance	\$3,655	\$2,829	\$826	\$-	\$-	\$-	\$826

③ Adjustment of changes in premium deficiency reserve and ceded premium deficiency reserve

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	premium deficiency reserve	Ceded premium deficiency reserve	premium deficiency reserve	Ceded premium deficiency reserve
Opening amount	\$-	\$-	\$2,829	\$-
Current deposits	-	-	3,655	-
Current recovery	-	-	(2,829)	-
Closing amount	\$-	\$-	\$3,655	\$-

④ Impact of changes in estimates and assumptions

The premium deficiency reserve is estimated by anticipated cost approach, where the anticipated final loss rate is based on the Company's loss experience in the past five years, taking into account the impact of large claims on the loss rate, while the anticipated maintenance cost takes reference to expense items such as salaries and information expenses listed in the Insurance Expense Exhibit for the past six years. However, the estimates and assumptions are uncertain, so the anticipation estimates may not match the actual ones in the future.

(5) Policy reserve

① Details of Policy reserve

Item	2022.3.31		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$201	\$-	\$201

Item	2021.12.31		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$199	\$-	\$199

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.3.31		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$75	\$-	\$75

② Net change in Policy reserve and net change in Ceded policy reserve

Item	2022.1.1-2022.3.31					
	Direct underwriting (including ceded-in reinsurance)		Net change in Policy reserve	Ceded reinsurance		Net change in Ceded policy reserve
	Deposit (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)
Accident & health insurance	\$201	\$199	\$2	\$-	\$-	\$-

Item	2021.1.1-2021.3.31					
	Direct underwriting (including ceded-in reinsurance)		Net change in Policy reserve	Ceded reinsurance		Net change in Ceded policy reserve
	Deposit (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)
Accident & health insurance	\$75	\$21	\$54	\$-	\$-	\$-

③ Adjustment of changes in Policy reserve and Ceded policy reserve

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Policy reserve	Ceded policy reserve	Policy reserve	Ceded policy reserve
Opening amount	\$199	\$-	\$21	\$-
Current deposits	201	-	75	-
Current recovery	(199)	-	(21)	-
Closing amount	\$201	\$-	\$75	\$-

13. Retirement benefits plan

Defined contribution pension plan

The Company's "Labor Pension Regulations" set forth in accordance with the "Labor Pension Act" is a defined contribution pension plan. According to the Act, the Company's monthly labor pension contribution rate shall not be less than 6% of the employee's monthly salary. Based on the "Labor Pension Regulations," 6% of the employee's salary is contributed to the individual retirement account established in the Bureau of Labor Insurance on a monthly basis.

The amounts of expenses on the defined contribution pension plan recognized from January 1 to March 31, 2022 and 2021 were NT\$11,921 thousand and NT\$12,282 thousand, respectively.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Defined benefit plan

The Company's "Labor Pension Regulations" set for in accordance with the "Labor Standards Act" is a defined benefit plan, where the employee retirement pension is calculated based on the number of service years as the basis points and the monthly average salary at the time when the retirement is approved. Employees with 15 years (or less) of service are given 2 basis points for every full service year, and for every full service year after the 15 years are given 1 basis point, till 45 basis points topped. In accordance with the "Labor Standards Act," the Company allocates a certain percentage of the total salary on a monthly basis, and deposits it in a dedicated account in the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. In addition, before the end of each year, the Company estimates the balance of the dedicated account based on the above calculation, and if the balance is not enough to pay the pension amount for the estimated number of workers illegible for retirement in the next year, the difference will be allocated by the end of March of the next year.

The company had recognized the defined benefit plan expense for an amount of NT\$1,017 thousand and NT\$1,192 thousand for the period from January 1 to March 31, 2022 and 2021, respectively.

14. Common stock

As of March 31, 2022, December 31, 2021 and March 31, 2021, All the Company's authorized capital was NT\$3,500,000 thousand and the paid-up capital was NT\$3,159,633 thousand, and the par value per share was NT\$10, consisting of 315,963,300 shares.

15. Capital reserve

Item	2022.3.31	2021.12.31	2021.3.31
Share premium	\$50,355	\$50,355	\$50,355
Treasury stock trade	14,213	14,213	14,213
Others	232	232	232
Total	\$64,800	\$64,800	\$64,800

According to the statutory regulations, the capital reserve shall be used only to make up for corporate losses, and in the case of no business losses, the capital reserve from the surplus of shares issued in excess of the par value as well as donations can be appropriated to the capital by a fixed ratio of the paid-in capital, while the capital surplus may also be distributed in cash in proportion to the shareholders' initial shares.

16. Earnings distribution and dividend policy

- (1) According to The Articles of Incorporation, if there is a surplus in the annual final accounts, it shall be distributed in the following order:
 - A. Withholding for taxes
 - B. Make-up for losses
 - C. 20% of the surplus deposited as the Legal reserve.
 - D. Provision or reversal of special reserve in accordance with other statutory regulations or orders from the competent authority.
 - E. For the remaining surplus, setting up a surplus distribution plan by the Board of Directors in accordance with the dividend policy and submitting it to the shareholders' meeting.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (2) The Company's dividend policy must be based on the current and future corporate investment environment, capital needs, domestic and foreign competitions, capital budgets, among other factors, taking into account the interests of shareholders, balance between dividends and the corporate long-term financial planning, etc., by which the surplus distribution plan is set by the Board of Directors in compliance with relevant statutory regulations on an annual basis, and submitted to the shareholders' meeting.
- (3) The Board of Directors proposes a distribution plan for the distributable surplus, and submits it to the shareholders' meeting for resolution, and the relevant information of which is available from the Public Information Observatory.
- (4) According to the Company Act, Legal reserve shall be allocated until its total amount has reached the total capital. Legal reserve can be used to make up for the business losses. If there is no business loss, the part of the Legal reserve exceeding 25% of the paid-in capital can be used to issue new shares or distribute cash in proportion to the initial shares subscribed by shareholders. However, according to the Interpretation Decree No. 10202501991 of Jinguanbaocai Zi, cash distribution can be made according to Article 241 of the Company Act on conditions that the Legal reserve must be allocated until its total amount has reached the total paid-in capital according to Article 145-1 of the Insurance Law and other requirements listed in the Decree are also met, before the application for cash distribution from the Legal reserve according to Article 241 of the Company Art is sent to the competent authority for approval.
- (5) According to Regulations for the Provision of Reserves of Insurance Companies, the Company added the amount of provision annually for the special reserves regarding material accidents and crisis and changes for the insurance industry. The Company accounts for the provision of special surplus reserve at the end of the year, and the part of the earnings shall not be distributed or used otherwise. On March 31, 2022, December 31, 2021, and March 31, 2021, the amount of cumulative reserve was NT\$5,667,272 thousand, NT\$5,667,272 thousand, and NT\$4,881,819 thousand, respectively.
- (6) According to Letter Jin-guan-bao-cai-zi No. 10904939031 on October 29, 2020, to optimize the financial structure of the insurance industry, at the end of each fiscal year, the Company shall provide, in accordance with the "Table for the Standard Rates Paid for Accidental Death and Disability of Individual Travel Insurance," appropriate the balances to the special surplus reserve under the equity of owners after deducting the nominal tax rate of 20% according to 10% of the total premium income based on the amount of insurance policy sold for accidental death and disability of individual travel insurance sold for the year. On March 31, 2022, and December 31, 2021, the amount of the cumulative reserve was NT\$1,929 thousand and NT\$1,929 thousand, respectively.

The Company's shareholders' meetings on March 09, 2022 and July 13, 2021, respectively, resolved the 2021 and 2020 proposals on distribution of retained earnings and dividends per share, which are listed as follows:

	Distribution of retained earnings		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$450,202	\$327,393	\$-	\$-
Special reserve	787,382	700,034	-	-
Common stock cash dividends	1,011,083	616,128	3.20	1.95

Please refer to Note 6.17 for the details of the assessment basis and recognized amounts of the remunerations for employees and directors.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

17. Summary of employee benefits, depreciation and amortization expenses by functions

By functions By attributes	2022.1.1-2022.3.31			2021.1.1-2021.3.31		
	Operating costs	Allocated as operating expenses	Total	Operating costs	Allocated as operating expenses	Total
Employee benefits						
Salaries and wages	\$166,495	\$318,104	\$484,599	\$143,036	\$336,314	\$479,350
Labor insurance and national health insurance	-	46,186	46,186	-	29,381	29,381
Pension expenses	-	12,938	12,938	-	13,474	13,474
Remuneration to directors	-	20,395	20,395	-	16,144	16,144
Depreciation expenses	-	20,623	20,623	-	19,555	19,555
Amortization expenses	-	7,361	7,361	-	6,170	6,170

The number of employees of the Company in March 31, 2022, December 31, 2021 and March 31, 2021 were 1688, 1681 and 1696, respectively, and among them 10 were directors who did not serve as working employees.

In accordance with The Articles of Incorporation, no less than 1% of the business profits, if any, shall be appropriated for the employees' remunerations, and no more than 2% for the directors' remunerations. The profits, however, shall be used to make up for the accumulated business losses, if any. The above employee remunerations are paid in stock or cash, depending on the resolution by the Board of Directors, with more than two-thirds of the directors present and approved by more than half of the attending directors, and the resolution is reported in the shareholders' meeting. For more information about the employee and director remunerations approved by the Board of Directors, please visit the "Public Information Observatory" website of the Taiwan Stock Exchange.

The company has appropriated 5.00% and 1.13% of the earnings generated in the period from January 1 to March 31, 2022 as remuneration to employees and directors for an amount of NT\$ 35,355 thousand and NT\$ 8,005 thousand, respectively. The company has appropriated 5.4% and 1.2% of the earnings generated in the period from January 1 to March 31, 2021 as remuneration to employees and directors for an amount of NT\$ 27,331 and NT\$ 6,074, respectively, which is booked in the "salary expense" account. If there is a discrepancy between the estimated amount and the distribution amount resolved by the board of directors, it will be recognized as profit and loss in the following year.

The company's board of directors resolved on March 9, 2022 to pay NT\$ 141,421 thousand and NT\$ 32,019 thousand in cash as remuneration to employees and directors of 2021, respectively. There is no difference between the amount paid and the amount stated in the expense account of the 2021 financial report.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

18. Components of other comprehensive income

The components of other comprehensive income from January 1 to March 31, 2022 are:

	Arising during the period	Current reclassification adjustment	Other comprehensive income	Income tax benefits (expenses)	After-tax amount
Items not reclassified to profit or loss:					
Unrealized valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	\$(9,881)	\$-	\$(9,881)	\$-	\$(9,881)
Items that may be subsequently reclassified to profit or loss:					
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	(52,057)	-	(52,057)	10,424	(41,633)
Other comprehensive income from adoption of overlay approach	(159,173)	-	(159,173)	-	(159,173)
Total	<u>\$ (221,111)</u>	<u>\$-</u>	<u>\$ (221,111)</u>	<u>\$ 10,424</u>	<u>\$ (210,687)</u>

The components of other comprehensive income from January 1 to March 31, 2021 are:

	Arising during the period	Current reclassification adjustment	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Unrealized valuation gains (losses) on equity instruments measured at fair value through other comprehensive income	\$14,062	\$-	\$14,062	\$-	\$14,062
Items that may be subsequently reclassified to profit or loss:					
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	(41,586)	-	(41,586)	8,261	(33,325)
Other comprehensive income from adoption of overlay approach	205,312	-	205,312	16,913	222,225
Total	<u>\$ 177,788</u>	<u>\$-</u>	<u>\$ 177,788</u>	<u>\$ 25,174</u>	<u>\$ 202,962</u>

19. Income tax

Components of income tax:

Income tax recognized as profit or loss

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Current income tax expense (benefit):		
Current income tax payable	\$92,189	\$78,776
Current year adjustment of previous years' current income taxes	-	(341)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	297	(7,780)
Income tax expense	<u>\$92,486</u>	<u>\$70,655</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Income tax expense recognized in other comprehensive income

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	\$(10,424)	\$(8,261)
Other comprehensive income from adoption of overlay approach	-	(16,913)
Income tax expense (benefit) relating to components of other comprehensive income	<u>\$(10,424)</u>	<u>\$(25,174)</u>

Approval of income tax declaration

As of March 31, 2022, the Company's declaration of the income tax returns has been approved up to the fiscal year 2019.

20. Earnings per share

The basic earnings per shares is calculated through dividing net profits after tax for the period by the weighter average number of outstanding ordinary shares.

As the Company has not issued any potential ordinary shares with diluted effects, the Company is not required to make dilution adjustment to the amount of basic earnings per share.

Earnings per share in the period from January 1 to March 31, 2022 and 2021 are as follows:

Item	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Continuing operations	<u>\$567,269</u>	<u>\$472,289</u>
Weighted average number of common shares (in thousands) of basic earnings per share	<u>315,963</u>	<u>315,963</u>
Basic earnings per share (NTD)	<u>\$1.80</u>	<u>\$1.49</u>

After the reporting period and before the financial statements were approved for release, there were no other transactions that materially changed the number of common shares outstanding or the number of potential common shares at the end of the period.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

21. Expected Credit Losses (Profits)

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Total operating revenues- Expected credit impairment loss and reversal gain on investment		
Financial assets at fair value through other comprehensive profit or loss	\$61	\$(283)
Financial assets based on cost after amortization	2,371	(5,554)
subtotal	<u>2,432</u>	<u>(5,837)</u>
Operating expenses: -Expected credit impairment reversal from non-investments		
Receivable	66	(14)
Insurance premium receivable	(9,202)	(3,138)
Other receivables	(407)	(1,059)
Claims Recoverable from Reinsurance	(259)	(753)
Due from Reinsurer &Ceding companies	7,625	13,594
Other	-	(3,596)
subtotal	<u>(2,177)</u>	<u>5,034</u>
Total	<u>\$255</u>	<u>\$(803)</u>

For information about the credit risks, please see Note 7.

22. Lease

(1) The company as a lessee

The Company leases a number of different assets, including property (houses and buildings) and other equipment. The lease periods of various contracts are from 1 year to 6 years.

The impact of the leasing business on the Company's financial status, financial performance and cash flow is described as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book values of right-of-use assets

	2022.3.31	2021.12.31	2021.3.31
Buildings and structures	\$17,161	\$16,919	\$22,052
Other equipment	15,899	17,474	11,598
Total	<u>\$33,060</u>	<u>\$34,393</u>	<u>\$33,650</u>

During January 1 to March 31, 2022 and January 1 to March 31, 2021, the right-of-use assets increased NT\$ 2,972 thousand and NT\$ 3,073 thousand, respectively.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(b) Lease liabilities

	2022.3.31	2021.12.31	2021.3.31
Lease liabilities	\$33,693	\$34,924	\$34,201

During January 1 to March 31, 2022 and January 1 to March 31, 2021, the interest expenses of the lease liabilities recognized were NT\$ 160 thousand and NT\$ 163 thousand, respectively.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the maturities of lease liabilities are analyzed as follows:

March 31, 2022

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	\$14,268	\$19,696	\$-	\$33,964

December 31, 2021

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	\$14,892	\$20,870	\$-	\$35,762

March 31, 2021

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	\$14,967	\$20,008	\$111	\$35,086

The above table shows the cash outflow analysis of the Company's lease liabilities based on the remaining period from the balance sheet date to the contract maturity date. The amounts disclosed in the table are based on contractual cash flows, so the amounts disclosed will not correspond to relevant items on the balance sheet.

B. Amounts recognized in the consolidated income statement

Depreciation of right-of-use assets

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Buildings and structures	\$2,730	\$2,680
Other equipment	1,575	1,108
Total	\$4,305	\$3,788

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

C. The lessee's income and expenses related to leasing activities

	2022.1.1- 2022.3.31	2021.1.1- 2021.3.31
Short-term leasing expenses	<u>\$2,837</u>	<u>\$9,058</u>

D. The lessee's cash outflows related to leasing activities

The total cash outflows during January 1 to March 31, 2022 and January 1 to March 31, 2021, were NT\$7,200 thousand and NT\$12,897 thousand, respectively.

(2) The Company as a lessor

The Company owned investment properties are disclosed in Note 6.8. The Company owned investment properties are classified as operating leases because almost all the risks and rewards attached to the ownership of the underlying assets have not been transferred.

	2022.1.1 -2022.3.31	2021.1.1 -2021.3.31
Lease income recognized under operating lease		
Fixed lease payments	<u>\$19,607</u>	<u>\$20,513</u>

The lease contracts with undiscounted lease payments received and total amounts for remaining years ranged on March 31, 2022, December 31, 2021 and March 31, 2021 were:

	2022.3.31	2021.12.31	2021.3.31
no more than 1 year	\$68,778	\$69,726	\$85,603
over 1 year but no more than 2 years	54,555	53,062	65,121
over 2 years but no more than 3 years	26,701	32,363	48,497
over 3 years but no more than 4 years	9,125	10,303	22,696
over 4 years but no more than 5 years	2,096	2,754	8,847
over 5 years	2,811	3,335	5,027
Total	<u>\$164,066</u>	<u>\$171,543</u>	<u>\$235,791</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

7. Risk management of insurance contracts and financial instruments

1. The objectives, policies, procedures and methods of risk management:

(1) The structure, organization, and accountability and empowerment

A. Board of Directors

- a. The Board of Directors is the Company's highest decision-making body on risk management and undertakes the ultimate responsibility for the company's overall risk management.
- b. The Board of Directors resolves the overall risk management policy and risk appetite in accordance with the corporate overall operating strategy and environment.

B. Risk Management Committee

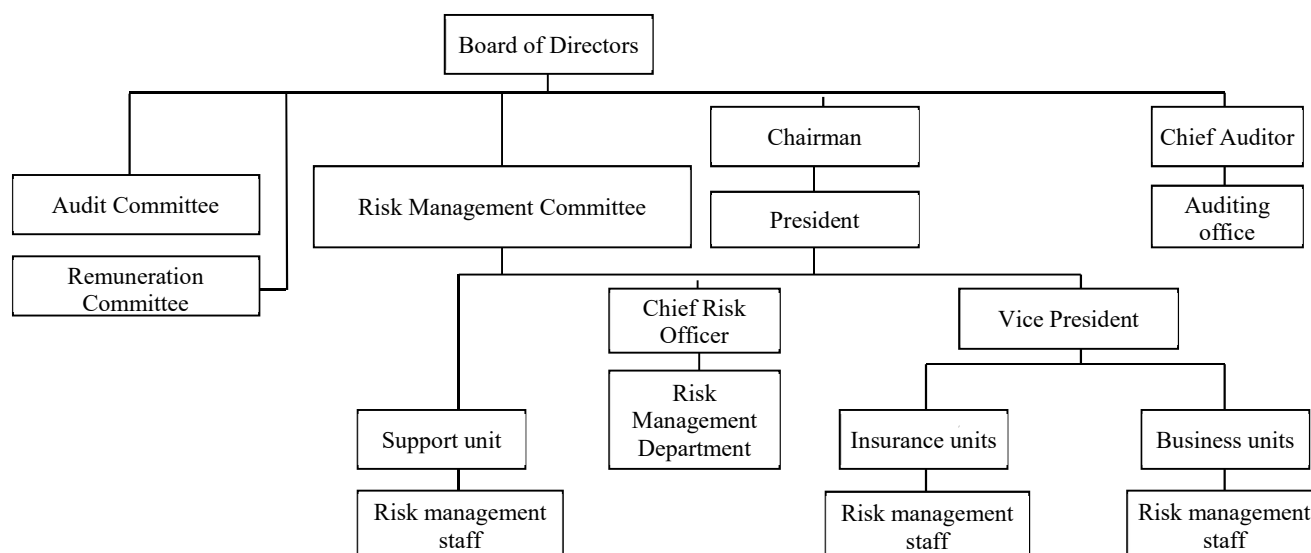
To meet the legal requirements of internal control and audit, the Committee is established to set up a complete internal risk control management structure for effective formulation, implementation, and tracking of the overall risk management policies and related affairs, to prevent potential risks affecting the Company's operating stability, and create substantive values from it.

C. Risk Management Department

The department assists the Board of Directors in formulating and implementing risk management policies and driving the practices by consolidating the risk management in individual departments for an integrated operation.

D. Business Department

- a. The department performs daily risk management affairs and provides feedback on risk information to the Risk Management Department.
- b. The department has a risk management person working as a window to the Risk Management Department and handles risk management business under the instructions from the department head.



(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(2) The scope and features of the risk reporting and measurement system of the property insurance industry

A. Risk reporting

- a. The business unit regularly sends risk information to the risk management unit for monitoring, and when the risk limit is exceeded, proposes an over-limit handling report along with corresponding measures.
- b. The risk management unit summarizes the risk information received from the business unit, to review and track the use of major risk limits, and report to the Chairman every quarter for regular monitoring.

B. The scope and features of the market risk measurement system

The Company's market risk measurement is based on the Bloomberg Algor Model, expressed with the market risk value VaR, which covers the risk of changes in exchange rates and interest rates, where the information system is shared by the Investment Department and the Risk Management Department, while the measurement is performed by the Middle Platform of the Risk Management Department.

(3) Procedures for the property insurance industry to undertake, measure, supervise and control insurance risks, and underwriting policies to ensure appropriate risk classification and premium levels

The Company's Risk Management Department is responsible for monitoring and integrating the corporate insurance risks, and requires relevant departments to set up risk indicators and management mechanisms as the basis for the Risk Management Department to monitor, while all the relevant departments manage the underlying insurance risks, and regularly provide implementation status to the Risk Management Department in accordance with the statutory regulations, internal regulations, and their professional knowledge and experience, and the Risk Management Department submits quarterly risk management reports to the Board of Directors.

(4) Assessment of insurance risks and scope of insurance risk management

The Company's insurance risk management covers product design and pricing, underwriting, reinsurance, catastrophes, and risks related to claims and reserves, for which appropriate management mechanisms are established and implemented.

(5) Approaches used by the property insurance industry to limit exposure to insurance risks and avoid concentration risks:

When an insurance business is introduced, the Company's underwriters evaluate the business quality based on the underwriting standards of the insurance types to determine whether to undertake it, in order to appropriately avoid and control risks for lower level of exposure.

The Company operates ceded-in/out retention and reinsurance based on the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" for which a risk retention mechanism is established, and a reinsurance risk management plan is also established based on the risk undertaking capacity, while the limit of the risk retention is set according to individual risk units by insurance types. The risk retention

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

limits of individual risk units by insurance types are disclosed as follows:

Insurance types	2022	2021
A.Fire insurance	\$500,000	\$500,000
B.Marine insurance		
a. Cargo insurance	300,000	300,000
b. Hull insurance	300,000	300,000
c. Fishing vessel insurance	300,000	300,000
C. Casualty Insurance		
a. Engineering insurance	1,000,000	1,000,000
b. Liability insurance	660,000	660,000
c. Accident insurance	1,300,000	1,300,000
d. Health insurance	5,000	5,000
D.Motor insurance		
a. Damage insurance	60,000	60,000
b. Third-party liability insurance	400,000	400,000

2. Management of assets and liabilities

Based on the business features, the Company regularly measures various reserves to ensure that the current capital allocation and asset investment liquidity are sufficient to cover possible future claims. Cash flow management is carried out on a daily basis by a fund dispatch unit independent of the trading unit, and the dispatch and management of the funds takes into account the fund demands and schedules of individual departments.

Also, the Company has established the Operational Crisis Response Guidelines based on the “Key Attributes for Handling Financial Institutions’ Operational Crisis” set by the FSC, and in the event of a huge loss of funds or a severe liquidity shortage, a crisis taskforce will be established immediately to quickly assess the impact on the fund liquidity and the amount needed to fill the fund gap as well as the funding schedule and efficacy, to protect the interests of the policyholders and the Company.

3. The procedure for managing, monitoring and controlling commitments on liabilities or additional investment in owner’s equity to be undertaken by insurance companies when a specific event occurs.

The Company has established a capital adequacy management mechanism, which includes a capital adequacy index to facilitate regular reviews and preparation of capital adequacy reports biannually.

If the capital adequacy ratio exceeds the risk limit, or an abnormality occurs, the cause of the event will be explored and responses be set forth to evaluate the impact on the capital adequacy

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

4. Receivables (payables) of insurance contracts

(1) Receivables of insurance contracts

Item	Notes receivable (note)		
	2022.3.31	2021.12.31	2021.3.31
Fire insurance	\$20,835	\$22,169	\$20,678
Marine insurance	50,394	53,401	54,335
Motor insurance	81,078	91,367	78,468
Engineering insurance	33,830	41,666	88,931
Liability insurance	36,029	20,266	21,294
Accident & health insurance	6,394	7,409	8,734
Others	31,930	34,630	43,387
Total	260,490	270,908	315,827
Add: non-performing loans	170	-	-
Less: Allowance for losses	(2,775)	(2,709)	(3,158)
Net amount	<u>\$257,885</u>	<u>\$268,199</u>	<u>\$312,669</u>

Note: As of March 31, 2022, December 31, 2021 and March 31, 2021, the notes receivable included non-performing loans of NT\$170 thousand, NT\$0 thousand and NT\$0 thousand, respectively, and accordingly allowances for losses of NT\$170 thousand, NT\$0 thousand and NT\$0 thousand were provided respectively.

Item	Premiums receivable (note)		
	2022.3.31	2021.12.31	2021.3.31
Fire insurance	\$255,362	\$559,048	\$306,191
Marine insurance	251,450	273,790	211,769
Motor insurance	66,184	92,095	69,656
Engineering insurance	199,934	91,122	136,329
Liability insurance	131,882	152,212	159,410
Accident & health insurance	96,605	85,695	133,404
Total	1,001,417	1,253,962	1,016,759
plus: non-performing loans	203,161	139,299	122,780
Less: Allowance for losses	(19,170)	(28,372)	(21,342)
Net amount	<u>\$1,185,408</u>	<u>\$1,364,889</u>	<u>\$1,118,197</u>

Note: The insurance premiums receivable on March 31, 2022, December 31, 2021, and March 31, 2021 included the collections of NT\$203,161 thousand, NT\$139,299 thousand, and NT\$122,780 thousand with allowance for losses of NT\$9,156 thousand, NT\$15,832 thousand, and NT\$11,174 thousand appropriated, respectively.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (2) Reinsurance assets – claims recoverable from reinsurers for the claims reported and settled with the policyholders

Item	2022.3.31	2021.12.31	2021.3.31
	Actually paid	Actually paid	Actually paid
Fire insurance	\$46,145	\$21,740	\$12,984
Marine insurance	14,231	13,900	6,791
Motor insurance	150,435	178,756	225,874
Engineering insurance	8,956	23,657	13,508
Liability insurance	967	1,245	434
Accident & health insurance	32,777	40,233	53,841
Total	253,511	279,531	313,432
Add: non-performing loans	307	-	-
Less: Allowance for losses	(2,536)	(2,795)	(3,214)
Net amount	\$250,975	\$276,736	\$310,525

- (3) Commissions payable for insurance contracts

Item	2022.3.31	2021.12.31	2021.3.31
Fire insurance	\$55,886	\$33,456	\$60,144
Marine insurance	25,278	26,437	26,811
Motor insurance	90,660	102,368	92,644
Engineering insurance	19,128	15,879	15,350
Liability insurance	54,593	45,297	53,378
Accident & health insurance	50,861	54,532	64,010
Total	\$296,406	\$277,969	\$312,337

- (4) Due from (to) Reinsurers & Ceding Companies – holding reinsurance

Item	2022.3.31	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$98,796	\$141,495
AON	115,267	57,815
COS	62,193	1,649
CRC	110,662	25,211
JOH	103,064	80,615
SWH	156,793	90,916
WIT	34,079	181,662
Others	142,403	688,140
Subtotal	823,257	1,267,503
plus: non-performing loans	39,202	-
Less: Allowance for losses	(25,012)	-
Net amount	\$837,447	\$1,267,503

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.12.31	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$97,958	\$165,945
AON	48,965	23,864
CRC	97,229	29,005
JOH	111,891	284,679
SWH	93,384	56,389
WIT	32,659	108,970
Others	121,275	890,995
Subtotal	603,361	1,559,847
plus: non-performing loans	43,595	-
Less: Allowance for losses	(17,387)	-
Net amount	\$629,569	\$1,559,847

Item	2021.3.31	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$98,492	\$149,847
AON	32,064	87,759
CRC	30,695	50,171
JOH	66,576	64,168
PIB	44,596	55,943
SWH	72,610	297,518
WIL	25,244	23,182
WIT	14,587	111,791
Others	11,198	739,618
Subtotal	396,062	1,579,997
plus: non-performing loans	79,225	-
Less: Allowance for losses	(41,359)	-
Net amount	\$433,928	\$1,579,997

Note: The reinsurance accounts receivable on March 31, 2022, December 31, 2021, and March 31, 2021 included the collections of NT\$39,220 thousand, NT\$43,595 thousand, and NT\$79,225 thousand with the allowance for losses of NT\$17,539 thousand, NT\$12,358 thousand, and NT\$37,976 thousand appropriated, respectively.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (5) The notes receivable, premiums receivable, other receivables, claims recoverable from reinsurers, and due from reinsurers and ceding companies are grouped based on the counterparty's credit rating, region and industry, and the allowances for losses measured with the provision matrix are as follows:

	2022.3.31				Total
	0-90 days	91-180 days	181-365 days	over 366 days	
Expected credit loss	0%-1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,348,771	\$440,712	\$79,196	\$31,588	\$2,900,267
Allowance for loss (expected credit loss)	(20,368)	(6,371)	(3,616)	(20,470)	(50,825)
Total	<u>\$2,328,403</u>	<u>\$434,341</u>	<u>\$75,580</u>	<u>\$11,118</u>	<u>\$2,849,442</u>

	2021.12.31				Total
	0-90 days	91-180 days	181-365 days	over 366 days	
Expected credit loss	0%-1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,557,277	\$184,182	\$136,531	\$26,355	\$2,904,345
Allowance for loss (expected credit loss)	(23,155)	(2,805)	(10,688)	(16,354)	(53,002)
Total	<u>\$2,534,122</u>	<u>\$181,377</u>	<u>\$125,843</u>	<u>\$10,001</u>	<u>\$2,851,343</u>

	2021.3.31				Total
	0-90 days	91-180 days	181-365 days	over 366 days	
Expected credit loss	0%-1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,330,428	\$164,864	\$81,134	\$69,834	\$2,646,260
Allowance for loss (expected credit loss)	(19,389)	(2,644)	(5,792)	(42,483)	(70,308)
Total	<u>\$2,311,039</u>	<u>\$162,220</u>	<u>\$75,342</u>	<u>\$27,351</u>	<u>\$2,575,952</u>

The company does not hold any collateral for the balance of such receivables.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

5. Information related to business performance

(1) Insurance contract acquisition cost

Item	2022.1.1-2022.3.31				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$59,252	\$-	\$5,277	\$484	\$65,013
Marine insurance	19,128	-	-	18	19,146
Motor insurance	378,012	-	76,496	-	454,508
Engineering insurance	25,063	-	-	18	25,081
Liability insurance	79,806	-	-	-	79,806
Accident & health insurance	110,189	-	-	-	110,189
Total	<u>\$671,450</u>	<u>\$-</u>	<u>\$81,773</u>	<u>\$520</u>	<u>\$753,743</u>

Item	2021.1.1-2021.3.31				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$62,653	\$-	\$5,060	\$2,186	\$69,899
Marine insurance	18,614	-	-	38	18,652
Motor insurance	354,176	-	79,676	-	433,852
Engineering insurance	19,297	-	-	21	19,318
Liability insurance	70,054	-	-	-	70,054
Accident & health insurance	115,324	-	-	-	115,324
Total	<u>\$640,118</u>	<u>\$-</u>	<u>\$84,736</u>	<u>\$2,245</u>	<u>\$727,099</u>

(2) Analysis of insurance profit and loss

A. Analysis of the profit and loss of the underwriting and ceded-in reinsurance

Item	2022.1.1-2022.3.31							
	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims (including indemnity expense)	Reinsurance claims	Net change in Claims reserve	Insurance profit (loss)
Fire insurance	\$974,432	\$28,275	\$37,836	\$(65,013)	\$(373,358)	\$(1,015)	\$102,426	\$703,583
Marine insurance	218,536	778	52,502	(19,146)	(144,975)	(2)	(31,458)	76,235
Motor insurance	2,897,199	157,209	(64,802)	(454,508)	(1,528,834)	(153,527)	(126,184)	726,553
Engineering insurance	428,938	76	(119,641)	(25,081)	(53,511)	(108)	(58,663)	172,010
Liability insurance	557,451	1,303	(122,025)	(79,806)	(138,724)	(7)	23,729	241,921
Accident & health insurance	633,355	2,099	(90,171)	(110,189)	(319,071)	(569)	(29,796)	85,658
Total	<u>\$5,709,911</u>	<u>\$189,740</u>	<u>\$(306,301)</u>	<u>\$(753,743)</u>	<u>\$(2,558,473)</u>	<u>\$(155,228)</u>	<u>\$(119,946)</u>	<u>\$2,005,960</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2021.1.1-2021.3.31								
Item	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims (including indemnity expense)	Reinsurance claims	Net change in Claims reserve	Insurance profit (loss)
Fire insurance	\$819,078	\$38,437	\$33,408	\$(69,899)	\$(75,130)	\$(749)	\$(634,639)	\$110,506
Marine insurance	284,086	521	18,104	(18,652)	(48,289)	40	(33,035)	202,775
Motor insurance	2,780,733	151,922	(108,834)	(433,852)	(1,672,322)	(143,991)	(42,005)	531,651
Engineering insurance	324,688	101	(87,614)	(19,318)	(88,582)	(25)	18,139	147,389
Liability insurance	543,816	522	(176,041)	(70,054)	(121,520)	(752)	8,267	184,238
Accident & health insurance	667,838	576	(153,050)	(115,324)	(327,789)	(154)	(10,618)	61,479
Total	<u>\$5,420,239</u>	<u>\$192,079</u>	<u>\$ (474,027)</u>	<u>\$ (727,099)</u>	<u>\$ (2,333,632)</u>	<u>\$ (145,631)</u>	<u>\$ (693,891)</u>	<u>\$1,238,038</u>

B. Current profit and loss recognized for purchased reinsurance contracts

2022.1.1-2022.3.31						
Item	Reinsurance premiums ceded	Net change in ceded unearned premium reserve	Reinsurance commission income	Claims recovered from reinsurers	Net change in ceded Claims reserve	Ceded reinsurance profit (loss)
Fire insurance	\$(426,929)	\$(98,437)	\$13,307	\$288,644	\$(205,490)	\$(428,905)
Marine insurance	(123,998)	(50,439)	19,113	53,799	25,109	(76,416)
Motor insurance	(288,547)	(27,998)	26,231	254,072	(12,062)	(48,304)
Engineering insurance	(223,606)	86,596	9,024	9,512	45,480	(72,994)
Liability insurance	(42,734)	(1,622)	4,184	12,182	(10,952)	(38,942)
Accident & health insurance	(63,469)	26,341	3,841	35,468	1,993	4,174
Total	<u>\$(1,169,283)</u>	<u>\$(65,559)</u>	<u>\$75,700</u>	<u>\$653,677</u>	<u>\$(155,922)</u>	<u>\$(661,387)</u>

2021.1.1-2021.3.31						
Item	Reinsurance premiums ceded	Net change in ceded unearned premium reserve	Reinsurance commission income	Claims recovered from reinsurers	Net change in ceded Claims reserve	Ceded reinsurance profit (loss)
Fire insurance	\$(435,370)	\$(49,670)	\$31,674	\$39,124	\$353,866	\$(60,376)
Marine insurance	(170,239)	(32,146)	18,501	12,463	52,393	(119,028)
Motor insurance	(307,219)	(1,548)	31,170	334,051	(35,130)	21,324
Engineering insurance	(176,249)	82,136	18,873	31,915	(15,884)	(59,209)
Liability insurance	(58,166)	9,698	5,533	6,957	2,356	(33,622)
Accident & health insurance	(96,253)	45,513	6,407	49,013	10,133	14,813
Total	<u>\$(1,243,496)</u>	<u>\$53,983</u>	<u>\$112,158</u>	<u>\$473,523</u>	<u>\$367,734</u>	<u>\$(236,098)</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

6. Sensitivity of insurance risks

Insurance contract type	Premium revenues	Expected loss rate	Expected impact on profit or loss with 5% increase of loss rate	
			Before holding reinsurance	After holding reinsurance
Fire insurance	\$974,453	70.42%	\$48,723	\$27,376
Marine insurance	219,780	70.14%	10,989	4,727
Land and air insurance	2,375,731	65.60%	118,786	115,198
Liability insurance	420,445	71.22%	21,022	19,754
Engineering Guarantee Insurance	437,506	68.02%	21,875	10,651
Other property insurance	128,438	62.29%	6,422	5,598
Accident insurance	629,104	63.45%	31,455	28,287
Health insurance	4,252	63.22%	213	207
Automobile liability insurance	520,223	Not applicable	Not applicable	Not applicable
Total	<u>\$5,709,932</u>		<u>\$259,485</u>	<u>\$211,798</u>

Note: The data period is from January to March 2022; fire insurance premiums are not covered in long-term fire insurance.

According to the data from January to March 2022, although the assumed increase of expected loss rate by 5% have a certain degree of impact on the profit or loss, with the reinsurance arrangement, however, the impact from the change in expected loss rate can be reduced, thereby spreading the risks, and the sensitivity can be maintained within a reasonable range.

7. Explanation of concentrated insurance risks

(1) Circumstances that may lead to concentrated insurance risks:

A. Proportion of premiums for underwriting and ceded-in reinsurance

The insurance contracts underwritten by the company are spread across different types of insurance without concentration on a single type of insurance, and the highest proportion is attributed to automobile insurance, which accounted for 51.77% and 52.25% of the total underwriting during January 1 to March 31, 2022 and January 1 to March 31, 2021, respectively. Although the proportion is higher than that of other insurances, experiences show the relevant loss is stable and the risk variation is not significant; other insurance types do not have risk concentration either.

Proportion of premiums for underwriting and ceded-in reinsurance:

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Amount	Percentage.	Amount	Percentage.
Fire insurance	\$1,002,707	17.00%	\$857,515	15.28%
Marine insurance	219,314	3.72%	284,607	5.07%
Motor insurance	3,054,408	51.77%	2,932,655	52.25%
Engineering insurance	429,014	7.27%	324,789	5.79%
Liability insurance	558,754	9.47%	544,338	9.70%
Accident & health insurance	635,454	10.77%	668,414	11.91%
Total	<u>\$5,899,651</u>		<u>\$5,612,318</u>	

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

B. Retention ratios

The car insurance has the highest retention ratios, which accounted for 58.47% and 60.09% of its total premiums during January 1 to March 31, 2022 and January 1 to March 31, 2021, respectively, and in consideration of the possibility of significant cumulative losses, reinsurance is arranged to spread the risks, and therefore no risk concentration present.

Also considered are insurances related to natural disasters (e.g. earthquakes and typhoon floods) that may lead to significant cumulative losses, as well as insurances that may result in cumulative losses including property related insurances (fire insurance, engineering insurance), marine insurance and accident insurance, and to avoid concentrated underwriting risks, catastrophe reinsurance contacts are purchased to spread the risks.

Premiums retention ratios:

Item	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Amount	Percentage.	Amount	Percentage.
Fire insurance	\$575,778	12.17%	\$422,145	9.66%
Marine insurance	95,316	2.02%	114,368	2.62%
Motor insurance	2,765,861	58.47%	2,625,436	60.09%
Engineering insurance	205,408	4.34%	148,540	3.40%
Liability insurance	516,020	10.91%	486,172	11.13%
Accident & health insurance	571,985	12.09%	572,161	13.10%
Total	<u>\$4,730,368</u>		<u>\$4,368,822</u>	

C. The following table shows the concentrated risks of different insurance types before and after reinsurances:

Item	2022.1.1-2022.3.31			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$974,432	\$28,275	\$(426,929)	\$575,778
Marine insurance	218,536	778	(123,998)	95,316
Motor insurance	2,897,199	157,209	(288,547)	2,765,861
Engineering insurance	428,938	76	(223,606)	205,408
Liability insurance	557,451	1,303	(42,734)	516,020
Accident & health insurance	633,355	2,099	(63,469)	571,985
Total	<u>\$5,709,911</u>	<u>\$189,740</u>	<u>\$(1,169,283)</u>	<u>\$4,730,368</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.1.1-2021.3.31			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$819,078	\$38,437	\$(435,370)	\$422,145
Marine insurance	284,086	521	(170,239)	114,368
Motor insurance	2,780,733	151,922	(307,219)	2,625,436
Engineering insurance	324,688	101	(176,249)	148,540
Liability insurance	543,816	522	(58,166)	486,172
Accident & health insurance	667,838	576	(96,253)	572,161
Total	<u>\$5,420,239</u>	<u>\$192,079</u>	<u>\$(1,243,496)</u>	<u>\$4,368,822</u>

8. Claims development trend

This table discloses the IBNR reserves for the insurance types based on the “Loss Development Triangles.”

◎ Claims development trend:

A. Cumulative reported claims

Accident Year	Assessment date					2022.3.31 Cumulative		IBNR claims	Claims reserve
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.3.31	settled claims	Outstanding claims		
≤2017							\$443,794		
2018	\$7,005,283	\$7,378,153	\$7,256,705	\$7,244,168	\$7,243,300	\$7,120,234	123,066		
2019		8,069,856	8,686,669	8,618,981	8,621,541	8,035,855	585,686		
2020			9,736,071	10,213,567	10,248,775	8,089,660	2,159,115		
2021				8,570,248	8,932,657	6,244,954	2,687,703		
2022					1,925,171	427,222	1,497,949		
Total							<u>\$7,497,313</u>	<u>\$1,317,821</u>	<u>\$8,815,134</u>

Accident Year	Assessment date					2021.12.31 Cumulative		IBNR claims	Claims reserve
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31	settled claims	Outstanding claims		
≤2016							\$377,920		
2017	\$6,409,289	\$6,589,715	\$6,537,614	\$6,531,323	\$6,557,063	\$6,480,591	76,472		
2018		7,005,283	7,378,153	7,256,705	7,244,168	7,110,430	133,738		
2019			8,069,856	8,686,669	8,618,981	7,984,530	634,451		
2020				9,736,071	10,213,567	7,651,271	2,562,296		
2021					8,570,248	4,968,283	3,601,965		
Total							<u>\$7,386,842</u>	<u>\$1,289,214</u>	<u>\$8,676,056</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Accident Year	Assessment date					2021.3.31 Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.3.31				
≤2016							\$424,892		
2017	\$6,409,289	\$6,589,715	\$6,537,614	\$6,531,323	\$6,545,562	\$6,448,295	97,267		
2018		7,005,283	7,378,153	7,256,705	7,245,374	6,933,884	311,490		
2019			8,069,856	8,686,669	8,682,563	7,702,660	979,903		
2020				9,736,071	10,369,421	6,047,316	4,322,105		
2021					1,936,059	396,020	1,540,039		
Total							<u>\$7,675,696</u>	<u>\$1,092,345</u>	<u>\$8,768,041</u>

B. Cumulative reported claims

Accident Year	Assessment date					2022.3.31 Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.3.31				
≤2017							\$161,620		
2018	\$5,824,992	\$6,079,736	\$6,030,322	\$5,976,778	\$5,975,561	\$5,894,913	80,648		
2019		6,383,975	6,586,879	6,575,205	6,576,498	6,436,063	140,435		
2020			6,976,044	7,297,107	7,318,258	6,763,086	555,172		
2021				7,164,861	7,415,844	5,521,853	1,893,991		
2022					1,749,417	400,021	1,349,396		
Total							<u>\$4,181,262</u>	<u>\$1,078,040</u>	<u>\$5,259,302</u>

Accident Year	Assessment date					2021.12.31 Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31				
≤2016							\$115,952		
2017	\$5,383,242	\$5,476,366	\$5,441,622	\$5,441,978	\$5,471,478	\$5,415,708	55,770		
2018		5,824,992	6,079,736	6,030,322	5,976,778	5,886,007	90,771		
2019			6,383,975	6,586,879	6,575,205	6,401,285	173,920		
2020				6,976,044	7,297,107	6,606,252	690,855		
2021					7,164,861	4,366,240	2,798,621		
Total							<u>\$3,925,889</u>	<u>\$1,050,561</u>	<u>\$4,976,450</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Accident Year	Assessment date					2021.3.31 Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.3.31				
≤2016							\$115,060		
2017	\$5,383,242	\$5,476,366	\$5,441,622	\$5,441,978	\$5,455,151	\$5,385,242	69,909		
2018		5,824,992	6,079,736	6,030,322	6,027,656	5,847,824	179,832		
2019			6,383,975	6,586,879	6,582,497	6,239,641	342,856		
2020				6,976,044	7,355,762	5,452,083	1,903,679		
2021					1,592,185	362,133	1,230,052		
Total							<u>\$3,841,388</u>	<u>\$834,086</u>	<u>\$4,675,474</u>

Note: The above figures do not include policy-based insurances (i.e. automobile compulsory insurance, residential earthquake insurance, nuclear energy insurance) and the insurances with IBNR reserves not provided based on the “Loss Development Triangles.”

9. Types of financial instruments

Financial instruments	2022.3.31	2021.12.31	2021.3.31
<u>Financial assets</u>			
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$8,918,423	\$8,823,185	\$8,534,732
Financial assets at fair value through other comprehensive income	1,525,428	1,388,344	1,284,115
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand and working capital)	11,690,453	11,754,641	10,838,370
Financial assets at amortized cost	7,373,540	6,941,041	6,066,347
Accounts receivable	1,761,020	1,945,038	1,831,499
Refundable deposits	637,466	627,855	645,993
Subtotal	<u>21,462,479</u>	<u>21,268,575</u>	<u>19,382,209</u>
Total	<u>\$31,906,330</u>	<u>\$31,480,104</u>	<u>\$29,201,056</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$91,657	\$-	\$11,992
Financial liabilities at amortized cost:			
Accounts Payables	2,342,470	2,894,222	2,692,815
Lease liabilities	33,693	34,924	34,201
Subtotal	<u>2,376,163</u>	<u>2,929,146</u>	<u>2,727,016</u>
Total	<u>\$2,467,820</u>	<u>\$2,929,146</u>	<u>\$2,739,008</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

10. Financial risk management objectives and policies

Financial instruments other than derivatives held by the Company mainly include: cash and cash equivalents, and various investments. Such financial instruments are used to adjust the flow of operating funds. The Company also holds other financial assets and liabilities, such as notes receivable, premiums receivable, claims and benefits payable, due from (to) reinsurers & ceding companies, refundable deposits, resulted from business operations.

The Company also engages in derivatives trading, mainly on forward exchange agreements, to avoid exchange rate risks out of investment activities. The Company's policy is NOT to engage in derivative transactions for trading purposes.

The main risks of the Company's financial instruments are market risks, credit risks and liquidity risks. The risk management policy approved by the Board of Directors is as follows:

(1) Market risk

A. Exchange rate risk

The Company is exposed to the risk of fluctuated exchange rates between the U.S. dollar and the New Taiwan dollar due to holding foreign currencies from trust investments. Since the amounts of such investment positions are significant, forward exchange agreements are carried out to hedge this part of investment activities.

The Company is also exposed to the exchange rate risk arising from reinsurance of business operations denominated in non-functional currencies. However, this type of transactions usually has a short cash collection period with less significant exchange rate fluctuation, and therefore transactions as such are usually not hedged.

The conditions for the hedging tools and for the hedged items are the same based on the Company's self-assessment, so as to maximize the hedging efficacy.

B. Interest rate risk

The interest rate risk is a result from fluctuated fair value of financial instruments or fluctuated cash flows in the future due to changes in market interest rates, and the floating interest rate assets held by the company as well as the floating interest rate debts undertaken by the company may lead risks arising from fluctuated cash flows in the future due to the changes in the market interest rates; however, the Company's financial instruments are all capital-guaranteed, and therefore the impact is not significant.

C. Equity price risk

The company holds domestic and foreign listed and unlisted equity securities, whose prices will be affected by the uncertainty of the future value of their invested targets. These listed and unlisted equity securities held by the Company are included in the fair value measurement through profit or loss and the fair value measurement through other comprehensive profit or loss. Investment portfolios are used to set investment limits on single and overall equity securities to manage the price risks.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(2) Credit risk

A. Credit risk management policy

The company only deals with third parties that have been recognized as having good credit and, as the corporate policy requires, a credit transaction must go through a credit confirmation procedure before being carried out, and the recovery of premiums and bills receivable are continuously surveyed and evaluated and, as a result, the Company has maintained a good status from bad debts. If the counterparty shows credibility issues, however, relevant contracts will be suspended and the related rights and obligations will not be exercised until it gets back to the transaction status.

The credit risks to which the Company's financial transactions are exposed include issuer credit risk, counterparty credit risk and underlying asset credit risk:

- a. The issuer credit risk refers to the risk of financial losses incurred by the Company due to the holding of financial debt instruments or deposits in banks for which payments or compensation obligations are not performed because of default, bankruptcy or liquidation of the issuer, guarantor or bank, in accordance with the agreed terms.
- b. The counterparty credit risk refers to the risk of financial losses incurred by the Company due to the transactions of financial instruments, with which the counterparty fails to perform the delivery or payment obligations on the agreed date.
- c. The underlying asset credit risk refers to the risk of losses due to the weakened credit quality, increased credit discounts, downgraded credit ratings, or breach of contract concerning the underlying asset linked to financial instruments.

The IFRS 9 is taken to assess expected credit losses, and except for receivables, for which allowance for loss is measured by the lifetime expected credit loss, the rest debt instruments not measured at fair value through profit or loss have the allowance for loss measured based on the lowest risk credit at initial procurement, and on every balance sheet date whether the credit risk is significantly increased since the initial recognition is assessed to determine the method and the loss rate for measuring the allowance for loss. The method and indicators used to assess the impairment of the debt instrument investments are described as follows:

Credit risk ratings	Indicators	Expected credit loss measurement method	Loss rates		
			2022.3.31	2021.12.31	2021.3.31
Low credit risk	Credit rating above Baa3	12-month expected	0.0118%~	0.0012%~	0.0190%~
		credit loss	0.1030%	0.0895%	0.0885%
Credit risk increased significantly	Credit rating below Ba1	Lifetime expected	1.2221%~	1.5868%~	1.5508%~
		credit loss	6.2558%	4.8399%	3.8394%

The financial assets with recovery unable to be reasonably expected (e.g. the issuer or debtor has major financial difficulties, or has gone bankrupt) are written off.

The debt instruments with increased credit risks are promptly disposed to reduce credit losses. To assess the expected credit losses based on IFRS 9, the forward-looking information (obtained without excessive cost or investment) used also includes general economic information and industry information, and the loss rate is adjusted if the information shows significant impact on the credit losses.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

B. Judgment that the credit risk has increased significantly since initial recognition

- a. The financial instruments are assessed for impairment based on IFRS 9 on every reporting date, to judge whether the credit risk has significantly increased since the initial recognition. This assessment considers reasonable and supportive information (including forward-looking one) that shows a significant increase in the credit risk since the initial recognition, and the main indicators include external credit ratings, credit spreads, and other market information related to the borrowers or issuers showing a significant increase of the credit risk.
- b. Low credit risk: If a financial instrument is judged as having low credit risk on the reporting date, it can be assumed that the credit risk of the financial instrument has not significantly increased since initial recognition.

C. Defaulted and credit impaired financial assets

The default of a financial asset is defined the same as with its credit impairment, and one or more of the following conditions are met, the financial asset is judged as defaulted and credit impaired:

- a. Quantitative indicator: When the contract payment is overdue for more than 90 days, the financial asset is judged as defaulted and credit impaired.
- b. Qualitative indicator: When evidence shows that the issuer or borrower is unable to fulfill the contract payment, or that the issuer or borrower has major financial difficulties, such as:
 - (A) The issuer or borrower is bankrupt or may apply for bankruptcy or financial restructuring; or
 - (B) Failure to pay the principal or interest in accordance with the agreed terms; or
 - (C) The borrower's collateral is under provisional attachment or compulsory collection; or
 - (D) The borrower applies for changing the credit terms due to financial difficulties.
- c. The above definitions of default and credit impairment apply to all financial assets held by the Company, and are consistent with the definitions used for financial assets at stake for internal credit risk management, and are also used in the relevant impairment assessment models.

D. Measurement of expected credit losses

- a. The approach and assumption

The allowance for loss of the financial instruments with no significant increase of credit risks since initial recognition is measured by the 12-month expected credit loss; the allowance for loss of the financial instruments with significant increase of credit risk or credit impairment since initial recognition is measured by the lifetime expected credit loss.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

To measure the expected credit loss, the probability of default (PD) in the next 12 months and in the lifetime of the financial instruments are considered, with the loss given default (LGD) accommodated, multiplied by the exposure at default (EAD), along with additional consideration on the influence of the time value of money, and then the expected credit loss is calculated for the 12 months and for the lifetime duration, respectively.

The PD is the probability that the issuer, guarantee agency or borrower will default, and the LGD is the loss ratio caused by the issuer, guarantee agency or borrower when the default occurs. The LGD used for the impairment assessment is based on the information regularly published by Moody's, an international credit rating agency; the PD is based on the information regularly published by the Taiwan Ratings and Moody's, taking into account historical data adjusted based on currently observable data and general economic information (such as GDP and economic growth rate). The EAD is measured at the amortized cost and interests receivable of financial assets.

b. Consideration of forward-looking information

The forward-looking information is taken into consideration when the expected credit loss of financial assets is measured.

E. Analysis of risk concentration

a. The following table shows the geographical distribution of the credit risk exposure of the financial assets:

March 31, 2022

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	11,690,453	-	-	-	11,690,453
Financial assets at fair value through profit or loss	51,133	-	-	-	51,133
Financial assets at fair value through other comprehensive income	-	-	346,083	-	346,083
Financial assets at amortized cost (Note 2)	4,102,372	-	3,030,908	769,078	7,902,358
Total	15,843,958	-	3,376,991	769,078	19,990,027
Regional proportion to overall	79%	0%	17%	4%	100%

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

December 31, 2021

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	11,754,641	-	-	-	11,754,641
Financial assets at fair value through profit or loss	51,137	-	-	-	51,137
Financial assets at fair value through other comprehensive income	-	-	386,930	-	386,930
Financial assets at amortized cost (Note 2)	3,480,320	302,328	2,661,147	1,026,701	7,470,496
Total	15,286,098	302,328	3,048,077	1,026,701	19,663,204
Regional proportion to overall	78%	2%	15%	5%	100%

March 31, 2021

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	10,838,370	-	-	-	10,838,370
Financial assets at fair value through profit or loss	51,121	-	-	-	51,121
Financial assets at fair value through other comprehensive income	-	-	371,188	-	371,188
Financial assets at amortized cost (Note 2)	2,819,010	302,306	2,370,369	1,107,055	6,598,740
Total	13,708,501	302,306	2,741,557	1,107,055	17,859,419
Regional proportion to overall	77%	2%	15%	6%	100%

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

- b. The following table shows the industrial distribution of the credit risk exposure of the financial assets:

March 31, 2022

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	11,690,453	-	-	-	11,690,453
Financial assets at fair value through profit or loss	51,133	-	-	-	51,133
Financial assets at fair value through other comprehensive income	-	-	-	346,083	346,083

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Financial assets at amortized cost (Note 2)	2,889,707	199,085	1,545,815	3,267,751	7,902,358
Total	14,631,293	199,085	1,545,815	3,613,834	19,990,027
Regional proportion to overall	73%	1%	8%	18%	100%

December 31, 2021

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	11,754,641	-	-	-	11,754,641
Financial assets at fair value through profit or loss	51,137	-	-	-	51,137
Financial assets at fair value through other comprehensive income	-	-	-	386,930	386,930
Financial assets at amortized cost (Note 2)	2,887,357	192,473	929,451	3,461,215	7,470,496
Total	14,693,135	192,473	929,451	3,848,145	19,663,204
Regional proportion to overall	75%	1%	5%	19%	100%

March 31, 2021

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	10,838,370	-	-	-	10,838,370
Financial assets at fair value through profit or loss	51,121	-	-	-	51,121
Financial assets at fair value through other comprehensive income	-	-	-	371,188	371,188
Financial assets at amortized cost (Note 2)	2,631,634	198,256	587,116	3,181,734	6,598,740
Total	13,521,125	198,256	587,116	3,552,922	17,859,419
Regional proportion to overall	76%	1%	3%	20%	100%

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

F. Analysis of credit risk quality

The following table shows the credit quality classification of the financial assets:

March 31, 2022

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	11,690,453	-	11,690,453
Financial assets at fair value through profit or loss	51,133	-	51,133

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Financial assets at fair value through other comprehensive income	346,083	-	346,083
Financial assets at amortized cost (Note 2)	7,902,358	-	7,902,358
Total	19,990,027	-	19,990,027

December 31, 2021

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	11,754,641	-	11,754,641
Financial assets at fair value through profit or loss	51,137	-	51,137
Financial assets at fair value through other comprehensive income	386,930	-	386,930
Financial assets at amortized cost (Note 2)	7,470,496	-	7,470,496
Total	19,663,204	-	19,663,204

March 31, 2021

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	10,838,370	-	10,838,370
Financial assets at fair value through profit or loss	51,121	-	51,121
Financial assets at fair value through other comprehensive income	371,188	-	371,188
Financial assets at amortized cost (Note 2)	6,598,740	-	6,598,740
Total	17,859,419	-	17,859,419

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

Note 3: Investment grade refers to credit rating above BBB- and non-investment grade refers to BBB- or lower.

G. Maximum total book value of credit risk exposure and credit quality classification

	2022.3.31				
	Stage 1	Stage 2	Stage 3		
	12-month expected credit loss	Lifetime expected credit loss	Lifetime Expected credit loss	Purchased or credit-impaired financial assets	Total book value
Financial assets at amortized cost	\$8,098,621	\$151,469	\$-	\$-	\$8,250,090
Financial assets at fair value through other comprehensive income	382,300	-	-	-	382,300

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2021.12.31					
	Stage 1	Stage 2	Stage 3		
	12-month expected credit loss	Lifetime expected credit loss	Lifetime Expected credit loss	Purchased or credit-impaired financial assets	Total book value
Financial assets at amortized cost	\$7,877,435	\$150,822	\$-	\$-	\$8,028,257
Financial assets at fair value through other comprehensive income	378,834	-	-	-	378,834

2021.3.31					
	Stage 1	Stage 2	Stage 3		
	12-month expected credit loss	Lifetime expected credit loss	Lifetime Expected credit loss	Purchased or credit-impaired financial assets	Total book value
Financial assets at amortized cost	\$7,000,379	\$40,451	\$-	\$-	\$7,040,830
Financial assets at fair value through other comprehensive income	383,686	-	-	-	383,686

Note: Including security deposits and interests receivable of financial assets.

H. Reconciliation of allowance for loss from beginning balance to ending balance

	12-month expected credit loss	Lifetime expected credit loss
	Measured at fair value through other comprehensive income	Measured at amortized cost
2022.1.1	\$225	\$6,136
Derecognition	-	(83)
Originated or purchased	-	378
Change of model/risk parameters	61	1,574
2022.3.31	\$286	\$7,710
2021.1.1	\$508	\$3,206
Derecognition	-	-
Originated or purchased	-	166
Change of model/risk parameters	(283)	(2,346)
2021.3.31	\$225	\$860

(3) Operational risk

The purpose is to avoid potential losses out of improper internal control, fraud, corruption, and negligence. The Company has established separate operating procedures and computer systems with the frontend and backend platforms and middleware according to the business features to effectively manage operational risks by way of strict internal control and auditing as well as external reviews and statutory compliance. The company has also formulated and implemented the “Operational Risk Management Mechanism” for risk assessment by each department; also, the “Guidelines for Risk Early Warning and Reporting” is set up to establish a loss experience database.

(4) Liquidity risk

A. Definition and source of liquidity risk

The liquidity risk of financial instruments can be divided as “fund liquidity risk” and “market liquidity risk.” The “fund liquidity risk” refers to the risk that necessary and sufficient funds are not available within a reasonable time and at a reasonable cost, resulting in a funding gap; the “market liquidity risk” refers to the losses incurred due to assets sold below the market price in order to acquire necessary funds.

B. Liquidity risk management

Based on the business features, the short-term cash flows are regularly assessed and monitored under a sound liquidity risk management mechanism, where the market transaction volumes and proportionality of fund positions are considered for prudent control of the market liquidity risk; also, contingency plans are drawn up to deal with major liquidity risks out of abnormal and emergent fund demands.

Stress testing analysis is to test changes in funding liquidity under various combinations of extremely abnormal and unfavorable situations to ensure safe funding liquidity. The stress scenarios assumed include major market fluctuations, occurrences of various credit events, and unexpected tightening of financial market liquidity that may generate liquidity pressures, and the test is to measure the changes in positive and negative funding gaps of the overall corporate fund supply and demand in various periods without affecting normal business operations. Aimed at the funding gaps resulted from the stress testing scenarios, contingency plans have been set up to deal with such major liquidity risks out of the assumed abnormal and emergent demands on funds.

(5) Market risk analysis

Market risk refers to the risk of reduced benefits or investment portfolio values due to changes in the market factors such as exchange rates, commodity prices, interest rates, credit spreads, and stock prices.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

The market risk management tools such as Value at Risk (VaR) and stress testing are constantly used to comprehensively and effectively measure, monitor and manage the market risks.

A. Value at risk (VaR)

The VaR is used to measure the maximum potential loss incurred by investment portfolios due to changes in market risk factors during a specific period and under a certain confidence level. The Company currently take a confidence level of 99% to calculate VaR for the next two weeks.

The VaR of relevant asset positions is shown in the following table:

March 31, 2022

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$737,572	\$28,997	\$736,486	\$33,332	\$745,413

December 31, 2021

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$515,535	\$24,311	\$516,167	\$27,449	\$511,950

March 31, 2021

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$584,392	\$25,845	\$581,304	\$31,918	\$582,292

B. Stress testing

With the VaR model, regular stress testing is given to measure potential market risks when extremely abnormal events occur. The stress testing measures the potential impact on the value of the investment portfolio from extreme changes in a series of financial variables.

Currently a simple sensitivity analysis and a scenario simulation are regularly given to carry out the stress test on the financial positions, and the test covers loss of position caused by the change of risk factors in various historical scenarios:

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

a. Simple sensitivity analysis

The simple sensitivity analysis measures the changed value of the investment portfolio caused by changes in specific risk factors.

b. Scenario Analysis

The scenario analysis measures the changed total value of investment positions that occurs under hypothetical events, and the scenarios include:

i. Historical scenarios:

A period of historical events is selected, and the fluctuated risk factors in the period are added to the current investment portfolio to calculate the loss out of the historical events.

ii. Hypothetical scenarios:

With a reasonably expected hypothesis that could lead to extreme market changes in the future, its changed risk factors are added to the current investment portfolio to measure the loss out of the hypothetical events.

The Investment Department regularly carries out the stress test under hypothetical scenarios and send the resulted reports to the Risk Management Department for the corporate risk analysis, risk warning and business management.

March 31, 2022

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(694,347)
Interest rate risk (yield rate curve)	+100bp	(68,524)
Exchange rate risk (exchange rate)	-5%	(13,420)

December 31, 2021

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(652,502)
Interest rate risk (yield rate curve)	+100bp	(76,772)
Exchange rate risk (exchange rate)	-5%	(29,565)

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

March 31, 2021

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(600,915)
Interest rate risk (yield rate curve)	+100bp	(55,343)
Exchange rate risk (exchange rate)	-5%	(26,448)

11. Fair value information of financial instruments

(1) The methods and assumptions used to measure fair values are as follows:

- A. The fair values of cash and cash equivalents, receivables and payables are estimated based on their book values on the balance sheet, because such items will become mature shortly and thus their book values are a reasonable basis for measuring the fair values.
- B. The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in active markets are determined by reference to market quotes (including beneficiary certificates, listed stocks and bonds).
- C. The fair values of derivatives are based on public quotes. When public quotes are not available, the fair values of non-option derivatives are calculated with the applicable lifetime yield curve by discounted cash flow analysis, while the fair values of option derivatives are calculated by the option pricing model.
- D. The fair values of other financial assets and financial liabilities are determined based on the discounted cash flow analysis, where the assumptions such as interest rates and discount rates are mainly based on the information of similar instruments and applicable lifetime yield curves.

(2) Fair value by financial assets measured at amortized cost

Except for those listed in the following table, the book values of financial assets and financial liabilities measured by amortized cost approximate their fair values:

	Book value		
	2022.3.31	2021.12.31	2021.3.31
Financial assets			
Financial assets at amortized cost	\$7,373,540	\$6,941,041	\$6,066,347
Refundable deposits – by government bonds	528,818	529,455	532,393

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	Fair value		
	2022.3.31	2021.12.31	2021.3.31
Financial assets			
Financial assets at amortized cost	\$7,415,745	\$7,531,580	\$6,524,953
Refundable deposits – by government bonds	527,073	536,134	552,415

(3) Fair value recognized on balance sheet

The following table provides the analysis of financial instruments measured at fair value after initial recognition, by dividing the fair values into the following three levels:

Level 1: Public quotes (unadjusted) of the same assets or liabilities in the active market.

Level 2: Except for the Level 1 public quotes, the fair value is derived from the direct observable input values (i.e. prices) and indirect ones (i.e. derivatives from prices) of the assets or liabilities.

Level 3: The fair value is derived with the appraisal technology that is not based on input values of the assets or liabilities from the observable market data.

Financial instruments measured at fair value	2022.3.31			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
Stock	\$6,377,346	\$6,052,383	\$-	\$324,963
Bonds	51,133	-	-	51,133
Fund	2,489,944	2,489,944	-	-
Financial assets at fair value through other comprehensive income				
Stock	1,179,345	912,145	-	267,200
Bonds	346,083	346,083	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Swap and forward exchange contracts	91,657	-	91,657	-

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Financial instruments measured at fair value	2021.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
Stock	\$6,255,516	\$5,930,553	\$-	\$324,963
Bonds	51,137	-	-	51,137
Fund	2,468,560	2,468,560	-	-
Swap and forward exchange contracts	47,972	-	47,972	-
Financial assets at fair value through other comprehensive income				
Stock	1,001,414	730,767	-	270,647
Bonds	386,930	386,930	-	-
Financial instruments measured at fair value	2021.3.31			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
Stock	\$6,437,401	\$6,108,492	\$-	\$328,909
Bonds	51,121	-	-	51,121
Fund	1,986,907	1,946,304	-	40,603
Swap and forward exchange contracts	59,303	-	59,303	-
Financial assets at fair value through other comprehensive income				
Stock	912,927	614,373	-	298,554
Bonds	371,188	371,188	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Swap and forward exchange contracts	11,992	-	11,992	-

The assets and liabilities measured at repetitive fair value during January 1 to March 31, 2022 and January 1 to March 31, 2021, had no transfer between the Level 1 and Level 2 fair values.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(4) Details of changes in the Level 3 repetitive fair value

From the beginning to the end of the period, the adjusted balances of the Level 3 assets and liabilities measured at repetitive fair value are as follows:

	Assets		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
2022.1.1	\$376,100	\$270,647	\$646,747
Recognized total profits (losses):			
Recognized as gains and losses (under “Profit or loss on Financial Assets and Liabilities at Fair Value through profit or loss”)	(4)	-	(4)
Recognized as other comprehensive income (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive income”)	-	(3,447)	(3,447)
2022.3.31	<u>\$376,096</u>	<u>\$267,200</u>	<u>\$643,296</u>
	Assets		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
2021.1.1	\$418,030	\$292,104	\$710,134
Recognized total profits (losses):			
Recognized as gains and losses (under “Profit or loss on Financial Assets and Liabilities at Fair Value through profit or loss”)	40	-	40
Recognized as other comprehensive income (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive income”)	-	14,014	14,014
Recognized as other comprehensive income (under “Other comprehensive income reclassified with overlay approach”)	2,563	-	2,563
disposal/settlement	-	(7,564)	(7,564)
2021.3.31	<u>\$420,633</u>	<u>\$298,554</u>	<u>\$719,187</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Among the above recognized total profits (losses), those related to the assets held during January 1 to March 31, 2022 and January 1 to March 31, 2021, respectively, are as follows:

	2022.1.1 -2022.3.31	2021.1.1 -2021.3.31
Total profits (losses)		
Recognized in the profit or loss	\$(4)	\$40
Recognized in the other comprehensive income	(3,447)	20,794

(5) The significant unobservable input values of the Level 3 fair value

The significant unobservable input values for measuring assets at Level 3 repetitive fair value are listed in the following table:

March 31, 2022

	Appraisal technology	Significant unobservable input values	Quantitative information	Relation between input value and fair value
Financial assets:				
Financial assets at fair value through profit or loss				
Unlisted stocks	Income approach	Liquidity and minority share discount	0-30%	The higher liquidity and minority equity discount, the lower fair value estimate
Bonds			Note	
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Market approach, income approach, asset approach	Liquidity and minority share discount	0-30%	The higher liquidity and minority equity discount, the lower fair value estimate

Note: The present value of expected return from holding a bond investment is calculated by the discount of expected future cash flow. The significant unobservable inputs are mainly expected cash flows in the future.

December 31, 2021

	Appraisal technology	Significant unobservable input values	Quantitative information	Relation between input value and fair value
Financial assets:				
Financial assets at fair value through profit or loss				
Unlisted stocks	Income approach	Liquidity and minority share discount	0-30%	The higher liquidity and minority equity discount, the lower fair value estimate
Bonds			Note	
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Market approach,	Liquidity and minority share	0-30%	The higher liquidity and minority equity discount, the

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

income approach,
asset approach

discount

lower fair value estimate

Note: The present value of expected return from holding a bond investment is calculated by the discount of expected future cash flow. The significant unobservable inputs are mainly expected cash flows in the future.

March 31, 2021

	Appraisal technology	Significant unobservable input values	Quantitative information	Relation between input value and fair value
Financial assets:				
Financial assets at fair value through profit or loss				
Unlisted stocks	Market approach	Liquidity discount	0-30%	The higher liquidity discount, the lower fair value estimate
Fund	Asset approach	Liquidity discount	0-30%	The higher liquidity discount, the lower fair value estimate
Bonds			Note	
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Market approach, income approach, asset approach	Liquidity discount	0-30%	The higher liquidity discount, the lower fair value estimate

Note: The present value of expected return from holding a bond investment is calculated by the discount of expected future cash flow. The significant unobservable inputs are mainly expected cash flows in the future.

(6) Measurement not at fair value with required disclosure of fair value level

	2022.3.31			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$6,524,953	\$4,788,225	\$-	\$1,736,728
Refundable deposits – by government bonds	552,415	552,415	-	-
Investment property (see Note 6.8)	2,901,157	-	-	2,901,157
	2021.12.31			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$6,533,748	\$4,798,476	\$-	\$1,735,272
Refundable deposits – by government bonds	560,025	560,025	-	-
Investment property (see Note 6.8)	2,901,157	-	-	2,901,157

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	2021.3.31			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$6,675,704	\$4,725,704	\$-	\$1,950,000
Refundable deposits – by government bonds	533,990	533,990	-	-
Investment property (see Note 6.8)	2,881,184	-	-	2,881,184

8. Related party transactions

The transaction related parties in the Company's financial reporting period are:

(1) Name and affiliation of the parties:

Name	Affiliation
Taiwan Cement Corporation	Other related parities
Taiwan Shin Kong Security Co., Ltd.	Other related parities
Taiwan Security Co., Ltd.	Other related parities
Waibel Enterprise Inc.	Other related parities
Shin Kong Life Insurance Co., Ltd.	Other related parities
Shin Kong Mitsukoshi Department Store CO., LTD.	Other related parities
Shin Kong Synthetic Fibers Corporation	Other related parities
Shin Kong Textile Co., Ltd.	Other related parities
Shin-Po Express Co., Ltd.	Other related parities
Others	Directors, supervisors, chairman, president, managers, their spouses, and the relatives within 2nd degree of kinship

(2) Major transactions with related parties:

1. Premium revenues

Name	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$31,734</u>	0.56%	<u>\$39,874</u>	0.74%

2. Operating expenses

Name	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$2,263</u>	0.25%	<u>\$15,174</u>	1.74%

3. Lease

Property investment gains and losses – rental income

2022.1.1-2022.3.31	2021.1.1-2021.3.31
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(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Name	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$75	0.38%	\$1,019	4.97%

Advance rent

Name	2022.3.31		2021.12.31		2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$223	0.15%	\$297	0.15%	\$537	0.43%

Right-of-use assets

Name	2022.3.31		2021.12.31		2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$6,052	18.31%	\$7,263	21.12%	\$7,583	22.54%

Lease liability

Name	2022.3.31		2021.12.31		2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$6,182	18.35%	\$7,407	21.21%	\$7,763	22.70%

Interest expenses

Name	2022.1.1-2022.3.31		2021.1.1-2021.3.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$27	0.13%	\$35	0.11%

The lease periods and rent collections are stipulated in the contracts. The general lease term is 1 to 5 years, mainly with monthly collection of rents.

4. Remunerations of key management staff:

	2022.1.1 -2022.3.31	2021.1.1 -2021.3.31
Short-term employee benefits	\$54,036	\$45,333
Retirement benefits	59,319	68,148
Total	\$113,355	\$113,481

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

9. Pledged assets

As of March 31, 2022, December 31, 2021 and March 31, 2021, respectively, the details of pledged and guarantee assets are as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Government bonds – insurance deposits	\$528,818	\$529,455	\$532,393
Time deposit – performance bond	28,436	28,436	25,000

10. Major contingent liabilities and unrecognized contractual commitments

No such items

11. Major events after the reporting period

No such items

12. Major disaster losses

No such items

13. Proceeding or termination of major litigation cases

No such items

14. Execution, completion, cancellation or invalidation of major contracts

No such items

15. Employee pension information

See Note 6.13.

16. Discontinued operations information

No such items

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

17. Receiving from or transferring to other insurance companies the main part of the business, assets and liabilities

No such items

18. Allocation of profits and losses from incomes, costs and expenses due to business transactions, collaborative promotions, information exchange, and shared business equipment or premises made with Shin Kong Financial Holdings and its subsidiaries.

No such items

19. Fund entrusted operations

The funds were fully entrusted to the securities investment trust companies for operations, and the details as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, are as follows:

Item	2022.3.31	2021.12.31	2021.3.31
Cash and cash equivalents	\$589,545	\$515,847	\$350,095
TWSE (Taiwan Stock Exchange) listed/OTC stocks	1,219,753	1,432,294	1,351,545
Total	<u>\$1,809,298</u>	<u>\$1,984,141</u>	<u>\$1,701,640</u>
Discretionary contract limit:			
New Taiwan Dollars (NTD)	<u>\$1,050,000</u>	<u>\$1,050,000</u>	<u>\$1,050,000</u>
RMB	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>

20. Private equity information

No such items

21. Major organizational restructuring and management system reforms

No such items

22. Major impact due to changes in laws and regulations

No such items

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

23. Others

1. The total amount of assets and liabilities that are expected to be recovered or settled within 12 months after the balance sheet date, and the total amount to be recovered or settled more than 12 months

Item	2022.3.31		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Cash and cash equivalents	\$11,700,717	\$-	\$11,700,717
Accounts receivable	1,761,020	-	1,761,020
Investment	8,968,380	11,262,918	20,131,298
Reinsurance contract assets (net)	-	8,207,281	8,207,281
Property and equipment (net)	-	1,292,627	1,292,627
Right-of-use assets.	-	33,060	33,060
Intangible assets	-	22,754	22,754
Deferred income tax assets	-	254,797	254,797
Other assets	21,068	694,624	715,692
Total assets			<u>\$44,219,246</u>
Accounts Payables	\$2,342,470	\$-	\$2,342,470
Current income tax liabilities	366,547	-	366,547
Financial liabilities	91,657	-	91,657
Lease liability	14,135	19,558	33,693
Insurance liability	-	25,507,459	25,507,459
Reserve for liabilities	-	99,087	99,087
Deferred tax liabilities	-	16,386	16,386
Others	116,639	31,494	148,133
Total liabilities			<u>\$28,605,432</u>
Item	2021.12.31		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Cash and cash equivalents	\$11,766,660	\$-	\$11,766,660
Accounts receivable	1,945,038	-	1,945,038
Investment	9,175,468	10,385,559	19,561,027
Reinsurance contract assets (net)	-	8,246,645	8,246,645
Property and equipment (net)	-	1,308,644	1,308,644
Right-of-use assets.	-	34,393	34,393
Intangible assets	-	27,455	27,455
Deferred income tax assets	-	262,673	262,673
Other assets	42,955	689,990	732,945
Total assets			<u>\$43,885,480</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Item	2021.12.31		
	Recovery or	Recovery or	Total
	settlement within 12 months	settlement more than 12 months	
Accounts Payables	\$2,894,222	\$	\$2,894,222
Current income tax liabilities	275,164	-	275,164
Lease liability	14,634	20,290	34,924
Insurance liability	-	25,067,097	25,067,097
Reserve for liabilities	-	119,280	119,280
Deferred tax liabilities	-	34,389	34,389
Others	169,897	33,275	203,172
Total liabilities			<u>\$28,628,248</u>

Item	2021.3.31		
	Recovery or	Recovery or	Total
	settlement within 12 months	settlement more than 12 months	
Cash and cash equivalents	\$10,849,810	\$-	\$10,849,810
Accounts receivable	1,831,499	-	1,831,499
Investment	8,880,218	9,666,641	18,546,859
Reinsurance contract assets (net)	-	8,163,083	8,163,083
Property and equipment (net)	-	1,075,461	1,075,461
Right-of-use assets.	-	33,650	33,650
Intangible assets	-	16,458	16,458
Deferred income tax assets	-	234,679	234,679
Other assets	47,616	725,376	772,992
Total assets			<u>\$41,524,491</u>

Accounts Payables	\$2,692,815	\$-	\$2,692,815
Current income tax liabilities	239,602	-	239,602
Financial liabilities	11,992	-	11,992
Lease liability	14,634	19,567	34,201
Insurance liability	-	24,368,077	24,368,077
Reserve for liabilities	-	125,826	125,826
Deferred tax liabilities	-	27,361	27,361
Others	81,543	44,123	125,666
Total liabilities			<u>\$27,625,540</u>

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2. Derivative instruments

As of March 31, 2022, December 31, 2021 and March 31, 2021, the derivatives not conformable to the hedge accounting and not expired yet are as follows:

SWAP and forward exchange contracts

March 31, 2022

Financial products	Contract amounts		Transaction date/Expiration date	Contract exchange rate (NTD)
	(Nominal principal)	Fair value (NTD)		
Forward exchange contracts	USD 7,000	\$(3,991)	110.10.27/112.04.28	27.525
Forward exchange contracts	USD 7,000	(3,991)	110.10.27/112.04.28	27.525
Forward exchange contracts	USD 1,000	(614)	110.08.02/111.08.04	27.95
Forward exchange contracts	USD 4,000	(1,428)	110.09.28/112.09.28	27.439
Forward exchange contracts	USD 4,000	(1,428)	110.09.28/112.09.28	27.439
Forward exchange contracts	USD 2,000	(1,278)	110.10.25/111.10.27	27.827
Forward exchange contracts	USD 8,000	(5,218)	110.10.27/112.01.31	27.656
Forward exchange contracts	USD 10,000	(6,523)	110.10.27/112.01.31	27.656
Forward exchange contracts	USD 2,000	(1,371)	110.11.12/111.11.16	27.751
Forward exchange contracts	USD 8,000	(5,878)	110.12.10/111.12.14	27.656
Forward exchange contracts	USD 10,000	(2,414)	110.04.13/111.04.15	28.381
Forward exchange contracts	USD 5,000	(1,207)	110.04.13/111.04.15	28.381
Forward exchange contracts	USD 4,000	(1,022)	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 6,000	(1,533)	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 5,000	(1,277)	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 9,000	(2,216)	110.09.13/112.09.15	27.498
Forward exchange contracts	USD 1,000	(276)	110.10.21/112.10.25	27.359
Forward exchange contracts	USD 10,000	(6,775)	110.10.22/111.10.26	27.786
Forward exchange contracts	USD 10,000	(326)	111.03.24/111.09.28	28.473
Forward exchange contracts	USD 7,000	(5,720)	110.04.29/111.05.04	27.804
Forward exchange contracts	USD 5,000	(2,606)	110.07.28/111.07.29	28.049
Forward exchange contracts	USD 8,000	(6,596)	111.02.11/111.08.15	27.729
Forward exchange contracts	USD 2,000	(1,579)	111.01.21/112.01.30	27.522
Forward exchange contracts	USD 7,000	(5,124)	111.01.26/112.01.31	27.578
Forward exchange contracts	USD 10,000	(7,320)	111.01.26/112.01.31	27.578
Forward exchange contracts	USD 10,000	(7,037)	110.11.15/111.11.17	27.732
Forward exchange contracts	USD 6,000	(4,222)	110.11.15/111.11.17	27.732
Forward exchange contracts	USD 9,000	(2,687)	110.10.20/112.10.23	27.44

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

December 31, 2021

Financial products	Contract amounts (Nominal principal)	Fair value (NTD)	Transaction date/Expiration date	Contract exchange rate (NTD)
Forward exchange contracts	USD 7,000	\$1,053	110.10.27/112.04.28	27.525
Forward exchange contracts	USD 7,000	1,053	110.10.27/112.04.28	27.525
Forward exchange contracts	USD 10,000	4,355	110.01.27/111.01.28	28.127
Forward exchange contracts	USD 1,000	291	110.08.02/111.08.04	27.95
Forward exchange contracts	USD 4,000	843	110.09.28/112.09.28	27.439
Forward exchange contracts	USD 4,000	843	110.09.28/112.09.28	27.439
Forward exchange contracts	USD 2,000	417	110.10.25/111.10.27	27.827
Forward exchange contracts	USD 8,000	882	110.10.27/112.01.31	27.656
Forward exchange contracts	USD 10,000	1,102	110.10.27/112.01.31	27.656
Forward exchange contracts	USD 2,000	290	110.11.12/111.11.16	27.751
Forward exchange contracts	USD 8,000	555	110.12.10/111.12.14	27.656
Forward exchange contracts	USD 10,000	7,605	110.03.24/111.03.28	28.451
Forward exchange contracts	USD 10,000	6,925	110.04.13/111.04.15	28.381
Forward exchange contracts	USD 5,000	3,462	110.04.13/111.04.15	28.381
Forward exchange contracts	USD 4,000	1,219	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 6,000	1,829	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 5,000	1,524	110.08.12/112.08.16	27.571
Forward exchange contracts	USD 9,000	2,453	110.09.13/112.09.15	27.498
Forward exchange contracts	USD 1,000	188	110.10.21/112.10.25	27.359
Forward exchange contracts	USD 10,000	1,689	110.10.22/111.10.26	27.786
Forward exchange contracts	USD 7,000	2,314	110.04.26/111.01.28	28.022
Forward exchange contracts	USD 7,000	830	110.04.29/111.05.04	27.804
Forward exchange contracts	USD 5,000	1,935	110.07.28/111.07.29	28.049
Forward exchange contracts	USD 10,000	1,269	110.11.15/111.11.17	27.732
Forward exchange contracts	USD 6,000	761	110.11.15/111.11.17	27.732
Forward exchange contracts	USD 9,000	2,285	110.10.20/112.10.23	27.44

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

March 31, 2021

Financial products	Contract amounts (Nominal principal)	Fair value (NTD)	Transaction date/Expiration date	Contract exchange rate (NTD)
Forward exchange contracts	USD 10,000	\$3,514	109.10.28/110.10.29	28.816
Forward exchange contracts	USD 7,000	2,460	109.10.28/110.10.29	28.816
Forward exchange contracts	USD 7,000	2,460	109.10.28/110.10.29	28.816
Forward exchange contracts	USD 8,000	2,768	109.10.27/110.10.29	28.838
Forward exchange contracts	USD 2,000	572	109.11.12/110.11.16	28.772
Forward exchange contracts	USD 8,000	(2,145)	109.12.10/110.12.14	28.209
Forward exchange contracts	USD 4,000	(1,051)	109.12.29/110.09.30	28.238
Forward exchange contracts	USD 4,000	(1,051)	109.12.29/110.09.30	28.238
Forward exchange contracts	USD 10,000	(3,342)	110.01.27/111.01.28	28.127
Forward exchange contracts	USD 1,000	(304)	110.02.02/110.08.04	28.208
Forward exchange contracts	USD 10,000	(2,433)	110.03.11/110.09.15	28.2605
Forward exchange contracts	USD 4,000	5,261	109.04.13/110.04.15	29.845
Forward exchange contracts	USD 6,000	7,892	109.04.13/110.04.15	29.845
Forward exchange contracts	USD 10,000	13,153	109.04.13/110.04.15	29.845
Forward exchange contracts	USD 5,000	6,577	109.04.13/110.04.15	29.845
Forward exchange contracts	USD 5,000	6,577	109.04.13/110.04.15	29.845
Forward exchange contracts	USD 10,000	119	110.03.24/111.03.28	28.451
Forward exchange contracts	USD 5,000	(1,666)	110.01.27/110.07.30	28.179
Forward exchange contracts	USD 9,000	3,372	109.10.20/110.10.22	28.866
Forward exchange contracts	USD 10,000	2,861	109.11.13/110.11.17	28.771
Forward exchange contracts	USD 6,000	1,717	109.11.13/110.11.17	28.771

3. As of March 31, 2022, December 31, 2021 and March 31, 2021, the financial assets and liabilities in foreign currencies with major impacts are as follows:

	2022.3.31		
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD	\$178,878,795	28.575	\$5,111,462

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2021.12.31			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD	\$167,400,718	27.630	\$4,625,282
CNY	71,113,296	4.319	307,138
2021.3.31			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD	\$140,856,379	28.485	\$4,012,294
CNY	81,055,921	4.319	350,081

With a wide variety of functional currencies, it is impossible to disclose the currency exchange gains and losses of monetary and non-monetary financial assets and financial liabilities based on currencies with major impacts. The foreign currency exchange losses during January 1 to March 31, 2022 and January 1 to March 31, 2021, were NT\$174,673 thousand and NT\$(3,469) thousand, respectively.

4. Capital management policy

In view that insurance companies are not allowed to raise debts, the Company constantly reviews the changes and trends of the capital adequacy ratio (RBC) under the philosophy of stability, and monitors the capital demand for business growth, and at the same time implements a long-term stable dividend policy to maintain the appropriateness of capital management.

5. As of March 31, 2022, December 31, 2021 and March 31, 2021, the net worth ratios from equity divided by total assets excluding investment-linked insurance accounts were 35.31%, 34.77% and 33.47%, respectively.

6. Operations information

The Company operates a property insurance business in accordance with the Insurance Law. Based on IFRS 8, the Company only provides insurance contract products, with no different channels, customer types and supervision environments, and the decision making is based on overall allocation of the corporate resources and, as a result, the Company is a single operating department as a whole.

24. Property insurance information

No.	Item	Attachment
1	Retained gross premiums earned for compulsory and non-compulsory insurances	Attached table 1
2	Retained claims for compulsory and non-compulsory insurances	Attached table 2
3	Assets and liabilities of compulsory automobile liability insurances	Attached Table 3
4	Reserve for unqualified reinsurances	Attached Table 4
5	Loans for the turnover of huge insurance payments	None

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

25. Note disclosure

1. Major transactions:

- (1) The property acquisition that amounts to NT\$100 million or more than 20% of the paid-in capital: Attachment 5.
- (2) The property disposal that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (3) The transaction of core business items engaged with related parties that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (4) The receivable from a related party that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (5) Derivative transactions: See Note 23.2.
- (6) Others: For business relationship and major transactions between parent and subsidiary companies, and for different accounting policies adopted by the parent company and subsidiary companies, the accounting policies should be disclosed and the amounts should be separately disclosed on the financial statements: not applicable.

2. Reinvestment business: no such transactions

3. Investment and business in Mainland China: no such transactions

4. Key shareholders:

		Unit: Share
Name of Major Shareholder	Quantity	Ratio of Shareholding
Shin Kong Textile Co., Ltd.	51,539,530	16.31%
Shin Kong Life Insurance Co., Ltd.	29,700,000	9.39%
Shin Kong Co., Ltd.	16,061,515	5.08%

Note:

- (1) The information shown in this table is the shareholders holding ordinary and special shares (treasury shares included) with over 5% delivered by book-entry transfers, as calculated by the Taiwan Depository and Clearing Corporation on the last business day of each quarter. The share capital reported and the actual number of shares delivered by book-entry transfers may have discrepancy due to different calculation bases.
 - (2) Among the above shares, the entrusted ones are disclosed separately by individual trust accounts opened by the trustees for the principals. As for the shareholder's declaration of insider's over 10% shareholding in conformity with the Securities and Exchange Act, the shareholding includes the person's self-held shares plus the entrusted ones which the person has right to exercise. For more information on insider's shareholding declaration, please visit the website of Public Information Observatory.
5. The global COVID-19 pandemic has made no significant impact on the Company's business continuity, asset impairment, and financing risks.

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

26. Reserve for unqualified reinsurance

According to Article 7 of “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms,” the reserve for unqualified ceded reinsurance is provided as detailed in Attachment 4.

According to Paragraph 5 of “Guidelines on Reserve for Unqualified Reinsurance,” the transactions of unqualified ceded reinsurance disclosed as attachment on the financial statements are explained as:

1. Abstracts and types of unqualified reinsurance contracts:

March 31, 2022

Reinsurer/Reinsurance broker	Types of ceded reinsurance contract established
Tugu Insurance Company Limited, HK	Marine hull insurance
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re	Accident insurance, comprehensive personal liability insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing boat insurance, commercial earthquake insurance, typhoon & flood insurance
Asia Capital Reinsurance Group Pte Ltd	One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance
Milli Reasurans T.A.S. Singapore Branch	Inland transportation insurance, cargo transportation insurance

December 31, 2021

Reinsurer/Reinsurance broker	Types of ceded reinsurance contract established
Tugu Insurance Company Limited, HK	Marine hull insurance
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re	Accident insurance, comprehensive personal liability insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing boat insurance, commercial earthquake insurance, typhoon & flood insurance
Asia Capital Reinsurance Group Pte Ltd	One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance
Milli Reasurans T.A.S. Singapore Branch	Inland transportation insurance, cargo transportation insurance

(English Translation of Financial Statements Originally Issued in Chinese)
ShinKong Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

March 31, 2021

Reinsurer/Reinsurance broker	Types of ceded reinsurance contract established
Tugu Insurance Company Limited, HK	Marine hull insurance
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re	Accident insurance, comprehensive personal liability insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing boat insurance, commercial earthquake insurance, typhoon & flood insurance
Asia Capital Reinsurance Group Pte Ltd	One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat insurance, aviation insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance
Milli Reasurans T.A.S. Singapore Branch	Inland transportation insurance, cargo transportation insurance

2. Unqualified reinsurance premium expenses:

The expense for the unqualified insurance of the Company on March 31, 2022 and 2021, was NT\$0 and NT\$0, respectively.

3. A summary on the principles of providing the reserve for unqualified reinsurance and its constituent items:

	2022.3.31	2021.12.31	2021.3.31
Ceded unearned premium reserve	\$-	\$-	\$-
Settled claims recoverable from reinsurers			
within 9 months of overdue payment	3,637	4,138	363
Ceded outstanding losses claims	1,230	1,230	20,327
Total reserve for unqualified reinsurance	<u>\$4,867</u>	<u>\$5,368</u>	<u>\$20,690</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Attachment 1: Information relating to retained earned gross premium of compulsory insurance and non-compulsory insurance

Item	Premium revenues (1)	Reinsurance premium income (2)	Reinsurance premiums ceded (3)	Retained premium revenues (4)=(1)+(2)-(3)
Compulsory insurance	\$520,223	\$157,209	\$215,531	\$461,901
Non- compulsory insurance	5,189,688	32,531	953,752	4,268,467
Total	\$5,709,911	\$189,740	\$1,169,283	\$4,730,368

Item	Direct underwriting unearned premium reserve		Assumed reinsurance unearned premium reserve		Net changes in unearned premium reserve	Ceded reinsurance unearned premium reserve		Net change in ceded unearned premium reserve	Retained premium
	Allocation (5)	Recovery (6)	Allocation (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)	Allocation (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	\$906,184	\$912,301	\$346,695	\$343,871	\$(3,293)	\$543,790	\$547,453	\$(3,663)	\$461,531
Non- compulsory insurance	11,264,321	10,947,929	73,475	80,273	309,594	2,433,072	2,494,968	(61,896)	3,896,977
Total	\$12,170,505	\$11,860,230	\$420,170	\$424,144	\$306,301	\$2,976,862	\$3,042,421	\$(65,559)	\$4,358,508

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Attachment 2: Information relating to retained claims of compulsory insurance and non-compulsory insurance

	Insurance claims (including claim expenses)	Reinsurance claims	Claims recovered from reinsurers	Retained claims
Item	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Compulsory insurance	\$354,111	\$153,527	\$205,938	\$301,700
Non-compulsory insurance	2,204,362	1,701	447,739	1,758,324
Total	\$2,558,473	\$155,228	\$653,677	\$2,060,024

Attachment 3: Information relating to assets and liabilities of Compulsory Automobile Liability Insurance

Item	Amount		Item	Amount	
	Current period	Previous period		Current period	Previous period
Assets			Liabilities		
Cash and Bank Deposits	\$1,741,821	\$1,641,449	Claims and benefits payable	\$24,260	\$98,453
Insurance premium receivable	1,050	1,338	Due to Reinsurers & Ceding Companies	141,495	149,847
Notes receivable	14,590	16,767	Unearned premium reserve	1,252,879	1,259,643
Claims Recoverable from Reinsurers - net	101,163	175,732	Loss reserve	1,479,639	1,523,098
Due from Reinsurers & Ceding Companies	98,796	98,492	Special reserve	190,498	61,458
Ceded unearned premium reserve	543,790	546,553	Temporary credit and amount to be carried down	-	3,004
Ceded Reserve for Claims	586,071	607,542			
Temporary debit and amount to be carried down	1,490	7,630			
Asset Total	\$3,088,771	\$3,095,503	Liability Total	\$3,088,771	\$3,095,503

Attachment 3-1: Information Relating to Revenue and Cost of Compulsory Automobile Liability Insurance

Operating revenues			Operating cost		
Item	Current period	Previous period	Item	Current period	Previous period
Pure premium revenues	\$359,150	\$367,947	Insurance claims	\$354,111	\$487,849
Reinsurance premium income	157,209	151,922	Reinsurance claims	153,527	143,991
Premium revenues	516,359	519,869	Less: Losses recovered from reinsurers	(205,938)	(283,663)
Less: Reinsurance premiums ceded	(215,531)	(220,800)	Retained claims payments	301,700	348,177
Net changes in unearned premium reserve	(370)	(1,416)	Net change in loss reserve	(5,646)	(31,326)
Retained earned premium	300,458	297,653	Special reserve net change	19,958	(19,046)
Interest revenue	322	152			
Total Operating revenues	\$300,780	\$297,805	Total Operating Cost	\$316,012	\$297,805

Serial Number	Reinsurer					Reinsurance broker			Reinsurance premiums ceded	Reinsurance commission income	Ceded unearned premium reserve allocated for the current period	Settled claims recoverable from reinsurers within 9 months of overdue payment	Reserve for ceded outstanding claims	Reinsurance deposits received	Current Period Balance of Unqualified Reinsurance Reserve allocated	Previous Period Balance of Unqualified Reinsurance Reserve allocated	Current Period Additional Provisions or Reversal of Unqualified Reinsurance Reserve	Remarks	
	Code	Name	Credit Rating Agencies	Credit rating	Are they related parties	Code	Name	Are they qualified											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)=(11)+(12)+ (13)-(14)	(16)	(17)	(18)	(19)
1	284HKHK001	TUGU(CPC TANKER)	A.M.Best	B+	No		FPM(CPC TANKER)	No	0	0	0	0	50,000	0	50,000	50,000	0	Credit rating downgrade (not meeting credit rating standards); The allocation calculation is 2. The Simple Allocation Method.	29 types of insurance including marine hull insurance
2	281BHBH001	Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE	None	None	No				0	0	0	82,522	576,166	0	658,688	784,182	(125,494)	No credit rating (not up to the credit rating standard); The setting aside method is 2. The Simple Allocation Method.	29 types of insurance including injury insurance, inland transportation insurance, cargo transportation insurance
3	025SGSG001	Asia Capital Reinsurance Group Pte Ltd	None	None	No				0	0	0	3,554,111	603,542	0	4,157,653	4,533,517	(375,864)	No credit rating (not up to the credit rating standard); The setting aside method is 2. The Simple Allocation Method.	29 types of insurance including one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing vessel insurance, engineering insurance, commercial earthquake insurance, typhoon and flood insurance
4	172TRSG001	MILLI REASURANS T.A.S. SINGAPORE BRANCH	A.M.Best	B	No		FP Marine	No	0	0	0	244	85	0	329	329	0	Credit rating downgrade (not meeting credit rating standards); The allocation calculation is 2. The Simple Allocation Method.	29 types of insurance including inland transportation insurance, cargo transportation insurance
	Total								0	0	0	3,636,877	1,229,793	0	4,866,670	5,368,028	(501,358)		