

2850

ShinKong Insurance Co., Ltd.
Financial Statements and Independent Auditor's
Review Report
For the Third 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

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 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	14~34
(5) Critical accounting judgments, estimates and key sources of assumption uncertainty	34~36
(6) Descriptions of major accounts	36~64
(7) Risk management information of insurance contracts and financial instruments	64~95
(8) Related party transactions	96~98
(9) Collateralized assets	98
(10) Significant contingent liabilities and unrecognized contractual commitments	98
(11) Significant subsequent events	99
(12) Losses due to major disasters	99
(13) Major litigation pending or concluded	99
(14) The signing, completion, voidance, or lapse of major contracts	99
(15) Employee pension related information	99
(16) Information on discontinued operations	99
(17) Major operations, assets and liabilities assigned to or assumed from other insurance companies	99
(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.	99
(19) Investment Trust Operations	99
(20) Information on private securities	100
(21) Major organizational adjustments and significant management reforms	100
(22) Material effects of changes in government laws and regulations	100
(23) Others	100~105
(24) Property insurance related information	106
(25) Additional Disclosures	107
(26) Unqualified reinsurance reserve	107~109
9. Tables related to insurance business	110~113

Review report of independent auditors

To: ShinKong Insurance Co., Ltd.

Foreword

We have reviewed the balance sheet of ShinKong Insurance Co., Ltd. as September 30, 2022, December 31, 2021, and September 30, 2021; the statement of comprehensive income, statement of changes in equity, and cash flow statement for periods July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021; and the accompanying footnotes including summary of significant accounting policies. 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 September 30, 2022 and 2021, and the statement of comprehensive income, statement of changes in equity, and cash flow statement for periods July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021 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

(103)Chin-Kuan-Cheng-Shen-Zi No. 1030025503

Hsu Daniel

CPA:

Chang Bob

November 9, 2022

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet

As at September 30, 2022, December 31, 2021 and September 30, 2021

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

Unit: NTD thousands

Assets		Note	September 30, 2022		December 31, 2021		September 30, 2021	
Code	Account titles		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents	4, 6 and 7	\$10,032,514	23	\$11,766,660	27	\$11,059,641	26
12000	Accounts receivable	4, 6 and 7	2,272,656	5	1,945,038	4	2,413,036	5
14110	Financial assets at fair value through profit or loss	4, 6 and 7	6,756,583	15	8,823,185	20	8,119,777	19
14145	Financial assets at amortized cost	4, 6 and 7	10,570,894	24	6,941,041	16	6,443,309	15
14190	Financial assets at fair value through other comprehensive income	4, 6 and 7	1,374,265	3	1,388,344	3	1,281,217	3
14200	Investment property	4 and 6	2,406,761	5	2,408,457	5	2,412,400	6
15000	Reinsurance contract assets	4 and 6	8,229,998	19	8,246,645	19	8,727,151	20
16000	Property, plant, and equipment	4 and 6	1,303,302	3	1,308,644	3	1,297,348	3
16700	Right-of-use assets	4 and 6	35,020	-	34,393	-	33,606	-
17000	Intangible assets	4 and 6	22,628	-	27,455	-	16,709	-
17800	Deferred income tax assets	4	288,518	1	262,673	1	256,314	1
18000	Other assets	6	839,312	2	732,945	2	770,705	2
1XXXX	Total assets		<u>\$44,132,451</u>	<u>100</u>	<u>\$43,885,480</u>	<u>100</u>	<u>\$42,831,213</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 September 30, 2022, December 31, 2021 and September 30, 2021

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

Unit: NTD thousands

Liabilities and equity		Note	September 30, 2022		December 31, 2021		September 30, 2021	
Code	Account titles		Amount	%	Amount	%	Amount	%
21000	Accounts Payables	6 and 7	\$2,773,825	7	\$2,894,222	7	\$2,804,455	7
21700	Current income tax liabilities	4 and 6	71,727	-	275,164	1	147,673	-
23200	Financial liabilities at fair value through profit or loss	4, 6 and 7	543,143	1	-	-	3,010	-
23800	Lease liabilities	4 and 6	35,669	-	34,924	-	34,131	-
24000	Insurance liability	4 and 6	26,010,065	59	25,067,097	57	25,058,382	59
27000	Reserve for liabilities	4 and 6	98,878	-	119,280	-	122,965	-
28000	Deferred tax liabilities	4	92,297	-	34,389	-	39,565	-
25000	Others		135,461	-	203,172	-	176,765	-
2XXXX	Total liabilities		<u>29,761,065</u>	<u>67</u>	<u>28,628,248</u>	<u>65</u>	<u>28,386,946</u>	<u>66</u>
31000	Capital stock	6	3,159,633	7	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	3,651,093	8	3,200,891	7	3,200,891	7
33200	Special reserve	4	5,669,201	13	5,669,201	13	4,881,819	12
33300	Undistributed earnings	6	1,517,064	4	1,466,970	3	1,735,687	4
34000	Other equity	6	309,595	1	1,695,737	4	1,401,437	3
3XXXX	Total equity		<u>14,371,386</u>	<u>33</u>	<u>15,257,232</u>	<u>35</u>	<u>14,444,267</u>	<u>34</u>
	Total Liabilities and Equity		<u>\$44,132,451</u>	<u>100</u>	<u>\$43,885,480</u>	<u>100</u>	<u>\$42,831,213</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

For periods from July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 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	July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
			Amount	%	Amount	%	Amount	%	Amount	%
41000	Operating revenues:									
41110	Written premiums	4 and 7	\$5,615,937	115	\$5,662,786	120	\$17,031,356	120	\$16,351,180	119
41120	Reinsurance premium income	4 and 7	180,492	4	195,920	4	537,850	4	565,117	4
41100	Premium revenues		5,796,429	119	5,858,706	124	17,569,206	124	16,916,297	123
51100	Less: Reinsurance premiums expense	4 and 7	(1,247,348)	(25)	(1,459,917)	(31)	(3,723,794)	(26)	(3,898,125)	(28)
51310	Net changes in unearned premium reserve	4 and 7	17,043	-	(82,303)	(2)	(537,775)	(4)	(568,646)	(4)
41130	Retained earned premium		4,566,124	94	4,316,486	91	13,307,637	94	12,449,526	91
41300	Reinsurance commission income	7	67,065	1	80,089	2	220,210	2	287,466	2
41400	Handling fees earned		9,970	-	10,503	-	31,687	-	30,665	-
41500	Net gain(loss) from investment		217,804	5	301,895	7	535,763	4	968,850	7
41510	Interest revenue		103,040	2	85,934	2	262,813	2	237,223	2
41521	Gain (loss) on financial assets and liabilities at fair value through profit or loss		(556,131)	(11)	(95,519)	(2)	(1,769,358)	(12)	798,628	6
41526	Net gains from derecognition of financial assets at amortized cost	6	-	-	-	-	5,386	-	-	-
41527	Realized gain on financial assets at fair value through other comprehensive income		33,831	1	45,606	1	54,994	-	55,435	-
41550	Profit or loss from foreign exchange		361,706	7	(2,084)	-	733,915	5	(112,071)	(1)
41570	Profit or loss from investment property		24,228	1	20,046	1	64,029	1	61,216	1
41585	Expected credit impairment losses and gains on reversal of investments	6	4,591	-	(2,890)	-	2,049	-	515	-
41600	(Losses) gains from adoption of overlay approach	6	246,539	5	250,802	5	1,181,935	8	72,096	(1)
41800	Other operating revenue		11,749	-	5,990	-	26,928	-	22,418	-
	Total operating revenues		4,872,712	100	4,714,963	100	14,122,225	100	13,758,925	100
51000	Operating cost:									
51200	Insurance claims and benefits		(2,818,140)	(58)	(2,886,063)	(60)	(8,503,214)	(60)	(8,097,755)	(58)
41200	Less: Benefits & Claims Recovered from reinsurers		413,313	9	688,586	15	1,712,608	12	1,814,437	13
51260	Retained claims and benefits		(2,404,827)	(49)	(2,197,477)	(45)	(6,790,606)	(48)	(6,283,318)	(45)
51300	Other insurance liabilities net change		(54,440)	(1)	(163,594)	(3)	(470,476)	(3)	(643,674)	(5)
51500	Commission expense	7	(751,120)	(15)	(718,491)	(15)	(2,233,003)	(16)	(2,156,237)	(16)
51800	Other operating cost		(37,489)	(1)	(21,067)	-	(80,954)	(1)	(73,268)	(1)
	Total operating cost		(3,247,876)	(66)	(3,100,629)	(63)	(9,575,039)	(68)	(6,055,868)	(67)
58000	Operating expenses:									
58100	Business expense	6	(800,973)	(16)	(759,165)	(16)	(2,366,095)	(17)	(2,286,373)	(17)
58200	Administrative expenses	6	(87,786)	(2)	(83,046)	(2)	(272,842)	(2)	(266,347)	(2)
58300	Employee training expense		(2,005)	-	(2,559)	-	(2,680)	-	(11,930)	-
58400	Expected credit impairment losses and gains on reversal of non-investments		(33,582)	(1)	(9,765)	-	(39,988)	-	(20,655)	-
	Total operating expenses		(924,346)	(19)	(854,535)	(18)	(2,681,605)	(19)	(2,585,305)	(19)
61000	Operating revenues		700,490	15	759,799	19	1,865,581	13	2,017,123	14
59000	Non-operating revenues and expenses		3,197	-	908	-	9,632	-	5,114	-
62000	Income from continuing operations before tax		703,687	15	760,707	19	1,875,213	13	2,022,237	14
63000	Income tax expense	4 and 6	(140,119)	(3)	(112,548)	(2)	(363,834)	(2)	(284,979)	(2)
66000	Net income		563,568	12	648,159	17	1,511,379	11	1,737,258	12
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		(54,258)	(1)	2,656	-	(83,336)	(1)	28,715	-
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		(34,717)	(1)	(2,280)	-	(151,078)	(1)	(20,406)	-
83295	Other comprehensive income (loss) from adoption of overlay approach		(246,539)	(5)	(250,802)	(5)	(1,181,935)	(8)	72,096	1
83280	Income taxes relating to items that are or may be reclassified subsequently to profit or loss		6,924	-	456	-	30,207	-	19,032	-
	Other Comprehensive income in current period (net after tax)		(328,590)	(7)	(249,970)	(5)	(1,386,142)	(10)	99,437	1
85000	Total comprehensive income in current period		\$234,978	5	\$398,189	12	\$125,237	1	\$1,836,695	13
	Earnings per share									
97500	Basic earnings per share (denominated in New Taiwan dollars)	6	\$1.78		\$2.05		\$4.78		\$5.50	

(Please refer to Notes to the Financial Statements)

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Changes in Equity

January 1 to September 30, 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 valuation gains (losses) on financial assets at fair value through other comprehensive income	Other comprehensive income from adoption of 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
The 2020 appropriation and distribution of earnings								
Appropriation of Legal reserve	-	-	327,393	-	\$(327,393)	-	-	
Common Stocks cash dividends distributed	-	-	-	-	\$(616,128)	-	-	(616,128)
Net income in January 1 to September 30, 2021	-	-	-	-	1,737,258	-	-	1,737,258
Other comprehensive income in January 1 to September 30, 2021	-	-	-	-	-	12,334	87,103	99,437
Total comprehensive income in current period	-	-	-	-	1,737,258	12,334	87,103	1,836,695
Balance as of September 30, 2021	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$3,200,891</u>	<u>\$4,881,819</u>	<u>\$1,735,687</u>	<u>\$94,831</u>	<u>\$1,306,606</u>	<u>\$14,444,267</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
The 2021 appropriation and distribution of earnings								
Appropriation of Legal reserve	-	-	450,202	-	(450,202)	-	-	-
Common Stocks cash dividends distributed	-	-	-	-	(1,011,083)	-	-	(1,011,083)
Net income in January 1 to September 30, 2022	-	-	-	-	1,511,379	-	-	1,511,379
Other comprehensive income in January 1 to September 30, 2022	-	-	-	-	-	(204,207)	(1,181,935)	(1,386,142)
Total comprehensive income in current period	-	-	-	-	1,511,379	(204,207)	(1,181,935)	125,237
Balance as of September 30, 2022	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$3,651,093</u>	<u>\$5,669,201</u>	<u>\$1,517,064</u>	<u>\$(113,338)</u>	<u>\$422,933</u>	<u>\$14,371,386</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSEN

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statements of Cash Flows

January 1 to September 30, 2022 and 2021

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

Unit: NTD thousands

Item	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Cash flow from operating activities:		
Income from continuing operations before tax	\$1,875,213	\$2,022,237
Adjusted Items:		
Revenue, expense and loss		
Depreciation expenses	61,888	58,521
Amortization expenses	18,298	19,378
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	1,769,358	(798,628)
Net losses (gains) on financial assets at fair value through other comprehensive income	(54,994)	(55,435)
Derecognise of financial assets at amortized cost	(5,386)	-
Interest expenses	522	541
Interest income	(262,813)	(237,223)
Net changes in insurance liabilities	1,008,251	1,212,320
Expected credit impairment losses (reversal gains) of investments	(2,049)	(515)
Expected credit impairment losses of (reversal gains) non-investments	39,988	20,655
Losses (gains) from adoption of overlay approach	(1,181,935)	72,096
(Gains) losses on disposal or scrapping of property and equipment	(356)	(518)
(Gains) losses on disposal of investment property	(5,029)	-
Changes in operating assets and liabilities		
Increase in accounts receivable	(329,495)	(551,042)
Decrease (increase) in financial assets at fair value through profit or loss	617,326	(315,169)
Decrease (increase) in financial assets at fair value through other comprehensive income	(220,289)	45,951
Increase in financial assets at amortized cost	(3,622,788)	(665,446)
Increase of reinsurance contracts assets	(63,376)	(323,872)
Increase of other assets	(114,144)	(17,471)
Increase (Decrease) of payables	(120,397)	365,866
Decrease of financial liabilities at fair value through profit or loss	-	(3,751)
Decrease of provisions	(20,402)	(4,581)
Decrease of other liabilities	(67,711)	(18,786)
Cash inflow from operating activities	<u>(680,320)</u>	<u>828,879</u>
Interest received	243,564	235,243
Dividend received	273,933	203,264
Interest paid	(79)	(85)
Income tax paid	<u>(505,001)</u>	<u>(322,386)</u>
Net cash provided by (used in) operating activities	<u>(667,903)</u>	<u>944,915</u>
Cash flows from investment activities		
Acquisition of property and equipment	(51,751)	(19,700)
Disposal of property and equipment	430	777
Acquisition of investment property	-	(213,631)
Disposal of investment property	14,383	-
Acquisition of intangible assets	<u>(5,370)</u>	<u>(558)</u>
Net cash used in investing activities	<u>(42,308)</u>	<u>(233,112)</u>
Cash flows from financing activities:		
Cash dividends paid	(1,011,083)	(616,128)
Principle repayment of lease liabilities	<u>(12,852)</u>	<u>(11,802)</u>
Net cash used in financing activities	<u>(1,023,935)</u>	<u>(627,930)</u>
Increase (decrease) of cash and cash equivalents in current period	(1,734,146)	83,873
Balance of cash and cash equivalents at the beginning of period	<u>11,766,660</u>	<u>10,975,768</u>
Balance of cash and cash equivalents at the ending of period	<u>\$10,032,514</u>	<u>\$11,059,641</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 September 30, 2022 and January 1 to September 30, 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 September 30, 2021, 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 4 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)

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

(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, Minquan 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, Ziyou 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, Ziyou Road, Fengshan District, Kaohsiung City
Tel: (07) 745-6131
- (17) Nantou Branch: No. 601-7, Zhongzheng Rd., Caotun Township, Nantou County
Tel: (049) 232-0203
- (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: No. 51, Ln. 258, 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)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(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 November 9, 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 has not yet adopted the following newly issued, revised and amended standards or interpretations that have been released by the International Accounting Standards Board (IASB) and approved 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	Disclosure Initiative – Accounting policy (amendments to IAS 1)	January 1, 2023
2	Definition of accounting estimates (amendments to IAS 8)	January 1, 2023
3	Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)	January 1, 2023

(1) 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.

(2) 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.

(3) 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 above are the new, revised, and amended standards or interpretations that have been announced by the IASB, endorsed by the FSC, and will apply for the fiscal years beginning on or after January 1, 2023. Based on the Company's assessment, the new or amended or interpretations do not have material impact on the Company.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

3. 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	Lease liabilities in sale and leaseback (amendments to IFRS 16)	January 1, 2024
5	Non-current liabilities in contracts (amendments to IAS 1)	January 1, 2024

- (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.

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

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

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

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 2020 and 2021. 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”).

(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) Lease liabilities in sale and leaseback (amendments to IFRS 16)

The amendments provide additional accounting regarding sale and leaseback transactions for seller who is concurrently a lessor in IFRS 16 “Lease” to improve the consistent application of the standards.

(5) Non-current liabilities in contracts (amendments to IAS 1)

The amendments increase the information provided by enterprises regarding their long-term liability contracts. The amendments explain that the contractual agreements to be observed within 12 months after the reporting period shall not affect the classification of such liabilities as current or non-current at the end of the reporting period.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

- 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.

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

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

(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.

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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 amortized 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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

(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.

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

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

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

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

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

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
--------------------------	-------------

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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)

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

(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

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

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

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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 NT\$30,000 thousand, and the total amount of the overall property insurance industry's claims payable for each insurance type exceeds NT\$2,000,000 thousand, 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.

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

(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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.”

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

“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.

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

(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

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

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

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:

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

(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 its 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.

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

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

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%

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

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.

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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:

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$8,071	\$10,396	\$10,478
Working capital	1,643	1,623	1,810
Check deposit	60,609	62,666	63,311
Demand deposits	2,665,992	2,027,204	1,906,052
Time deposits	7,056,547	9,310,166	8,878,184
Cash equivalents – Short-term notes	239,652	354,605	199,806
Total	<u>\$10,032,514</u>	<u>\$11,766,660</u>	<u>\$11,059,641</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)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

2. Accounts receivable

(1) This item is detailed as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$242,714	\$270,908	\$243,837
Notes receivable- Non-performing loans	71	-	-
Less: Allowance for losses	(2,498)	(2,709)	(2,438)
Net amount	<u>\$240,287</u>	<u>\$268,199</u>	<u>\$241,399</u>
Insurance premium receivable	\$1,564,083	\$1,253,962	\$1,524,458
Insurance premium receivable – Non-performing loans	220,808	139,299	304,542
Less: Allowance for losses	(54,141)	(28,372)	(29,477)
Net amount	<u>\$1,730,750</u>	<u>\$1,364,889</u>	<u>\$1,799,523</u>
Other receivables	\$303,034	\$313,469	\$373,333
Other receivable- Non-performing loans	13	220	181
Less: Allowance for losses	(1,428)	(1,739)	(1,400)
Net amount	<u>\$301,619</u>	<u>\$311,950</u>	<u>\$372,114</u>

(2) The aging analysis of accounts receivable:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable			
Less than 90 days	\$242,714	\$270,908	\$243,837
91–365 days	71	-	-
More than 366 days	-	-	-
Total	<u>\$242,785</u>	<u>\$270,908</u>	<u>\$243,837</u>
Insurance premium receivable			
Less than 90 days	\$1,564,083	\$1,253,962	\$1,524,458
91–365 days	191,292	133,043	298,803
More than 366 days	29,516	6,256	5,739
Total	<u>\$1,784,891</u>	<u>\$1,393,261</u>	<u>\$1,829,000</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Other receivables			
Less than 90 days	\$303,034	\$269,976	\$329,836
91–365 days	13	43,615	43,584
More than 366 days	-	98	94
Total	<u>\$303,047</u>	<u>\$313,689</u>	<u>\$373,514</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.

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

- (1) This item is detailed as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$1,771,728	\$2,468,560	\$2,187,856
Stock	3,940,026	5,295,282	4,887,648
Financial bonds	51,146	51,137	51,146
Asset securities	992,268	960,234	915,351
Derivatives	1,415	47,972	77,776
Total	<u>\$6,756,583</u>	<u>\$8,823,185</u>	<u>\$8,119,777</u>

Item	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities mandatorily measured at fair value through profit or loss:			
Derivatives	<u>\$543,143</u>	<u>\$-</u>	<u>\$3,010</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:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$1,771,728	\$2,468,560	\$2,187,856

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Stock	3,940,026	5,295,282	4,887,648
Asset securities	992,268	960,234	915,351
Total	<u>\$6,704,022</u>	<u>\$8,724,076</u>	<u>\$7,990,855</u>

- (5) During July 1 to September 30, 2022, July 1 to September 30, 2021, January 1 to September 30, 2022 and January 1 to September 30, 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:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Gains (losses) due to applying IFRS 9 to profit or loss	\$(189,883)	\$(94,604)
(Gains) losses if applying IAS 39 to profit or loss	(56,656)	(156,198)
Gains (losses) on reclassification using overlay approach	<u>\$(246,539)</u>	<u>\$(250,802)</u>
	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Gains (losses) due to applying IFRS 9 to profit or loss	\$(1,073,910)	\$749,758
(Gains) losses if applying IAS 39 to profit or loss	(108,025)	(677,662)
Gains (losses) on reclassification using overlay approach	<u>\$(1,181,935)</u>	<u>\$72,096</u>

Due to the adoption of overlay approach, Losses from financial assets at fair value through profit or loss are decreased from NT\$556,131 thousand to NT\$309,592 thousand and profits are decreased from NT\$95,519 thousand to NT\$155,283 thousand during July 1 to September 30, 2022 and July 1 to September 30, 2021, respectively; Losses from financial assets at fair value through profit or loss are decreased from NT\$1,769,358 thousand to NT\$587,423 and profits are decreased from NT\$798,628 thousand to NT\$726,532 thousand during January 1 to September 30, 2022 and January 1 to September 30, 2021, respectively.

4. Financial assets at fair value through other comprehensive income

- (1) This item is detailed as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Equity instruments measured at fair value through other comprehensive income:			
Unlisted stocks (including OTC)	\$240,217	\$270,647	\$290,981
Preference shares	849,277	730,767	606,993
Debt instruments measured at fair value through other comprehensive income:			
Corporate bonds	284,771	386,930	383,243
Total	<u>\$1,374,265</u>	<u>\$1,388,344</u>	<u>\$1,281,217</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

- (2) The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income during July 1 to September 30, 2022 and 2021, and January 1 to September 30, 2022 and 2021, are as follows:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Investments still held on the balance sheet date	\$33,831	\$45,606
Dividends recognized in the current period	\$33,831	\$45,606

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Investments still held on the balance sheet date	\$54,994	\$55,394
Related to the investment derecognized in the current period	-	41
Dividends recognized in the current period	\$54,994	\$55,435

- (3) Regarding the settlement of the investments in unlisted stocks for equity instruments at fair value through other comprehensive income held by the Company, the information from January 1 to September 30, 2021, and the derecognition are as follows:

	From January 1 to September 30, 2022
Fair value on the date of derecognition	\$903
Unrealized valuation gains (losses) for the disposals of other equity transferred to retained earnings	(4,914)

- (4) 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.

5. Financial assets at amortized cost

Item	September 30, 2022	December 31, 2021	September 30, 2021
Government bonds	\$526,896	\$529,856	\$530,851
Corporate bonds	7,607,934	6,105,924	5,666,845
Financial bonds	2,970,653	844,489	785,698
Less: Refundable deposits	(526,820)	(529,455)	(530,441)
Less: Allowance for losses	(7,769)	(9,773)	(9,644)
Total	\$10,570,894	\$6,941,041	\$6,443,309

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

There was no disposal of financial assets at amortized cost during July 1 to September 30, 2022 and 2021. There was disposal gains of NT\$5,386 thousand from January 1 to September 30, 2022, due to the disposal of its partial corporate bonds in advance in response to the increase in credit risks. From January 1 to September 30, 2021, 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	September 30, 2022	December 31, 2021	September 30, 2021
Claims Recoverable from Reinsurers - net	\$263,331	\$279,531	\$415,238
Claims Recoverable from Reinsurers – Non-Performing Loans	145	-	51
Less: Allowance for losses	(2,705)	(2,795)	(4,177)
Net amount	<u>\$260,771</u>	<u>\$276,736</u>	<u>\$411,112</u>
Due from Reinsurers & Ceding Companies	\$615,088	\$603,361	\$674,831
Due from Reinsurers & Ceding Companies – Non-Performing Loans	111,300	43,595	70,840
Less: Allowance for losses	(32,218)	(17,387)	(48,436)
Net amount	<u>\$694,170</u>	<u>\$629,569</u>	<u>\$697,235</u>
Reinsurance reserve assets			
Ceded unearned premium reserve	\$3,016,953	\$3,042,421	\$3,242,772
Ceded Claims reserve	4,246,801	4,297,919	4,376,032
Ceded premium deficiency reserve	11,303	-	-
Total	<u>\$7,275,057</u>	<u>\$7,340,340</u>	<u>\$7,618,804</u>

7. Property, plant, and equipment

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Miscellaneous equipment	Prepayments for equipment	Total
Costs:					
January 1, 2022	\$891,007	\$525,973	\$440,130	\$23,279	\$1,880,389
Additions	-	-	10,471	41,280	51,751
Disposals	-	-	(26,160)	-	(26,160)
Transfer	(8,531)	(2,984)	8,605	(19,305)	(22,215)
September 30, 2022	<u>\$882,476</u>	<u>\$522,989</u>	<u>\$433,046</u>	<u>\$45,254</u>	<u>\$1,883,765</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

January 1, 2021	\$687,236	\$481,559	\$422,407	\$19,633	\$1,610,835
Additions	-	-	4,346	15,354	19,700
Disposals	-	-	(7,981)	-	(7,981)
Transfer	203,771	44,414	2,659	(10,751)	240,093
September 30, 2021	<u>\$891,007</u>	<u>\$525,973</u>	<u>\$421,431</u>	<u>\$24,236</u>	<u>\$1,862,647</u>
Depreciation & impairment:					
January 1, 2022	\$-	\$(227,980)	\$(343,765)	\$-	\$(571,745)
Depreciation	-	(6,389)	(30,510)	-	(36,899)
Disposals	-	-	26,086	-	26,086
Transfer	-	2,095	-	-	2,095
September 30, 2022	<u>\$-</u>	<u>\$(232,274)</u>	<u>\$(348,189)</u>	<u>\$-</u>	<u>\$(580,463)</u>
January 1, 2021	\$-	\$(212,657)	\$(318,143)	\$-	\$(530,800)
Depreciation	-	(6,161)	(29,049)	-	(35,210)
Disposals	-	-	7,704	-	7,704
Transfer	-	(6,993)	-	-	(6,993)
September 30, 2021	<u>\$-</u>	<u>\$(225,811)</u>	<u>\$(339,488)</u>	<u>\$-</u>	<u>\$(565,299)</u>
Carrying amount:					
September 30, 2022	<u>\$882,476</u>	<u>\$290,715</u>	<u>\$84,857</u>	<u>\$45,254</u>	<u>\$1,303,302</u>
December 31, 2021	<u>\$891,007</u>	<u>\$297,993</u>	<u>\$96,365</u>	<u>\$23,279</u>	<u>\$1,308,644</u>
September 30, 2021	<u>\$891,007</u>	<u>\$300,162</u>	<u>\$81,943</u>	<u>\$24,236</u>	<u>\$1,297,348</u>

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

8. Investment property

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Prepayments for buildings	Total
Costs:				
January 1, 2022	\$2,012,420	\$571,132	\$-	\$2,583,552
Disposals	(8,531)	(2,983)	-	(11,514)
Transfer	8,531	13,684	-	22,215
September 30, 2022	<u>\$2,012,420</u>	<u>\$581,833</u>	<u>\$-</u>	<u>\$2,594,253</u>
January 1, 2021	\$2,026,215	\$477,193	\$114,698	\$2,618,106
Additions	124,976	88,655	-	213,631

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Transfer	(138,771)	5,284	(114,698)	(248,185)
September 30, 2021	<u>\$2,012,420</u>	<u>\$571,132</u>	<u>\$-</u>	<u>\$2,583,552</u>
Depreciation & impairment:				
January 1, 2022	\$(22,608)	\$(152,487)	\$-	\$(175,095)
Depreciation	-	(12,462)	-	(12,462)
Disposals	-	2,160	-	2,160
Transfer	-	(2,095)	-	(2,095)
September 30, 2022	<u>\$(22,608)</u>	<u>\$(164,884)</u>	<u>\$-</u>	<u>\$(187,492)</u>
January 1, 2021	\$(22,608)	\$(143,594)	\$-	\$(166,202)
Depreciation	-	(11,943)	-	(11,943)
Transfer	-	6,993	-	6,993
September 30, 2021	<u>\$(22,608)</u>	<u>\$(148,544)</u>	<u>\$-</u>	<u>\$(171,152)</u>
Carrying amount:				
September 30, 2022	<u>\$1,989,812</u>	<u>\$416,949</u>	<u>\$-</u>	<u>\$2,406,761</u>
December 31, 2021	<u>\$1,989,812</u>	<u>\$418,645</u>	<u>\$-</u>	<u>\$2,408,457</u>
September 30, 2021	<u>\$1,989,812</u>	<u>\$422,588</u>	<u>\$-</u>	<u>\$2,412,400</u>
			From July 1 to September 30, 2022	From July 1 to September 30, 2021
Rental income from investment property			\$19,199	\$20,046
Less: direct operating expenses incurred by investment property that generates rental income in the current period			(470)	(819)
Total			<u>\$18,729</u>	<u>\$19,227</u>
			From January 1 to September 30, 2022	From January 1 to September 30, 2021
Rental income from investment property			\$59,000	\$61,216
Less: direct operating expenses incurred by investment property that generates rental income in the current period			(4,752)	(4,331)
Total			<u>\$54,248</u>	<u>\$56,885</u>

(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 September 30, 2022, December 31, 2021 and September 30, 2021, the fair values of the investment property was \$2,865,771 thousand and

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

\$2,865,771 thousand and \$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:

	September 30, 2022	December 31, 2021	September 30, 2021
Discount rate	0.75%~3.28%	0.75%~3.28%	0.89%~3.36%

9. Intangible assets

Item	September 30, 2022	December 31, 2021	September 30, 2021
Computer software cost	\$261,149	\$236,865	\$236,865
Increase in the current period	5,370	8,038	558
Transfer in the current period	-	16,246	8,092
Total	\$266,519	\$261,149	\$245,515
Computer software cost – cumulative amortization	\$(233,694)	\$(217,340)	\$(217,340)
Increase in the current period	(10,197)	(16,354)	(11,466)
Total	\$(243,891)	\$(233,694)	\$(228,806)
Carrying amount:	\$22,628	\$27,455	\$16,709

10. Other assets

(1) This item is detailed as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments	\$28,899	\$36,866	\$49,885
Refundable deposits	738,675	627,855	632,104
Other assets - others	71,738	68,224	88,716
Total	\$839,312	\$732,945	\$770,705

(2) The refundable deposits are detailed as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Insurance business deposits	\$526,820	\$529,455	\$530,441
Club deposits	37,679	37,679	37,679
Other deposits	189,655	76,200	65,463
Less: cumulative impairment loss	(15,479)	(15,479)	(1,479)
Total	\$738,675	\$627,855	\$632,104

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

11. Accounts Payables

Item	September 30, 2022	December 31, 2021	September 30, 2021
Claims and benefits payable	\$16,139	\$18,852	\$17,989
Commission payable	266,354	277,969	276,669
Due to Reinsurers & Ceding Companies	1,748,662	1,559,847	1,827,496
Other payables	742,670	1,037,554	682,301
Total	<u>\$2,773,825</u>	<u>\$2,894,222</u>	<u>\$2,804,455</u>

12. Insurance liabilities

Item	September 30, 2022	December 31, 2021	September 30, 2021
Unearned premium reserve	\$12,796,681	\$12,284,374	\$12,336,344
Claims reserve	11,115,509	10,318,849	10,289,632
Special reserve	1,974,107	2,463,675	2,429,093
Premium deficiency reserve	123,592	-	3,137
Policy reserve	176	199	176
Total	<u>\$26,010,065</u>	<u>\$25,067,097</u>	<u>\$25,058,382</u>

(1) Unearned premium reserve

① Unearned premium reserve & ceded unearned premium reserve

Item	September 30, 2022		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Fire insurance	\$2,435,668	\$(1,102,529)	\$1,333,139
Marine insurance	499,668	(329,811)	169,857
Motor insurance	6,197,893	(687,070)	5,510,823
Engineering insurance	1,327,640	(764,547)	563,093
Liability insurance	1,153,213	(92,011)	1,061,202
Accident & health insurance	1,182,599	(40,985)	1,141,614
Total	<u>\$12,796,681</u>	<u>\$(3,016,953)</u>	<u>\$9,779,728</u>
Item	December 31, 2021		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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>

Item	September 30, 2021		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Fire insurance	\$2,353,877	\$(1,180,289)	\$1,173,588
Marine insurance	485,816	(315,703)	170,113
Motor insurance	5,894,083	(741,125)	5,152,958
Engineering insurance	1,277,930	(817,912)	460,018
Liability insurance	1,039,885	(100,483)	939,402
Accident & health insurance	1,284,753	(87,260)	1,197,493
Total	<u>\$12,336,344</u>	<u>\$(3,242,772)</u>	<u>\$9,093,572</u>

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

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	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	12,796,681	3,016,953	12,336,344	3,242,772
Current recovery	(12,284,374)	(3,042,421)	(11,189,285)	(2,664,359)
Closing amount	<u>\$12,796,681</u>	<u>\$3,016,953</u>	<u>\$12,336,344</u>	<u>\$3,242,772</u>

(2) Claims reserve

① Claims reserve & Ceded Claims reserve

Item	September 30, 2022		
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$8,374,606	\$(3,594,714)	\$4,779,892
IBNR	2,740,903	(652,087)	2,088,816
Total	<u>\$11,115,509</u>	<u>\$(4,246,801)</u>	<u>\$6,868,708</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	December 31, 2021		
	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	September 30, 2021		
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$7,778,983	\$(3,718,092)	\$4,060,891
IBNR	2,510,649	(657,940)	1,852,709
Total	\$10,289,632	\$(4,376,032)	\$5,913,600

② Net changes in Claims reserve and Ceded Claims reserve

Item	From January 1 to September 30, 2022					
	Direct underwriting (including ceded-in reinsurance)		Net change in Claims reserve	Ceded reinsurance		Net change in Ceded Claims reserve
	Deposit (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)
Outstanding losses	\$8,374,606	\$7,956,694	\$417,912	\$3,594,714	\$3,613,608	\$(18,894)
IBNR	2,740,903	2,362,155	378,748	652,087	684,311	(32,224)
Total	\$11,115,509	\$10,318,849	\$796,660	\$4,246,801	\$4,297,919	\$(51,118)

Item	From January 1 to September 30, 2021					
	Direct underwriting (including ceded-in reinsurance)		Net change in Claims reserve	Ceded reinsurance		Net change in Ceded Claims reserve
	Deposit (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)
Outstanding losses	\$7,778,983	\$7,460,902	\$318,081	\$3,718,092	\$3,625,544	\$92,548
IBNR	2,510,649	2,174,112	336,537	657,940	707,010	(49,070)
Total	\$10,289,632	\$9,635,014	\$654,618	\$4,376,032	\$4,332,554	\$43,478

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	September 30, 2022		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,509,271	\$15,361	\$3,524,632
Marine insurance	530,947	47,314	578,261
Motor insurance	2,622,085	1,605,087	4,227,172
Engineering insurance	686,307	112,325	798,632
Liability insurance	789,682	427,873	1,217,555
Accident & health insurance	236,314	532,943	769,257
Total	\$8,374,606	\$2,740,903	\$11,115,509

Item	December 31, 2021		
	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	\$7,956,694	\$2,362,155	\$10,318,849

Item	September 30, 2021		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,344,834	\$8,171	\$3,353,005
Marine insurance	643,518	125,765	769,283
Motor insurance	2,230,115	1,619,440	3,849,555
Engineering insurance	519,843	45,022	564,865
Liability insurance	847,152	211,222	1,058,374
Accident & health insurance	193,521	501,029	694,550
Total	\$7,778,983	\$2,510,649	\$10,289,632

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

Item	September 30, 2022		
	Ceded Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,551,281	\$1,079	\$2,552,360
Marine insurance	329,892	25,240	355,132
Motor insurance	170,227	452,551	622,778
Engineering insurance	266,654	55,967	322,621
Liability insurance	251,005	47,796	298,801

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Accident & health insurance	25,655	69,454	95,109
Total	\$3,594,714	\$652,087	\$4,246,801

December 31, 2021

Ceded Claims reserve

Item	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

September 30, 2021

Ceded Claims reserve

Item	Outstanding losses	IBNR	Total
Fire insurance	\$2,474,177	\$1,557	\$2,475,734
Marine insurance	497,679	70,959	568,638
Motor insurance	207,871	473,000	680,871
Engineering insurance	209,432	16,518	225,950
Liability insurance	303,598	36,513	340,111
Accident & health insurance	25,335	59,393	84,728
Total	\$3,718,092	\$657,940	\$4,376,032

⑤ Adjustment of changes in Claims reserve and Ceded Claims reserve

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	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	11,115,509	4,246,801	10,289,632	4,376,032
Current recovery	(10,318,849)	(4,297,919)	(9,635,014)	(4,332,554)
Closing amount	\$11,115,509	\$4,246,801	\$10,289,632	\$4,376,032

(3) Special reserves

① Special reserve – compulsory automobile liability insurance

Item	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Opening amount	\$170,540	\$80,504
Current deposits	110,413	66,830
Current recovery	(6,749)	(17,222)
Closing amount	\$274,204	\$130,112

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

② Special reserve – non-compulsory automobile liability insurance

Item	Liabilities			
	From January 1 to September 30, 2022			
	Catastrophic event	fluctuation of risk	Property appreciation	Total
Opening amount	\$491,038	\$1,576,248	\$225,849	\$2,293,135
Current deposits	-	-	-	-
Current recovery	(17,536)	(575,696)	-	(593,232)
Closing amount	\$473,502	\$1,000,552	\$225,849	\$1,699,903

Item	Liabilities			
	From January 1 to September 30, 2021			
	Catastrophic event	fluctuation of risk	Property appreciation	Total
Opening amount	\$514,421	\$1,576,248	\$225,849	\$2,316,518
Current deposits	-	-	-	-
Current recovery	(17,537)	-	-	(17,537)
Closing amount	\$496,884	\$1,576,248	\$225,849	\$2,298,981

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 “Notice for Reinforcing the Reserve of Natural Disaster (commercial earthquake insurance and typhoon and flood insurance) of Property Insurance Business (initially: Notice for Reinforcing Reserve of Natural Disaster of Property Insurance Industry)” 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.

Arrangements were made according to paragraph 2 of Article 1 and paragraph 2 of Article 8 under the “Notice for Reinforcing the Reserve of Natural Disaster (commercial earthquake insurance and typhoon and flood insurance) of Property Insurance Business (initially: Notice for Reinforcing Reserve of Natural Disaster of Property Insurance Industry)”. The insurance coverage of products of the Company related to pandemic prevention is categorized as the risk of pandemic, complying with the material disaster stated in paragraph 2 of Article 1 under the Notice. As of September 30, 2022, arrangements were made according to paragraph 2 of Article 8; the special crisis allowance calculated by offsetting partial liabilities by the part of actual self-reserved compensation amount that exceeds the expected compensation was NT\$575,696 thousand.

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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 disclosed according to the Notice for Reinforcing the Reserve of Natural Disaster (commercial earthquake insurance and typhoon and flood insurance) of Property Insurance Business (initially: Notice for Reinforcing Reserve of Natural Disaster of Property Insurance Industry):

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 September 30, 2022 and 2021 was a decrease of NT\$593,233 thousand, a decrease of NT\$1,243,133 thousand, an increase of NT\$519,920 thousand, and a decrease of NT\$1.50 per share, respectively; and also a decrease of NT\$17,537 thousand, a decrease of NT\$1,842,212 thousand, an increase of NT\$1,459,740 thousand, and a decrease of NT\$0.04 per share, respectively.

- (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 September 30, 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 September 30, 2022 and 2021 was a decrease of NT\$59,405 thousand and an increase of NT\$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	September 30, 2022		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Liability insurance	\$118,575	\$(11,247)	\$107,328
Accident & health insurance	5,017	(56)	4,961
Total	\$123,592	\$(11,303)	\$112,289

Item	December 31, 2021		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Marine insurance	\$-	\$-	\$-
September 30, 2021			
	Premium deficiency reserve	Ceded premium deficiency reserve	
Item	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$3,137	\$-	\$3,137

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

From January 1 to September 30, 2022							
Item	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
	Deposit	Recovery		Deposit	Recovery		
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(6)
Liability insurance	\$118,575	\$-	\$118,575	\$11,247	\$-	\$11,247	\$107,328
Accident & health insurance	5,017	-	5,017	56	-	56	4,961
Total	\$123,592	\$-	\$123,592	\$11,303	\$-	\$11,303	\$112,289

From January 1 to September 30, 2021							
Item	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
	Deposit	Recovery		Deposit	Recovery		
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(6)
Marine insurance	\$3,137	\$2,829	\$308	\$-	\$-	\$-	\$308

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

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	premium deficiency reserve	Ceded premium deficiency reserve	premium deficiency reserve	Ceded premium deficiency reserve
Opening amount	\$-	\$-	\$2,829	\$-
Current deposits	123,592	11,303	3,192	-
Current recovery	-	-	(2,829)	-

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Closing amount	\$123,592	\$11,303	\$3,192	\$-
----------------	-----------	----------	---------	-----

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	September 30, 2022		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$176	\$-	\$176

Item	December 31, 2021		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$199	\$-	\$199

Item	September 30, 2021		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$176	\$-	\$176

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

Item	From January 1 to September 30, 2022					
	Direct underwriting (including ceded-in reinsurance)		Net change in Policy reserve	Ceded reinsurance		Net change in Ceded policy reserve
	Deposit	Recovery	(3)=(1)-(2)	Deposit	Recovery	(6)=(4)-(5)
	(1)	(2)		(4)	(5)	
Accident & health insurance	\$176	\$199	\$(23)	\$-	\$-	\$-

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	From January 1 to September 30, 2021					
	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	\$176	\$21	\$155	\$-	\$-	\$-

③ Adjustment of changes in Policy reserve and Ceded policy reserve

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Policy reserve	Ceded policy reserve	Policy reserve	Ceded policy reserve
Opening amount	\$199	\$-	\$21	\$-
Current deposits	176	-	176	-
Current recovery	(199)	-	(21)	-
Closing amount	\$176	\$-	\$176	\$-

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 Company's expenses for the defined contribution plan recognized for the three months ended September 30, 2022 and 2021 were NT\$12,040 thousand and NT\$12,214 thousand, respectively; the expenses for the defined contribution plan recognized for the nine months ended September 30, 2022 and 2021 were NT\$37,730 thousand and NT\$36,045 thousand respectively.

Defined benefit plan

The Company's "Labor Pension Regulations" set for in accordance with the "Labor Standards Act" is a define 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's expenses for the defined benefit plan recognized for the three months ended September 30, 2022 and 2021 were NT\$1,017 thousand and NT\$1,192 thousand, respectively; the expenses for the defined benefit plan recognized for the nine months ended September 30, 2022 and 2021 were NT\$3,052 thousand and NT\$3,575 thousand respectively.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

14. Common stock

As of September 30, 2022, December 31, 2021 and September 30, 2021, All the Company's authorized capital were NT\$5,000,000 thousand, NT\$3,500,000 thousand and NT\$3,500,000 thousand respectively, 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	September 30, 2022	December 31, 2021	September 30, 2021
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. Any remaining balances shall be combined with the accumulated earnings at the beginning of the same period and the adjusted amount of the undistributed earnings for the year, and the Board shall prepare the proposal for the distribution of earnings and submit it to the shareholders' meeting for resolution.

The proposal for the earning distribution in the preceding paragraph shall be subject to a resolution receiving over half of the attending Directors at a Board meeting attended by over two-thirds of the Directors; the dividends and bonuses shall be made in cash entirely or partially, and the distribution shall be reported to the shareholders' meeting.

- (2) In light of the sustainable development of the Company, healthy financial planning, improvements of capital use efficiency, and the protection of the interests of investors, the Company adopts the residual dividend policy as its dividend policy. The policy primarily considers the estimated capital planning of the Company in the future to measure the capital requirements of the year, and appropriate earnings according to requirements in the preceding paragraph; the distribution ratio of cash dividends shall be no less than 25% of the total dividends.
- (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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

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 Act 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 September 30, 2022, December 31, 2021, and September 30, 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 September 30, 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 May 27, 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.

17. Other equity

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Opening balance	\$1,695,737	\$1,297,086
Current period		
Unrealized valuation gains and losses on equity instrument investments measured at fair value through other comprehensive income	(83,336)	28,715
Unrealized valuation gains and losses on investments in debt instruments measured at fair value through other comprehensive income	(120,871)	(16,381)

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Other comprehensive income (loss) from adoption of overlay approach	(1,181,935)	87,103
Other Comprehensive income in current period	(1,386,142)	99,437
Accumulated to profit or loss on disposal of equity instruments measured at fair value through other comprehensive income	-	4,914
Closing balance	\$309,595	\$1,401,437

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

By functions By attributes	From July 1 to September 30, 2022			From July 1 to September 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$153,005	\$331,971	\$484,976	\$167,690	\$325,617	\$493,307
Labor and national health insurance	-	28,553	28,553	-	28,917	28,917
Pension expenses	-	13,057	13,057	-	13,406	13,406
Remuneration to directors	-	10,886	10,886	-	8,931	8,931
Depreciation expenses	-	20,600	20,600	-	19,354	19,354
Amortization expenses	-	5,232	5,232	-	7,084	7,084

By functions By attributes	From January 1 to September 30, 2022			From January 1 to September 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$477,705	\$981,678	\$1,459,383	\$461,224	\$984,185	\$1,445,409
Labor and national health insurance	-	97,014	97,014	-	96,829	96,829
Pension expenses	-	40,782	40,782	-	39,620	39,620
Remuneration to directors	-	42,308	42,308	-	33,945	33,945
Depreciation expenses	-	61,888	61,888	-	58,521	58,521
Amortization expenses	-	18,298	18,298	-	19,378	19,378

The number of employees of the Company in September 30, 2022, December 31, 2021 and September 30, 2021 were 1653, 1681 and 1680, 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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Directors, please visit the “Public Information Observatory” website of the Taiwan Stock Exchange.

According to the Company’s profitability from January 1 to September 30, 2022, we estimated the employee remuneration and directors’ remuneration at 5.00% and 1.13% of the profit, respectively. The employee remuneration and directors’ remuneration were in the amounts of NT\$35,355 thousand and NT\$8,004 thousand, respectively, for the nine months ended September 30, 2022, while the employee remuneration and directors’ remuneration were in the amounts of NT\$106,066 thousand and NT\$24,014 thousand, respectively, for nine six months ended September 30, 2022. According to the Company’s profitability from January 1 to September 30, 2021, we estimated the employee remuneration and directors’ remuneration at 5.4% and 1.2% of the profit, respectively. The employee remuneration and directors’ remuneration were in the amounts of NT\$27,331 thousand and NT\$6,073 thousand, respectively, for the three months ended September 30, 2021, while the employee remuneration and directors’ remuneration were in the amounts of NT\$81,993 thousand and NT\$18,220 thousand, respectively, for the nine months ended September 30, 2021, 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.

19. Components of other comprehensive income

The components of other comprehensive income From July 1 to September 30, 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	\$(54,258)	\$-	\$(54,258)	\$-	\$(54,258)
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	(34,717)	-	(34,717)	6,924	(27,793)
Other comprehensive income from adoption of overlay approach	(246,539)	-	(246,539)	-	(246,539)
Total	<u>\$(335,514)</u>	<u>\$-</u>	<u>\$(328,590)</u>	<u>\$6,924</u>	<u>\$(328,590)</u>

The components of other comprehensive income From July 1 to September 30, 2021 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	\$2,656	\$-	\$2,656	\$-	\$2,656
Items that may be subsequently reclassified to					

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

profit or loss:

Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	(2,280)	-	(2,280)	456	(1,824)
Other comprehensive income from adoption of overlay approach	(250,802)	-	(250,802)	-	(250,802)
Total	<u>\$ (250,426)</u>	<u>\$-</u>	<u>\$ (250,426)</u>	<u>\$456</u>	<u>\$ (249,970)</u>

The components of other comprehensive income from January 1 to September 30, 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	\$ (83,336)	\$-	\$ (83,336)	\$-	\$ (83,336)
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	(151,078)	-	(151,078)	30,207	(120,871)
Other comprehensive income from adoption of overlay approach	1,181,935	-	1,181,935	-	1,181,935
Total	<u>\$ (1,416,349)</u>	<u>\$-</u>	<u>\$ (1,416,349)</u>	<u>\$30,207</u>	<u>\$ (1,386,142)</u>

The components of other comprehensive income from January 1 to September 30, 2021 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	\$26,059	\$-	\$26,059	\$-	\$26,059
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	(18,126)	-	(18,126)	3,569	(14,557)
Other comprehensive income from adoption of overlay approach	322,898	-	322,898	15,007	337,905
Total	<u>\$330,831</u>	<u>\$-</u>	<u>\$330,831</u>	<u>\$18,576</u>	<u>\$349,407</u>

20. Income tax

Components of income tax:

Income tax recognized as profit or loss

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Current income tax expense (benefit):		
Current income tax payable	\$111,044	\$117,142
Current year adjustment of previous years' current income taxes	-	-
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	29,075	(4,594)
Income tax expense	<u>\$140,119</u>	<u>\$112,548</u>

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Current income tax expense (benefit):		
Current income tax payable	\$301,564	\$313,666
Current year adjustment of previous years' current income taxes	-	(5,334)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	62,270	(23,353)
Income tax expense	<u>\$363,834</u>	<u>\$284,979</u>

Income tax expense recognized in other comprehensive income

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	\$(6,924)	\$(456)
Other comprehensive income from adoption of overlay approach	-	-
Income tax expense (benefit) relating to components of other comprehensive income	<u>\$(6,924)</u>	<u>\$(456)</u>

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	\$(30,207)	\$(4,025)
Other comprehensive income from adoption of overlay approach	-	(15,007)
Income tax expense (benefit) relating to components of other comprehensive income	<u>\$(30,207)</u>	<u>\$(19,032)</u>

Approval of income tax declaration

As of September 30, 2022, the Company's declaration of the income tax returns has been approved up to the fiscal year 2019.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

21. 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 July 1 to September 30, 2022 and 2021 are as follows:

Item	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Continuing operations	\$563,568	\$648,159
Weighted average number of common shares (in thousands) of basic earnings per share	315,963	315,963
Basic earnings per share (NTD)	\$1.20	\$1.95

Earnings per share in the period from January 1 to September 30, 2022 and 2021 are as follows:

Item	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Continuing operations	\$1,511,379	\$1,737,258
Weighted average number of common shares (in thousands) of basic earnings per share	315,963	315,963
Basic earnings per share (NTD)	\$3.00	\$3.45

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.

22. Expected credit loss (profit)

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Financial assets at fair value through other comprehensive income	\$(98)	\$3
Financial assets at amortized cost subtotal	(4,493)	2,887
Operating expenses: -Expected credit impairment reversal from non-investments		
Receivable	346	(399)
Insurance premium receivable	22,560	(510)
Other receivables	(295)	(298)
Claims Recoverable from Reinsurance	(1,314)	743
Due from Reinsurer &Ceding companies	12,285	10,229
Other	-	-
subtotal	33,582	9,765
Total	\$28,991	\$12,655

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Financial assets at fair value through other comprehensive income	\$(45)	\$(280)
Financial assets at amortized cost	(2,004)	(235)
subtotal	<u>(2,049)</u>	<u>(515)</u>
Operating expenses: -Expected credit impairment reversal from non-investments		
Receivable	(211)	(734)
Insurance premium receivable	25,769	4,997
Other receivables	(311)	(894)
Claims Recoverable from Reinsurance	(90)	211
Due from Reinsurer & Ceding companies	14,831	20,671
Other	-	(3,596)
subtotal	<u>39,988</u>	<u>20,655</u>
Total	<u><u>\$37,939</u></u>	<u><u>\$(20,140)</u></u>

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

23. 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

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings and structures	\$22,235	\$16,919	\$15,192
Other equipment	12,785	17,474	18,414
Total	<u><u>\$35,020</u></u>	<u><u>\$34,393</u></u>	<u><u>\$33,606</u></u>

During January 1 to September 30, 2022 and 2021, the right-of-use assets increased NT\$ 13,316 thousand and NT\$12,907 thousand, respectively.

(b) Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Lease liabilities	<u><u>\$35,669</u></u>	<u><u>\$34,924</u></u>	<u><u>\$34,131</u></u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

During July 1 to September 30, 2022 and 2021, the interest expenses of the lease liabilities recognized were NT\$144 thousand and NT\$148 thousand, respectively. During January 1 to September 30, 2022 and 2021, the interest expenses of the lease liabilities recognized were NT\$443 thousand and NT\$456 thousand, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the maturities of lease liabilities are analyzed as follows:

September 30, 2022

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	\$15,905	\$20,486	\$-	\$36,391

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

September 30, 2021

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	\$14,570	\$20,398	\$-	\$34,968

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

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
	Buildings and structures	\$2,563
Other equipment	1,539	1,378
Total	\$4,102	\$3,857

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
	Buildings and structures	\$7,838
Other equipment	4,689	3,595
Total	\$12,527	\$11,368

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

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

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Short-term leasing expenses	<u>\$4,444</u>	<u>\$8,374</u>
	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Short-term leasing expenses	<u>\$10,925</u>	<u>\$25,257</u>

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

The total cash outflows during January 1 to September 30, 2022 and 2021, were NT\$23,777 thousand and NT\$37,059 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.

	From July 1 to September 30, 2022	From July 1 to September 30, 2021
Lease income recognized under operating lease		
Fixed lease payments	<u>\$19,199</u>	<u>\$20,046</u>
	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Lease income recognized under operating lease		
Fixed lease payments	<u>\$59,000</u>	<u>\$61,216</u>

The lease contracts with undiscounted lease payments received and total amounts for remaining years ranged on September 30, 2022, December 31, 2021 and September 30, 2021 were:

	September 30, 2022	December 31, 2021	September 30, 2021
no more than 1 year	\$66,698	\$69,726	\$73,471
over 1 year but no more than 2 years	49,895	53,062	55,122
over 2 years but no more than 3 years	21,274	32,363	38,893
over 3 years but no more than 4 years	4,728	10,303	14,094
over 4 years but no more than 5 years	1,611	2,754	4,728
over 5 years	2,326	3,335	3,859
Total	<u>\$146,532</u>	<u>\$171,543</u>	<u>\$190,167</u>

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

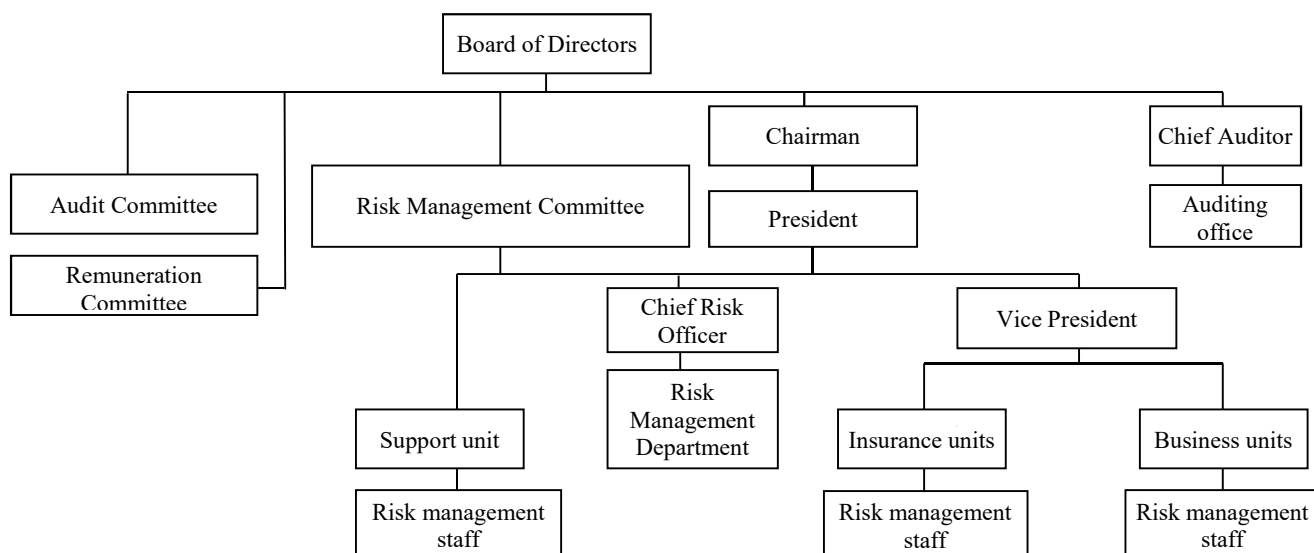
To meet the legal requirements of internal control and audit, the Committee is established to set up a complete internal risk control management structure for effective formulation, implementation, and tracking of the overall risk management policies and related affairs, to prevent potential risks affecting 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)

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

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.

4. Receivables (payables) of insurance contracts

(1) Receivables of insurance contracts

Item	Notes receivable (note)		
	September 30, 2022	December 31, 2021	September 30, 2021
Fire insurance	\$32,816	\$22,169	\$24,126
Marine insurance	56,679	53,401	53,067
Motor insurance	80,083	91,367	77,020
Engineering insurance	48,491	41,666	31,300

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Liability insurance	17,708	20,266	14,854
Accident & health insurance	6,537	7,409	6,929
Others	400	34,630	36,541
Total	242,714	270,908	243,837
Add: non-performing loans	71	-	-
Less: Allowance for losses	(2,498)	(2,709)	(2,438)
Net amount	\$240,287	\$268,199	\$241,399

Note: As of September 30, 2022, December 31, 2021 and September 30, 2021, the notes receivable included non-performing loans of NT\$71 thousand, NT\$0 thousand and NT\$0 thousand, respectively, and accordingly allowances for losses of NT\$71 thousand, NT\$0 thousand and NT\$0 thousand were provided respectively.

Item	Premiums receivable (note)		
	September 30, 2022	December 31, 2021	September 30, 2021
Fire insurance	\$868,756	\$559,048	\$834,562
Marine insurance	305,569	273,790	267,118
Motor insurance	78,532	92,095	79,706
Engineering insurance	127,776	91,122	106,945
Liability insurance	100,647	152,212	114,931
Accident & health insurance	82,803	85,695	121,196
Total	1,564,083	1,253,962	1,524,458
plus: non-performing loans	220,808	139,299	304,542
Less: Allowance for losses	(54,141)	(28,372)	(29,477)
Net amount	\$1,730,750	\$1,364,889	\$1,799,523

Note: The insurance premiums receivable on September 30, 2022, December 31, 2021, and September 30, 2021 included the collections of NT\$220,808 thousand, NT\$139,299 thousand, and NT\$304,542 thousand with allowance for losses of NT\$38,500 thousand, NT\$15,832 thousand, and NT\$14,233 thousand appropriated, respectively.

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

Item	September 30, 2022	December 31, 2021	September 30, 2021
	Actually paid	Actually paid	Actually paid
Fire insurance	\$12,081	\$21,740	\$147,113
Marine insurance	7,358	13,900	13,969
Motor insurance	174,537	178,756	205,468
Engineering insurance	13,530	23,657	14,425
Liability insurance	31,325	1,245	1,325
Accident & health insurance	24,500	40,233	32,938
Total	263,331	279,531	415,238
Add: non-performing loans	145	-	51
Less: Allowance for losses	(2,705)	(2,795)	(4,177)
Net amount	\$260,771	\$276,736	\$411,112

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

(3) Commissions payable for insurance contracts

Item	September 30, 2022	December 31, 2021	September 30, 2021
Fire insurance	\$50,991	\$33,456	\$55,277
Marine insurance	22,856	26,437	31,112
Motor insurance	89,280	102,368	76,004
Engineering insurance	20,467	15,879	14,899
Liability insurance	37,203	45,297	37,263
Accident & health insurance	45,557	54,532	62,114
Total	<u>\$266,354</u>	<u>\$277,969</u>	<u>\$276,669</u>

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

Item	September 30, 2022	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$99,085	\$148,590
CRC	\$99,085	\$148,590
JOH	139,000	12,303
SWH	49,425	184,507
WIL	133,911	120,851
WIT	46,322	30,982
Others	55,250	168,826
Subtotal	92,095	1,082,603
Add: non-performing loans	615,088	1,748,662
Less: Allowance for losses	111,300	-
Net amount	<u>(32,218)</u>	<u>-</u>

Item	December 31, 2021	
	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
Add: non-performing loans	43,595	-
Less: Allowance for losses	(17,387)	-
Net amount	<u>\$629,569</u>	<u>\$1,559,847</u>

September 30, 2021

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$97,670	\$150,759
CRC	79,309	43,005
JOH	99,036	39,912
PIB	39,132	48,539
REI	51,919	20,725
SWH	213,547	232,878
WIT	32,599	124,112
Others	61,619	1,167,566
Subtotal	674,831	1,827,496
Add: non-performing loans	70,840	-
Less: Allowance for losses	(48,436)	-
Net amount	\$697,235	\$1,827,496

Note: The reinsurance accounts receivable on September 30, 2022, December 31, 2021, and September 30, 2021 included the collections of NT\$111,300 thousand, NT\$43,595 thousand and \$70,840 thousand with the allowance for losses of NT\$26,792 thousand, NT\$12,358 thousand and NT\$42,223 thousand appropriated, respectively.

- (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:

	September 30, 2022				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	\$2,821,637	\$271,211	\$168,289	\$59,450	\$3,320,587
Allowance for loss (expected credit loss)	(25,177)	(4,490)	(15,087)	(48,236)	(92,990)
Total	\$2,796,460	\$266,721	\$153,202	\$11,214	\$3,227,597

	December 31, 2021				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	\$2,534,122	\$181,377	\$125,843	\$10,001	\$2,851,343

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

	September 30, 2021				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	\$2,884,764	\$569,114	\$94,783	\$58,650	\$3,607,311
Allowance for loss (expected credit loss)	(25,687)	(8,121)	(5,860)	(46,260)	(85,928)
Total	\$2,859,077	\$560,994	\$88,972	\$12,340	\$3,521,383

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

5. Information related to business performance

(1) Insurance contract acquisition cost

Item	From July 1 to September 30, 2022				Total
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	
Fire insurance	\$67,668	\$-	\$5,496	\$798	\$73,962
Marine insurance	24,253	-	-	14	24,267
Motor insurance	382,033	-	78,853	-	460,886
Engineering insurance	25,691	-	-	4	25,695
Liability insurance	57,031	-	-	-	57,031
Accident & health insurance	109,279	-	-	-	109,279
Total	\$665,955	\$-	\$84,349	\$816	\$751,120

Item	From July 1 to September 30, 2021				Total
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	
Fire insurance	\$57,932	\$-	\$5,521	\$3,308	\$66,761
Marine insurance	23,203	-	-	12	23,215
Motor insurance	357,630	-	81,286	-	438,916
Engineering insurance	17,872	-	-	28	17,900
Liability insurance	56,933	-	-	-	56,933
Accident & health insurance	114,766	-	-	-	114,766
Total	\$628,336	\$-	\$86,807	\$3,348	\$718,491

Item	From January 1 to September 30, 2022				Total
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	
Fire insurance	\$191,813	\$-	\$16,701	\$1,628	\$210,142
Marine insurance	61,195	-	-	41	61,236
Motor insurance	1,129,890	-	232,974	-	1,362,864
Engineering insurance	72,379	-	-	22	72,401
Liability insurance	192,364	-	-	-	192,364

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Accident & health insurance	333,996	-	-	-	333,996
Total	\$1,981,637	\$-	\$249,675	\$1,691	\$2,233,003

Item	From January 1 to September 30, 2021				Total
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	
Fire insurance	\$179,121	\$-	\$16,394	\$5,586	\$201,101
Marine insurance	64,830	-	-	62	64,892
Motor insurance	1,062,673	-	241,874	-	1,304,547
Engineering insurance	56,685	-	-	51	56,736
Liability insurance	178,574	-	-	9	178,583
Accident & health insurance	350,378	-	-	-	350,378
Total	\$1,892,261	\$-	\$258,268	\$5,708	\$2,156,237

(2) Analysis of insurance profit and loss

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

From July 1 to September 30, 2022

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	\$1,179,030	\$24,362	\$(91,078)	\$(73,962)	\$(63,868)	\$(2,196)	\$(189,232)	\$783,056
Marine insurance	277,691	978	32,635	(24,267)	(66,433)	(13)	(8,523)	212,068
Motor insurance	2,933,992	152,458	4,117	(460,886)	(1,693,271)	(145,058)	(118,126)	673,226
Engineering insurance	282,696	12	6,700	(25,695)	(56,197)	(225)	(28,261)	179,030
Liability insurance	397,054	728	48,920	(57,031)	(438,443)	(141)	288,276	239,363
Accident & health insurance	545,474	1,954	43,581	(109,279)	(352,198)	(97)	17,058	146,493
Total	\$5,615,937	\$180,492	\$44,875	\$(751,120)	\$(2,670,410)	\$(147,730)	\$(38,808)	\$2,233,236

From July 1 to September 30, 2021

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	\$1,397,578	\$42,505	\$(533,892)	\$(66,761)	\$(630,929)	\$(9,849)	\$384,611	\$583,263
Marine insurance	301,420	823	(25,527)	(23,215)	(85,138)	(8)	(67,453)	100,902
Motor insurance	2,805,605	150,352	6,470	(438,916)	(1,488,879)	(147,634)	(276,751)	610,247
Engineering insurance	204,593	118	39,847	(17,900)	(68,877)	(77)	(60,660)	97,044
Liability insurance	391,568	343	4,988	(56,933)	(154,105)	(103)	(26,127)	159,631
Accident & health insurance	562,022	1,779	33,171	(114,766)	(300,338)	(126)	(22,416)	159,326
Total	\$5,662,786	\$195,920	\$(474,943)	\$(718,491)	\$(2,728,266)	\$(157,797)	\$(68,796)	\$1,710,413

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

From January 1 to September 30, 2022

Item	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims		Net change in Claims reserve	Insurance profit (loss)
					(including indemnity expense)	Reinsurance claims		
Fire insurance	\$3,506,931	\$75,497	\$(398,927)	\$(210,142)	\$(748,657)	\$(3,348)	\$(409,203)	\$1,812,151
Marine insurance	803,640	2,655	27,916	(61,236)	(424,689)	(16)	287,672	635,942
Motor insurance	8,683,422	450,559	(17,876)	(1,362,864)	(4,837,256)	(431,132)	(323,248)	2,161,605
Engineering insurance	930,748	98	(49,835)	(72,401)	(165,353)	(346)	(227,311)	415,600
Liability insurance	1,378,360	2,821	(55,748)	(192,364)	(879,757)	(148)	(42,450)	210,714
Accident & health insurance	1,728,255	6,220	(17,837)	(333,996)	(1,011,429)	(1,083)	(82,120)	288,010
Total	\$17,031,356	\$537,850	\$(512,307)	\$(2,233,003)	\$(8,067,141)	\$(436,073)	\$(796,660)	\$5,524,022

From January 1 to September 30, 2021

Item	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims		Net change in Claims reserve	Insurance profit (loss)
					(including indemnity expense)	Reinsurance claims		
Fire insurance	\$3,201,325	\$112,518	\$(652,305)	\$(201,101)	\$(997,034)	\$(10,795)	\$(333,054)	\$1,119,554
Marine insurance	875,090	2,194	(55,215)	(64,892)	(253,817)	27	(86,187)	417,200
Motor insurance	8,343,269	442,425	(92,239)	(1,304,547)	(4,790,027)	(437,482)	(209,595)	1,951,804
Engineering insurance	828,738	231	(104,168)	(56,736)	(240,981)	395	(20,435)	407,044
Liability insurance	1,311,063	1,902	(164,181)	(178,583)	(400,035)	(927)	28,229	597,468
Accident & health insurance	1,791,695	5,847	(78,951)	(350,378)	(966,022)	(1,057)	(33,576)	367,558
Total	\$16,351,180	\$565,117	\$(1,147,059)	\$(2,156,237)	\$(7,647,916)	\$(449,839)	\$(654,618)	\$4,860,628

B. Current profit and loss recognized for purchased reinsurance contracts

From July 1 to September 30, 2022

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)
Marine insurance	(120,117)	(16,409)	9,677	37,371	(22,693)	(112,171)
Motor insurance	(298,350)	(19,741)	23,866	272,070	(25,689)	(47,844)
Engineering insurance	(129,797)	(55,003)	9,990	14,030	1,066	(159,714)
Liability insurance	(30,635)	(15,120)	3,960	35,846	(33,095)	(39,044)
Accident & health insurance	(20,012)	(19,529)	2,324	27,846	(2,852)	(12,223)
Total	\$(1,247,348)	\$(27,832)	\$67,065	\$413,313	\$27,676	\$(767,126)

From July 1 to September 30, 2021

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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	\$(826,368)	\$453,934	\$14,461	\$319,122	\$(136,578)	\$(175,429)
Marine insurance	(163,317)	15,325	18,440	41,325	26,536	(61,691)
Motor insurance	(332,602)	(2,220)	34,017	242,436	34,755	(23,614)
Engineering insurance	(83,266)	(37,546)	8,251	14,487	26,902	(71,172)
Liability insurance	(25,765)	(15,573)	3,754	31,010	(18,095)	(24,669)
Accident & health insurance	(28,599)	(21,280)	1,166	40,206	(686)	(9,193)
Total	\$(1,459,917)	\$392,640	\$80,089	\$688,586	\$(67,166)	\$(365,768)

From January 1 to September 30, 2022

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	\$(1,798,175)	\$153,921	\$44,107	\$462,990	\$304,008	\$(833,149)
Marine insurance	(406,481)	(46,215)	46,622	234,798	(298,388)	(469,664)
Motor insurance	(887,394)	(68,875)	78,985	817,740	(70,176)	(129,720)
Engineering insurance	(405,084)	(37,367)	26,404	32,309	127,104	(256,634)
Liability insurance	(120,280)	(13,487)	15,027	66,458	(110,867)	(163,149)
Accident & health insurance	(106,380)	(13,445)	9,065	98,313	(2,799)	(15,246)
Total	\$(3,723,794)	\$(25,468)	\$220,210	\$1,712,608	\$(51,118)	\$(1,867,562)

From January 1 to September 30, 2021

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	\$(1,728,307)	\$440,276	\$78,825	\$542,980	\$144,315	\$(521,911)
Marine insurance	(503,730)	29,891	56,147	113,643	34,872	(269,177)
Motor insurance	(975,174)	(3,889)	91,428	872,796	(29,660)	(44,499)
Engineering insurance	(403,412)	116,639	36,078	71,233	(3,008)	(182,470)
Liability insurance	(128,613)	(4,449)	16,133	42,554	(91,297)	(165,672)
Accident & health insurance	(158,889)	(55)	8,855	171,231	(11,744)	9,398
Total	\$(3,898,125)	\$578,413	\$287,466	\$1,814,437	\$43,478	\$(1,174,331)

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	\$3,507,023	70.30%	\$175,351	\$85,442
Marine insurance	798,978	70.47%	39,949	19,858
Land and air insurance	7,085,403	65.62%	354,270	343,051
Liability insurance	1,079,326	71.23%	53,966	49,092
Engineering Guarantee Insurance	956,281	68.05%	47,814	27,463
Other property insurance	273,501	61.28%	13,675	12,632

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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
Accident insurance	1,697,737	63.45%	84,887	79,598
Health insurance	30,518	63.33%	1,526	1,495
Automobile liability insurance	1,602,681	Not applicable	Not applicable	Not applicable
Total	<u>\$17,031,448</u>		<u>\$771,438</u>	<u>\$618,631</u>

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

According to the data from January to September 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 53.25% and 50.45% of the total underwriting during July 1 to September 30, 2022 and 2021, and 51.99% and 51.94% of the total underwriting during January 1 to September 30, 2022 and 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	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$1,203,392	20.76%	\$1,440,083	24.59%
Marine insurance	278,669	4.81%	302,243	5.16%
Motor insurance	3,086,450	53.25%	2,955,957	50.45%
Engineering insurance	282,708	4.88%	204,711	3.49%
Liability insurance	397,782	6.86%	391,911	6.69%
Accident & health insurance	547,428	9.44%	563,801	9.62%
Total	<u>\$5,796,429</u>		<u>\$5,858,706</u>	

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$3,582,428	20.39%	\$3,313,843	19.59%
Marine insurance	806,295	4.59%	877,284	5.18%
Motor insurance	9,133,981	51.99%	8,785,694	51.94%
Engineering insurance	930,846	5.30%	828,969	4.90%

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Liability insurance	1,381,181	7.86%	1,312,965	7.76%
Accident & health insurance	1,734,475	9.87%	1,797,542	10.63%
Total	<u>\$17,569,206</u>		<u>\$16,916,297</u>	

B. Retention ratios

The car insurance has the highest retention ratios, which accounted for 61.30% and 59.64% of its total premiums during July 1 to September 30, 2022 and 2021, and 59.56% and 59.99% of its total premiums during January 1 to September 30, 2022 and 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	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$554,955	12.20%	\$613,715	13.95%
Marine insurance	158,552	3.49%	138,926	3.16%
Motor insurance	2,788,100	61.30%	2,623,355	59.64%
Engineering insurance	152,911	3.36%	121,445	2.76%
Liability insurance	367,147	8.07%	366,146	8.32%
Accident & health insurance	527,416	11.58%	535,202	12.17%
Total	<u>\$4,549,081</u>		<u>\$4,398,789</u>	

Item	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$1,784,253	12.88%	\$1,585,536	12.18%
Marine insurance	399,814	2.89%	373,554	2.87%
Motor insurance	8,246,587	59.56%	7,810,520	59.99%
Engineering insurance	525,762	3.80%	425,557	3.27%
Liability insurance	1,260,901	9.11%	1,184,352	9.10%
Accident & health insurance	1,628,095	11.76%	1,638,653	12.59%
Total	<u>\$13,845,412</u>		<u>\$13,018,172</u>	

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

Item	From July 1 to September 30, 2022			
	Premium	Reinsurance	Reinsurance	Net premium

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

	revenues	premium income	premiums ceded	revenues
Fire insurance	\$1,179,030	\$24,362	\$(648,437)	\$554,955
Marine insurance	277,691	978	(120,117)	158,552
Motor insurance	2,933,992	152,458	(298,350)	2,788,100
Engineering insurance	282,696	12	(129,797)	152,911
Liability insurance	397,054	728	(30,635)	367,147
Accident & health insurance	545,474	1,954	(20,012)	527,416
Total	\$5,615,937	\$180,492	\$(1,247,348)	\$4,549,081

From July 1 to September 30, 2021

Item	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$1,397,578	\$42,505	\$(826,368)	\$613,715
Marine insurance	301,420	823	(163,317)	138,926
Motor insurance	2,805,605	150,352	(332,602)	2,623,355
Engineering insurance	204,593	118	(83,266)	121,445
Liability insurance	391,568	343	(25,765)	366,146
Accident & health insurance	562,022	1,779	(28,599)	535,202
Total	\$5,662,786	\$195,920	\$(1,459,917)	\$4,398,789

From January 1 to September 30, 2022

Item	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$3,506,931	\$75,497	\$(1,798,175)	\$1,784,253
Marine insurance	803,640	2,655	(406,481)	399,814
Motor insurance	8,683,422	450,559	(887,394)	8,246,587
Engineering insurance	930,748	98	(405,084)	525,762
Liability insurance	1,378,360	2,821	(120,280)	1,260,901
Accident & health insurance	1,728,255	6,220	(106,380)	1,628,095
Total	\$17,031,356	\$537,850	\$(3,723,794)	\$13,845,412

From January 1 to September 30, 2021

Item	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$3,201,325	\$112,518	\$(1,728,307)	\$1,585,536
Marine insurance	875,090	2,194	(503,730)	373,554
Motor insurance	8,343,269	442,425	(975,174)	7,810,520
Engineering insurance	828,738	231	(403,412)	425,557
Liability insurance	1,311,063	1,902	(128,613)	1,184,352
Accident & health insurance	1,791,695	5,847	(158,889)	1,638,653
Total	\$16,351,180	\$565,117	\$(3,898,125)	\$13,018,172

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

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					2022.09.30 Cumulative			
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.09.30	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2017							\$398,699		
2018	\$7,005,283	\$7,378,153	\$7,256,705	\$7,244,168	\$7,241,905	\$7,139,325	102,580		
2019		8,069,856	8,686,669	8,618,981	8,385,976	8,190,585	195,391		
2020			9,736,071	10,213,567	10,291,693	8,385,816	1,905,877		
2021				8,570,248	8,763,202	7,237,457	1,525,745		
2022					7,469,912	3,689,484	3,780,428		
Total							<u>\$7,908,720</u>	<u>\$1,667,650</u>	<u>\$9,576,370</u>

Accident Year	Assessment date					2021.12.31 Cumulative			
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤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>

Accident Year	Assessment date					2021.09.30 Cumulative			
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.09.30	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2016							\$398,440		
2017	\$6,409,289	\$6,589,715	\$6,537,614	\$6,531,323	\$6,549,345	\$6,477,121	72,224		
2018		7,005,283	7,378,153	7,256,705	7,244,466	7,097,943	146,523		
2019			8,069,856	8,686,669	8,634,880	7,853,467	781,413		
2020				9,736,071	10,475,614	7,420,994	3,054,620		
2021					6,106,793	3,251,506	2,855,287		
Total							<u>\$7,308,507</u>	<u>\$1,411,661</u>	<u>\$8,720,168</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

B. Cumulative reported claims

Accident Year	Assessment date					2022.09.30 Cumulative			
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.09.30	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2017							\$148,221		
2018	\$5,824,992	\$6,079,736	\$6,030,322	\$5,976,778	\$5,975,056	\$5,902,447	72,609		
2019		6,383,975	6,586,879	6,575,205	6,557,788	6,454,373	103,415		
2020			6,976,044	7,297,107	7,359,952	7,007,353	352,599		
2021				7,164,861	7,343,347	6,359,273	984,074		
2022					6,170,285	3,422,903	2,747,382		
Total							4,408,300	\$1,458,476	\$5,866,776

Accident Year	Assessment date					2021.12.31 Cumulative			
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤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							\$3,925,889	\$1,050,561	\$4,976,450

Accident Year	Assessment date					2021.09.30 Cumulative			
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.09.30	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2016							\$117,245		
2017	\$5,383,242	\$5,476,366	\$5,441,622	\$5,441,978	\$5,462,663	\$5,412,766	49,897		
2018		5,824,992	6,079,736	6,030,322	6,019,264	5,919,802	99,462		
2019			6,383,975	6,586,879	6,567,909	6,349,832	218,077		
2020				6,976,044	7,500,531	6,472,238	1,028,293		
2021					5,036,074	2,812,788	2,223,286		
Total							\$3,736,260	\$1,215,484	\$4,951,744

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." Also, the surrender value for the three-year accident insurance and health insurance is not included.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

9. Types of financial instruments

Financial instruments	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$6,756,583	\$8,823,185	\$8,119,777
Financial assets at fair value through other comprehensive income	1,374,265	1,388,344	1,281,217
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand and working capital)	10,022,800	11,754,641	11,047,353
Financial assets at amortized cost	10,570,894	6,941,041	6,443,309
Accounts receivable	2,272,656	1,945,038	2,413,036
Refundable deposits	738,675	627,855	632,104
Subtotal	23,605,025	21,268,575	20,535,802
Total	\$31,735,873	\$31,480,104	\$29,936,796
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$543,143	\$-	\$3,010
Financial liabilities at amortized cost:			
Accounts Payables	2,773,825	2,894,222	2,804,455
Lease liability	35,669	34,924	34,131
Subtotal	2,809,494	2,929,146	2,838,586
Total	\$3,352,637	\$2,929,146	\$2,841,596

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

(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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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		
			September 30, 2022	December 31, 2021	September 30, 2021
Low credit risk	Credit rating above	12-month expected	0.0140%~	0.0012%~	0.0055%~
	Baa3	credit loss	0.0714%	0.0895%	0.0898%
Credit risk increased significantly	Credit rating below	Lifetime expected	1.2885%~	1.5868%~	1.5825%~
	Ba1	credit loss	3.2024%	4.8399%	4.8328%

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.

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

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:

September 30, 2022

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	10,022,800	-	-	-	10,022,800
Financial assets at fair value through profit or loss	51,146	-	-	-	51,146
Financial assets at fair value through other comprehensive income	-	-	284,771	-	284,771
Financial assets at amortized cost (Note 2)	6,889,273	-	3,359,061	849,380	

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

					11,097,714
Total	16,963,219	-	3,643,832	849,380	21,456,431
Regional proportion to overall	79%	0%	17%	4%	100%

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%

September 30, 2021

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	11,047,353	-	-	-	11,047,353
Financial assets at fair value through profit or loss	51,146	-	-	-	51,146
Financial assets at fair value through other comprehensive income	-	-	383,243	-	383,243
Financial assets at amortized cost (Note 2)	2,917,135	299,589	2,679,440	1,077,586	6,973,750
Total	14,015,634	299,589	3,062,683	1,077,586	18,455,492
Regional proportion to overall	76%	2%	16%	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:

September 30, 2022

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	10,022,800	-	-	-	10,022,800
Financial assets at fair value through profit or loss	51,146	-	-	-	51,146
Financial assets at fair value through other comprehensive income	-	-	-	284,771	284,771

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Financial assets at amortized cost (Note 2)	5,014,901	221,072	2,099,918	3,761,823	11,097,714
Total	15,088,847	221,072	2,099,918	4,046,594	21,456,431
Regional proportion to overall	70%	1%	10%	19%	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%

September 30, 2021

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	11,047,353	-	-	-	11,047,353
Financial assets at fair value through profit or loss	51,146	-	-	-	51,146
Financial assets at fair value through other comprehensive income	-	-	-	383,243	383,243
Financial assets at amortized cost (Note 2)	2,728,616	193,599	569,381	3,482,154	6,973,750
Total	13,827,115	193,599	569,381	3,865,397	18,455,492
Regional proportion to overall	75%	1%	3%	21%	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:

September 30, 2022

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	10,022,800	-	10,022,800
Financial assets at fair value through profit or loss	51,146	-	51,146

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Financial assets at fair value through other comprehensive income	284,771	-	284,771
Financial assets at amortized cost (Note 2)	11,097,714	-	11,097,714
Total	21,456,431	-	21,456,431

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

September 30, 2021

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	11,047,353	-	11,047,353
Financial assets at fair value through profit or loss	51,146	-	51,146
Financial assets at fair value through other comprehensive income	383,243	-	383,243
Financial assets at amortized cost (Note 2)	6,973,750	-	6,973,750
Total	18,455,492	-	18,455,492

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

	September 30, 2022				Total book value
	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	
Financial assets at amortized cost	\$10,786,860	\$150,910	\$-	\$-	\$10,937,770
Financial assets at fair value through other comprehensive income	381,771	-	-	-	381,771

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

	December 31, 2021				
	Stage 1	Stage 2	Stage 3		Total book value
	12-month expected credit loss	Lifetime expected credit loss	Lifetime Expected credit loss	Purchased or credit-impaired financial assets	
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
	September 30, 2021				
	Stage 1	Stage 2	Stage 3		Total book value
	12-month expected credit loss	Lifetime expected credit loss	Lifetime Expected credit loss	Purchased or credit-impaired financial assets	
Financial assets at amortized cost	\$7,359,980	\$150,910	\$-	\$-	\$7,510,890
Financial assets at fair value through other comprehensive income	382,908	-	-	-	382,908

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
	through other comprehensive income	Measured at amortized cost	Measured at amortized cost
January 1, 2022	\$225	\$3,637	\$6,136
Derecognition	-	(83)	-
Originated or purchased	-	1,165	-
Change of model /risk parameters	(45)	(1,056)	(2,030)
September 30, 2022	\$180	\$3,663	\$4,106
January 1, 2021	\$508	\$6,673	\$3,206
Derecognition	-	-	-
Originated or purchased	-	261	5,325
Change of model /risk parameters	(280)	(3,407)	(2,414)

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

September 30, 2021	\$228	\$3,527	\$6,117
--------------------	-------	---------	---------

(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.

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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:

September 30, 2022

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$657,325	\$27,864	\$658,347	\$31,532	\$655,123

December 31, 2021

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

September 30, 2021

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$623,366	\$22,094	\$624,027	\$25,081	\$623,290

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:

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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.

September 30, 2022

<u>Risk factors</u>	<u>Changed value (+/-)</u>	<u>Position profit and loss (P/L)</u>
Equity risk (stock price index)	-10%	\$(568,637)
Interest rate risk (yield rate curve)	+100bp	(57,115)
Exchange rate risk (exchange rate)	-5%	(10,583)

December 31, 2021

<u>Risk factors</u>	<u>Changed value (+/-)</u>	<u>Position profit and loss (P/L)</u>
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)

September 30, 2021

<u>Risk factors</u>	<u>Changed value (+/-)</u>	<u>Position profit and loss (P/L)</u>
Equity risk (stock price index)	-10%	\$(583,215)
Interest rate risk (yield rate curve)	+100bp	(75,988)
Exchange rate risk (exchange rate)	-5%	(30,520)

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

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		
	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets			
Financial assets at amortized cost	\$10,570,894	\$6,941,041	\$6,443,309
Refundable deposits – by government bonds	526,820	529,455	530,441
Fair value			
	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets			
Financial assets at amortized cost	\$9,633,627	\$7,531,580	\$7,039,316
Refundable deposits – by government bonds	501,204	536,134	548,700

(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	September 30, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
Stock	\$4,932,294	\$4,589,106	\$-	\$343,188
Bonds	51,146	-	-	51,146
Fund	1,771,728	1,771,728	-	-
Swap and forward exchange contracts	1,415	-	1,415	-

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Financial assets at fair value					
through other comprehensive					
income					
Stock	1,089,494	849,277	-	240,217	
Bonds	284,771	284,771	-	-	
Financial liabilities					
Financial liabilities at fair value					
through profit or loss					
Swap and forward exchange					
contracts	543,143	-	543,143	-	
Financial instruments		December 31, 2021			
measured at fair value					
		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		September 30, 2021			
measured at fair value					
		Total	Level 1	Level 2	Level 3
Financial assets					
Financial assets at fair value					
through profit or loss					
Stock	\$5,802,999	\$5,478,036	\$-	\$324,963	
Bonds	51,146	-	-	51,146	
Fund	2,187,856	2,187,856	-	-	
Swap and forward exchange					
contracts	77,776	-	77,776	-	
Financial assets at fair value					
through other comprehensive					
income					
Stock	897,974	606,993	-	290,981	
Bonds	383,243	383,243	-	-	

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Financial liabilities

Financial liabilities at fair value

through profit or loss

Swap and forward exchange

contracts

3,010

-

3,010

-

The assets and liabilities measured at repetitive fair value during January 1 to September 30, 2022 and 2021, had no transfer between the Level 1 and Level 2 fair values.

(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
	January 1, 2022	\$376,100	\$270,647
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”)	9	-	9
Recognized as other comprehensive income (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive income”)	-	(14,035)	(14,035)
Recognized as other comprehensive income (under “Other comprehensive income reclassified with overlay approach”)	18,225	-	18,225
disposal/settlement	-	(16,395)	(16,395)
September 30, 2022	\$394,334	\$240,217	\$634,551

	Assets		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total
	January 1, 2021	\$418,030	\$292,104
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”)	65	-	65

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Recognized as other comprehensive income (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive income”)	-	40,960	40,960
Recognized as other comprehensive income (under “Other comprehensive income reclassified with overlay approach”)	(38,040)	(42,083)	(80,123)
September 30, 2021	<u>\$376,109</u>	<u>\$290,981</u>	<u>\$667,090</u>

Among the above recognized total profits (losses), those related to the assets held during July 1 to September 30, 2021 and 2020, and January 1 to September 30, 2022 and 2021, respectively, are as follows:

	<u>From July 1 to September 30, 2022</u>	<u>From July 1 to September 30, 2021</u>
Total profits (losses)		
Recognized in the profit or loss	\$9	\$19
Recognized in the other comprehensive income	(12,363)	14,497
	<u>From January 1 to September 30, 2022</u>	<u>From January 1 to September 30, 2021</u>
Total profits (losses)		
Recognized in the profit or loss	\$9	\$65
Recognized in the other comprehensive income	2,274	33,702

(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:

September 30, 2022

	<u>Appraisal technology</u>	<u>Significant unobservable input values</u>	<u>Quantitative information</u>	<u>Relation between input value and fair value</u>
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	Liquidity and minority share discount	0-30%	The higher liquidity and minority equity discount, the lower fair value estimate

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

approach,
asset
approach

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% Note	The higher liquidity and minority equity discount, the lower fair value estimate
Bonds				
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.

September 30, 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% Note	The higher liquidity discount, the lower fair value estimate
Bonds				
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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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

	September 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$9,633,627	\$7,896,015	\$-	\$1,737,612
Refundable deposits – by government bonds	501,204	501,204	-	-
Investment property (see Note 6.8)	2,865,771	-	-	2,538,436
	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$7,531,580	\$5,794,431	\$-	\$1,737,149
Refundable deposits – by government bonds	536,134	536,134	-	-
Investment property (see Note 6.8)	2,538,436	-	-	2,538,436
	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$7,039,316	\$5,302,316	\$-	\$1,737,000
Refundable deposits – by government bonds	548,700	548,700	-	-
Investment property (see Note 6.8)	2,901,157	-	-	2,901,157

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 parties
Taiwan Shin Kong Security Co., Ltd.	Other related parties
Taiwan Security Co., Ltd.	Other related parties
Waibel Enterprise Inc.	Other related parties
Shin Kong Life Insurance Co., Ltd.	Other related parties
Shin Kong Mitsukoshi Department Store CO., LTD.	Other related parties
Shin Kong Synthetic Fibers Corporation	Other related parties
Shin Kong Textile Co., Ltd.	Other related parties
Shin-Po Express Co., Ltd.	Other related parties
THE AMBASSADOR HOTEL CO., LTD.	Other related parties

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Shin-Kong Life Real Estate Service Co.,Ltd	Other related parities
Great Taipei Broadband 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	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$4,058	0.07%	\$5,283	0.09%

Name	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$46,606	0.27%	\$51,511	0.32%

2. Claims

Name	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$5,389	0.19%	\$-	-

Name	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$11,182	0.13%	\$3,650	0.05%

3. Operating expenses

Name	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$7,776	0.84%	\$-	-

Name	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$10,103	0.38%	\$-	-

4. Lease

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Property investment gains and losses – rental income

Name	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$75</u>	0.31%	<u>\$75</u>	0.37%

Name	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$225</u>	0.35%	<u>\$1,168</u>	1.91%

Advance rent

Name	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$76</u>	0.06%	<u>\$297</u>	0.15%	<u>\$-</u>	-

Right-of-use assets

Name	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	<u>\$10,304</u>	29.42%	<u>\$7,263</u>	21.12%	<u>\$5,167</u>	15.37%

Lease liability

Name	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	<u>\$10,415</u>	29.20%	<u>\$7,407</u>	21.21%	<u>\$5,319</u>	15.58%

Interest expenses

Name	From July 1 to September 30, 2022		From July 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$37</u>	0.10%	<u>\$25</u>	0.12%

Name	From January 1 to September 30, 2022		From January 1 to September 30, 2021	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	<u>\$37</u>	0.10%	<u>\$25</u>	0.12%

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Name	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	<u>\$86</u>	0.11%	<u>\$91</u>	0.12%

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:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Short-term employee benefits	\$28,529	\$19,087	\$97,020	\$79,158
Retirement benefits	1,270	4,056	60,647	75,417
Total	<u>\$29,799</u>	<u>\$23,143</u>	<u>\$157,667</u>	<u>\$154,575</u>

9. Pledged assets

As of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, the details of pledged and guarantee assets are as follows:

Item	September 30, 2022	December 31, 2021	September 30, 2021
Government bonds – insurance deposits	\$526,820	\$529,455	\$530,441
Time deposit – performance bond	78,436	28,436	20,000

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

See Note 6.13.

16. Discontinued operations information

No such items

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 September 30, 2022, December 31, 2021 and September 30, 2021, respectively, are as follows:

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash and cash equivalents	\$1,046,460	\$515,847	\$325,825
TWSE (Taiwan Stock Exchange) listed/OTC stocks	397,682	1,432,294	1,089,341
Total	<u>\$1,444,142</u>	<u>\$1,984,141</u>	<u>\$1,415,166</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

23. Others

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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	September 30, 2022		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Cash and cash equivalents	\$10,032,514	\$-	\$10,032,514
Accounts receivable	2,272,656	-	2,272,656
Investment	6,806,574	14,301,929	21,108,503
Reinsurance contract assets (net)	-	8,229,998	8,229,998
Property and equipment (net)	-	1,303,302	1,303,302
Right-of-use assets.	-	35,020	35,020
Intangible assets	-	22,628	22,628
Deferred income tax assets	-	288,518	288,518
Other assets	150,146	689,166	839,312
Total assets			<u>\$44,132,451</u>
Accounts Payables	\$2,773,825	\$-	\$2,773,825
Current income tax liabilities	71,727	-	71,727
Financial liabilities	543,143	-	543,143
Lease liability	15,544	20,125	35,669
Insurance liability	-	26,010,065	26,010,065
Reserve for liabilities	-	98,878	98,878
Deferred tax liabilities	-	92,297	92,297
Others	125,534	9,927	135,461
Total liabilities			<u>\$29,761,065</u>

Item	December 31, 2021		
	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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Total assets			<u>\$43,885,480</u>
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>

September 30, 2021

Item	Recovery or		Total
	settlement within 12 months	settlement more than 12 months	
Cash and cash equivalents	\$11,059,641	\$-	\$11,059,641
Accounts receivable	2,413,036	-	2,413,036
Investment	8,462,163	9,794,540	18,256,703
Reinsurance contract assets (net)	-	8,727,151	8,727,151
Property and equipment (net)	-	1,297,348	1,297,348
Right-of-use assets.	-	33,606	33,606
Intangible assets	-	16,709	16,709
Deferred income tax assets	-	256,314	256,314
Other assets	66,033	704,672	770,705
Total assets			<u>\$42,831,213</u>
Accounts Payables	\$2,804,455	\$-	\$2,804,455
Current income tax liabilities	147,673	-	147,673
Financial liabilities	3,010	-	3,010
Lease liability	14,323	19,808	34,131
Insurance liability	-	25,058,382	25,058,382
Reserve for liabilities	-	122,965	122,965
Deferred tax liabilities	-	39,565	39,565
Others	139,974	36,791	176,765
Total liabilities			<u>\$28,386,946</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

2. Derivative instruments

As of September 30, 2022, December 31, 2021 and September 30, 2021, the derivatives not conformable to the hedge accounting and not expired yet are as follows:

SWAP and forward exchange contracts

September 30, 2022

Financial products	Contract amounts		Transaction date/Expiration date	Contract exchange rate (NTD)
	(Nominal principal)	Fair value (NTD)		
Forward exchange contracts	USD 7,000	\$(25,753)	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 7,000	(25,753)	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 4,000	(12,684)	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 4,000	(12,684)	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 2,000	(7,756)	2021.10.25/2022.10.27	27.827
Forward exchange contracts	USD 8,000	(30,059)	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 10,000	(37,574)	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 2,000	(7,824)	2021.11.12/2022.11.16	27.751
Forward exchange contracts	USD 8,000	(31,385)	2021.12.10/2022.12.14	27.656
Forward exchange contracts	USD 4,000	(12,714)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 6,000	(19,071)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 5,000	(15,892)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 9,000	(28,385)	2021.09.13/2023.09.15	27.498
Forward exchange contracts	USD 10,000	(39,200)	2021.10.22/2022.10.26	27.786
Forward exchange contracts	USD 1,000	(1,779)	2022.08.02/2022.11.04	29.914
Forward exchange contracts	USD 10,000	1,415	2022.09.26/2022.12.28	31.674
Forward exchange contracts	USD 10,000	(26,875)	2022.04.13/2022.10.17	29.035
Forward exchange contracts	USD 5,000	(13,438)	2022.04.13/2022.10.17	29.035
Forward exchange contracts	USD 4,000	(7,596)	2022.07.27/2022.10.31	29.8
Forward exchange contracts	USD 7,000	(16,297)	2022.04.29/2022.11.04	29.364
Forward exchange contracts	USD 8,000	(14,500)	2022.08.11/2022.11.15	29.855
Forward exchange contracts	USD 7,000	(26,843)	2022.01.26/2023.01.31	27.578
Forward exchange contracts	USD 10,000	(38,348)	2022.01.26/2023.01.31	27.578
Forward exchange contracts	USD 10,000	(39,280)	2021.11.15/2022.11.17	27.732

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Forward exchange contracts	USD 6,000	(23,568)	2021.11.15/2022.11.17	27.732
Forward exchange contracts	USD 9,000	(27,885)	2021.10.20/2023.10.23	27.44
December 31, 2021				
	Contract amounts	Fair value	Transaction	Contract
Financial products	(Nominal principal)	(NTD)	date/Expiration date	exchange rate
				(NTD)
Forward exchange contracts	USD 7,000	\$1,053	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 7,000	1,053	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 10,000	4,355	2021.01.27/2022.01.28	28.127
Forward exchange contracts	USD 1,000	291	2021.08.02/2022.08.04	27.95
Forward exchange contracts	USD 4,000	843	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 4,000	843	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 2,000	417	2021.10.25/2022.10.27	27.827
Forward exchange contracts	USD 8,000	882	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 10,000	1,102	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 2,000	290	2021.11.12/2022.11.16	27.751
Forward exchange contracts	USD 8,000	555	2021.12.10/2022.12.14	27.656
Forward exchange contracts	USD 10,000	7,605	2021.03.24/2022.03.28	28.451
Forward exchange contracts	USD 10,000	6,925	2021.04.13/2022.04.15	28.381
Forward exchange contracts	USD 5,000	3,462	2021.04.13/2022.04.15	28.381
Forward exchange contracts	USD 4,000	1,219	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 6,000	1,829	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 5,000	1,524	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 9,000	2,453	2021.09.13/2023.09.15	27.498
Forward exchange contracts	USD 1,000	188	2021.10.21/2023.10.25	27.359
Forward exchange contracts	USD 10,000	1,689	2021.10.22/2022.10.26	27.786
Forward exchange contracts	USD 7,000	2,314	2021.04.26/2022.01.28	28.022
Forward exchange contracts	USD 7,000	830	2021.04.29/2022.05.04	27.804
Forward exchange contracts	USD 5,000	1,935	2021.07.28/2022.07.29	28.049
Forward exchange contracts	USD 10,000	1,269	2021.11.15/2022.11.17	27.732
Forward exchange contracts	USD 6,000	761	2021.11.15/2022.11.17	27.732
Forward exchange contracts	USD 9,000	2,285	2021.10.20/2023.10.23	27.44

September 30, 2021

	Contract amounts	Fair value	Transaction	Contract
Financial products	(Nominal principal)	(NTD)	date/Expiration date	exchange rate
				(NTD)

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

	December 31, 2021		
	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
September 30, 2021			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
Financial assets			
Monetary items			
USD	\$152,503,373	27.800	\$4,239,594
CNY	81,075,583	4.280	347,003

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 July 1 to September 30, 2022 and 2021, were NT\$361,706 thousand and NT\$(2,084) thousand, and January 1 to September 30, 2022 and 2021, were NT\$733,915 thousand and NT\$(112,071) 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 September 30, 2022, December 31, 2021 and September 30, 2021, the net worth ratios from equity divided by total assets excluding investment-linked insurance accounts were 32.56%, 34.77% and 33.72%, 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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

No.	Item	Attachment
4	Reserve for unqualified reinsurances	Attached Table 4
5	Loans for the turnover of huge insurance payments	None

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: no such transactions.
- (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

Shareholding	Shares	Ratio of Shareholding
Shareholder's Name		
Shin Kong Textile Co., Ltd.	51,539,530	16.31%
Shin Kong Life Insurance Co., Ltd.	24,899,000	7.88%
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 caused no significant impact on the Company's business continuity, asset impairment, and financing risks.

26. Reserve for unqualified reinsurance

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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:

September 30, 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
S-Square Insurance Company, Inc.	One-year commercial fire insurance, commercial earthquake insurance, typhoon & flood 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)

(Reviewed only, not audited in accordance with the generally accepted auditing standards)
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

September 30, 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, 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 unqualified reinsurance premiums expenses during July 1 to September 30, 2022 and 2021, and January 1 to September 30, 2022 and 2021, were NT\$17,080 thousand, NT\$0 thousand, NT\$17,080 thousand and NT\$0 thousand, respectively.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Ceded unearned premium reserve	\$8,540	\$-	\$-
Settled claims recoverable from reinsurers			
within 9 months of overdue payment	87	4,138	19,655
Ceded outstanding losses claims	660	1,230	1,230
Total reserve for unqualified reinsurance	\$9,287	\$5,368	\$20,885

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

(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	\$1,602,681	\$450,559	\$667,663	\$1,385,577
Non-compulsory insurance	15,428,675	87,291	3,056,131	12,459,835
Total	\$17,031,356	\$537,850	\$3,723,794	\$13,845,412

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	\$885,936	\$912,301	\$347,809	\$343,871	\$(22,427)	\$531,639	\$547,453	\$(15,814)	\$1,392,190
Non-compulsory insurance	11,502,818	10,947,929	60,118	80,273	534,734	2,485,314	2,494,968	(9,654)	11,915,447
Total	\$12,388,754	\$11,860,230	\$407,927	\$424,144	\$512,307	\$3,016,953	\$3,042,421	\$(25,468)	\$13,307,637

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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

Item	Insurance claims (including claim expenses)	Reinsurance claims	Claims recovered from reinsurers	Retained claims
	(1)	(2)	(3)	(4)=(1)+(2)-(3)
Compulsory insurance	\$1,119,507	\$431,132	\$662,086	\$888,553
Non-compulsory insurance	6,947,634	4,941	1,050,522	5,902,053
Total	\$8,067,141	\$436,073	\$1,712,608	\$6,790,606

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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	\$1,767,570	\$1,682,501	Claims and benefits payable	\$16,139	\$17,989
Notes receivable	1,326	1,252	Due to Reinsurers & Ceding Companies	148,590	150,759
Insurance premium receivable	14,574	16,535	Unearned premium reserve	1,233,745	1,253,491
Claims Recoverable from Reinsurers - net	120,999	146,922	Loss reserve	1,395,001	1,517,614
Due from Reinsurers & Ceding Companies	99,085	97,670	Special reserve	274,204	130,112
Ceded unearned premium reserve	531,639	546,154	Temporary credit and amount to be carried down	13,023	35,528
Ceded Reserve for Claims	537,114	607,458			
Temporary debit and amount to be carried down	8,395	7,001			
Asset Total	\$3,080,702	\$3,105,493	Liability Total	\$3,080,702	\$3,105,493

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	\$1,112,639	\$1,152,455	Insurance claims	\$1,119,507	\$1,199,644
Reinsurance premium income	450,559	442,425	Reinsurance claims	431,132	437,482
Premium revenues	1,563,198	1,594,880	Less: Losses recovered from reinsurers	(662,086)	(706,241)
Less: Reinsurance premiums ceded	(667,663)	(691,548)	Retained claims payments	888,553	930,885
Net changes in unearned premium reserve	6,613	4,337	Net change in loss reserve	(41,327)	(36,726)
Retained earned premium	902,148	907,669	Special reserve net change	103,664	49,608
Interest revenue	1,275	456			
Total Operating revenues	\$903,423	\$908,125	Total Operating Cost	\$950,890	\$943,767

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										(18)	(19)
(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	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	82,752	6,166	0	88,918	784,182	(695,264)	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	4,111	603,542	0	607,653	4,533,517	(3,925,864)	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, aviation insurance, engineering insurance, commercial earthquake insurance, typhoon and flood insurance
4	172TRSG001	MILLI REASURANS T.A.S. SINGAPORE BRANCH	A.M.Best	C	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
5	D81USUS001	S-Square Insurance Company, Inc.	None	None	No		Marsh Taiwan	No	17,079,643	161,095	8,539,822	0	0	0	8,539,822	0	8,539,822	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, commercial earthquake insurance, typhoon and flood insurance
Total									17,079,643	161,095	8,539,822	87,107	659,793	0	9,286,722	5,368,028	3,918,694		