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**ShinKong Insurance Co., Ltd.**  
**Financial Statements and Independent Auditor's**  
**Review Report**  
**For the Third Quarter of 2023 and 2022**

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	14~33
(5) Critical accounting judgments, estimates and key sources of assumption uncertainty	33~35
(6) Descriptions of major accounts	35~62
(7) Risk management information of insurance contracts and financial instruments	62~92
(8) Related party transactions	93~95
(9) Collateralized assets	95
(10) Significant contingent liabilities and unrecognized contractual commitments	96
(11) Significant subsequent events	96
(12) Losses due to major disasters	96
(13) Major litigation pending or concluded	96
(14) The signing, completion, voidance, or lapse of major contracts	96
(15) Employee pension related information	96
(16) Information on discontinued operations	96
(17) Major operations, assets and liabilities assigned to or assumed from other insurance companies	96
(18) The sharing method of revenue, cost, expense and profit (loss) between the insurance enterprise and the financial holding company and other subsidiaries in terms of business or trading activities, joint business promotions, sharing of information, and sharing of facilities or premises.	96
(19) Investment Trust Operations	96
(20) Information on private securities	97
(21) Major organizational adjustments and significant management reforms	97
(22) Material effects of changes in government laws and regulations	97
(23) Others	97~102
(24) Property insurance related information	103
(25) Additional Disclosures	103~104
(26) Unqualified reinsurance reserve	104~105
9. Tables related to insurance business	106~109

## Review report of independent auditors

To: ShinKong Insurance Co., Ltd.

### Foreword

We have reviewed the balance sheet of ShinKong Insurance Co., Ltd. as September 30, 2023, December 31, 2022, and September 30, 2022; the statement of comprehensive income, statement of changes in equity, and cash flow statement for periods July 1 to September 30, 2023 and 2022 and January 1 to September 30, 2023 and 2022; 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 Standards on Review Engagements (TWSRE) No.2410 “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, 2023 and 2022, and the statement of comprehensive income, statement of changes in equity, and cash flow statement for periods July 1 to September 30, 2023 and 2022 and January 1 to September 30, 2023 and 2022 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  
(97) Chin-Kuan-Certificate-Zi No. 0970038990

Hsu Daniel

CPA:

Huang James

October 27, 2023

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet

As at September 30, 2023, December 31, 2022 and September 30, 2022

Unit: NTD thousands

Assets		Note	September 30, 2023		December 31, 2022		September 30, 2022	
Code	Account titles		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents	4, 6 and 7	\$11,459,156	25	\$10,852,136	25	\$10,032,514	23
12000	Accounts receivable	4, 6 and 7	2,201,755	5	1,598,331	4	2,272,656	5
14110	Financial assets at fair value through profit or loss	4, 6 and 7	5,826,885	13	6,747,161	15	6,756,583	15
14145	Financial assets at amortized cost	4, 6 and 7	12,519,481	27	11,149,971	25	10,570,894	24
14180	Other financial assets - net amount	4, 6 and 7	299,789	1	-	-	-	-
14190	Financial assets at fair value through other comprehensive income	4, 6 and 7	1,340,721	3	1,352,772	3	1,374,265	3
14200	Investment property	4 and 6	2,548,903	5	2,561,706	6	2,406,761	5
15000	Reinsurance contract assets	4 and 6	7,885,993	17	7,530,740	17	8,229,998	19
16000	Property, plant, and equipment	4 and 6	1,149,035	2	1,146,939	3	1,303,302	3
16700	Right-of-use assets	4 and 6	19,963	-	33,204	-	35,020	-
17000	Intangible assets	4 and 6	21,626	-	22,846	-	22,628	-
17800	Deferred income tax assets	4	210,259	-	212,032	-	288,518	1
18000	Other assets	6	929,673	2	796,848	2	839,312	2
1XXXX	Total assets		<u>\$46,413,239</u>	<u>100</u>	<u>\$44,004,686</u>	<u>100</u>	<u>\$44,132,451</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, 2023, December 31, 2022 and September 30, 2022

Unit: NTD thousands

Liabilities and equity		Note	September 30, 2023		December 31, 2022		September 30, 2022	
Code	Account titles		Amount	%	Amount	%	Amount	%
21000	Accounts Payables	6 and 7	\$2,788,533	6	\$2,691,211	6	\$2,773,825	7
21700	Current income tax liabilities	4 and 6	171,260	-	168,798	-	71,727	-
23200	Financial liabilities at fair value through profit or loss	4, 6 and 7	222,206	1	249,174	1	543,143	1
23800	Lease liabilities	4 and 6	20,458	-	33,836	-	35,669	-
24000	Insurance liability	4 and 6	26,287,169	57	25,503,894	58	26,010,065	59
27000	Reserve for liabilities	4 and 6	46,872	-	47,837	-	98,878	-
28000	Deferred tax liabilities	4 and 6	89,020	-	36,699	-	92,297	-
25000	Others		154,029	-	243,282	1	135,461	-
2XXXX	Total liabilities		<u>29,779,547</u>	<u>64</u>	<u>28,974,731</u>	<u>66</u>	<u>29,761,065</u>	<u>67</u>
31000	Capital stock	6	3,159,633	7	3,159,633	7	3,159,633	7
32000	Capital reserves	4 and 6	64,800	-	64,800	-	64,800	-
33000	Retained earnings							
33100	Legal reserve	4	4,059,965	9	3,651,093	8	3,651,093	8
33200	Special reserve	4	6,504,748	14	6,504,748	15	5,669,201	13
33300	Undistributed earnings	6	2,169,787	5	1,214,500	3	1,517,064	4
34000	Other equity	6	674,759	1	435,181	1	309,595	1
3XXXX	Total equity		<u>16,633,692</u>	<u>36</u>	<u>15,029,955</u>	<u>34</u>	<u>14,371,386</u>	<u>33</u>
	Total Liabilities and Equity		<u>\$46,413,239</u>	<u>100</u>	<u>\$44,004,686</u>	<u>100</u>	<u>\$44,132,451</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Comprehensive Income

For periods from July 1 to September 30, 2023 and 2022, and from January 1 to September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan dollars, except for Earnings Per Share)

Unit: NTD thousands

Code	Account titles	Note	July 1 to September 30, 2023		July 1 to September 30, 2022		January 1 to September 30, 2023		January 1 to September 30, 2022	
			Amount	%	Amount	%	Amount	%	Amount	%
41000	Operating revenues:									
41110	Written premiums	4 and 7	\$5,863,325	111	\$5,615,937	115	\$18,239,565	122	\$17,031,356	120
41120	Reinsurance premium income	4 and 7	164,706	3	180,492	4	502,632	3	537,850	4
41100	Premium revenues		6,028,031	114	5,796,429	119	18,742,197	125	17,569,206	124
51100	Less: Reinsurance premiums expense	4 and 7	(1,404,415)	(26)	(1,247,348)	(25)	(4,544,007)	(30)	(3,723,794)	(26)
51310	Net changes in unearned premium reserve	4 and 7	156,052	3	17,043	-	(271,523)	(2)	(537,775)	(4)
41130	Retained earned premium		4,779,668	91	4,566,124	94	13,926,667	93	13,307,637	94
41300	Reinsurance commission income	7	93,593	2	67,065	1	292,834	2	220,210	2
41400	Handling fees earned		9,855	-	9,970	-	31,707	-	21,687	-
41500	Net gain(loss) from investment		381,454	7	217,804	5	748,983	5	535,763	4
41510	Interest revenue		144,078	3	103,040	2	394,261	3	262,813	2
41521	Gain (loss) on financial assets and liabilities at fair value through profit or loss		(193,462)	(4)	(556,131)	(11)	273,959	2	(1,769,358)	(12)
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		20,958	-	33,831	1	40,555	-	54,994	-
41550	Profit or loss from foreign exchange		182,985	4	361,706	7	253,606	2	733,915	5
41570	Profit or loss from investment property		18,919	-	24,228	1	57,281	-	64,029	1
41585	Expected credit impairment losses and gains on reversal of investments	6	3,243	-	4,591	-	(2,392)	-	2,049	-
41600	(Losses) gains from adoption of overlay approach	6	204,733	4	246,539	5	(249,200)	(2)	1,181,935	8
41800	Other operating revenue		12,330	-	11,749	-	30,667	-	26,928	-
	Total operating revenues		5,276,900	100	4,872,712	100	15,030,858	100	14,122,225	100
51000	Operating cost:									
51200	Insurance claims and benefits		(3,683,741)	(70)	(2,818,140)	(58)	(9,484,314)	(63)	(8,503,214)	(60)
41200	Less: Benefits & Claims Recovered from reinsurers		1,062,888	20	413,313	9	2,387,655	16	1,712,608	12
51260	Retained claims and benefits		(2,620,853)	(50)	(2,404,827)	(49)	(7,096,659)	(47)	(6,790,606)	(48)
51300	Other insurance liabilities net change		123,553	2	(54,440)	(1)	(511,823)	(4)	(470,476)	(3)
51500	Commission expense	7	(683,008)	(13)	(751,120)	(15)	(2,109,903)	(14)	(2,233,003)	(16)
51800	Other operating cost		(28,651)	-	(37,489)	(1)	(58,192)	-	(80,954)	(1)
	Total operating cost		(3,208,959)	(61)	(3,247,876)	(66)	(9,776,577)	(65)	(9,575,039)	(68)
58000	Operating expenses:									
58100	Business expense	6	(741,605)	(14)	(800,973)	(16)	(2,316,824)	(16)	(2,366,095)	(17)
58200	Administrative expenses	6	(111,690)	(2)	(87,786)	(2)	(281,190)	(2)	(272,842)	(2)
58300	Employee training expense		(4,392)	-	(2,005)	-	(5,176)	-	(2,680)	-
58400	Expected credit impairment losses and gains on reversal of non-investments		(26,859)	(1)	(33,582)	(1)	(45,287)	-	(39,988)	-
	Total operating expenses		(884,546)	(17)	(924,346)	(19)	(2,648,477)	(18)	(2,681,605)	(19)
61000	Operating revenues		1,183,395	22	700,490	15	2,605,804	17	1,865,581	13
59000	Non-operating revenues and expenses		358	-	3,197	-	2,212	-	9,632	-
62000	Income from continuing operations before tax		1,183,753	22	703,687	15	2,608,016	17	1,875,213	13
63000	Income tax expense	4 and 6	(188,111)	(4)	(140,119)	(3)	(441,310)	(3)	(363,834)	(2)
66000	Net income		995,642	18	563,568	12	2,166,706	14	1,511,379	11
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		(24,316)	-	(54,258)	(1)	3,494	-	(83,336)	(1)
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		(23,651)	-	(34,717)	(1)	(16,404)	-	(151,078)	(1)
83295	Other comprehensive income (loss) from adoption of overlay approach		(204,733)	(4)	(246,539)	(5)	249,200	2	(1,181,935)	(8)
83280	Income taxes relating to items that are or may be reclassified subsequently to profit or loss		4,714	-	6,924	-	3,288	-	30,207	-
	Other Comprehensive income in current period (net after tax)		(247,986)	(4)	(328,590)	(7)	239,578	2	(1,386,142)	(10)
85000	Total comprehensive income in current period		\$747,656	14	\$234,978	5	\$2,406,284	16	\$125,237	1
	Earnings per share									
97500	Basic earnings per share (denominated in New Taiwan dollars)	6	\$3.15		\$1.78		\$6.86		\$4.78	

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Changes in Equity

January 1 to September 30, 2023 and 2022

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, 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>
Balance as of January 1, 2023	\$3,159,633	\$64,800	\$3,651,093	\$6,504,748	\$1,214,500	\$(126,236)	\$561,417	\$15,029,955
The 2022 appropriation and distribution of earnings								
Appropriation of Legal reserve	-	-	408,872	-	(408,872)	-	-	-
Common Stocks cash dividends distributed	-	-	-	-	(802,547)	-	-	(802,547)
Net income in January 1 to September 30, 2023	-	-	-	-	2,166,706	-	-	2,166,706
Other comprehensive income in January 1 to September 30, 2023	-	-	-	-	-	(9,622)	249,200	239,578
Total comprehensive income in current period	-	-	-	-	2,166,706	(9,622)	249,200	2,406,284
Balance as of September 30, 2023	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$4,059,965</u>	<u>\$6,504,748</u>	<u>\$2,169,787</u>	<u>\$(135,858)</u>	<u>\$810,617</u>	<u>\$16,633,692</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, 2023 and 2022

Unit: NTD thousands

Item	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Cash flow from operating activities:		
Income from continuing operations before tax	\$2,608,016	\$1,875,213
Adjusted Items:		
Revenue, expense and loss		
Depreciation expenses	60,391	61,888
Amortization expenses	16,500	18,298
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(273,959)	1,769,358
Net losses (gains) on financial assets at fair value through other comprehensive income	(40,555)	(54,994)
Derecognise of financial assets at amortized cost	19,087	(5,386)
Interest expenses	464	522
Interest income	(394,261)	(262,813)
Net changes in insurance liabilities	783,346	1,008,251
Expected credit impairment losses (reversal gains) of investments	2,392	(2,049)
Expected credit impairment losses of (reversal gains) non-investments	45,287	39,988
Losses (gains) from adoption of overlay approach	249,200	(1,181,935)
(Gains) losses on disposal or scrapping of property and equipment	19	(356)
(Gains) losses on disposal of investment property	-	(5,029)
Other	(11)	-
Changes in operating assets and liabilities		
Increase in accounts receivable	(532,243)	(329,495)
Decrease (increase) in financial assets at fair value through profit or loss	968,417	617,326
Increase in financial assets at fair value through other comprehensive income	(897)	(220,289)
Increase in financial assets at amortized cost	(1,390,728)	(3,622,788)
Increase of other financial assets	(300,000)	-
Increase of reinsurance contracts assets	(384,493)	(63,376)
Increase of other assets	(141,394)	(114,144)
Increase (Decrease) of payables	97,322	(120,397)
Decrease of provisions	(965)	(20,402)
Decrease of other liabilities	(89,253)	(67,711)
Cash inflow from operating activities	<u>1,301,682</u>	<u>(680,320)</u>
Interest received	309,010	243,564
Dividend received	237,359	273,933
Interest paid	(140)	(79)
Income tax paid	<u>(381,466)</u>	<u>(505,001)</u>
Net cash provided by (used in) operating activities	<u>1,466,445</u>	<u>(667,903)</u>
Cash flows from investment activities		
Acquisition of property and equipment	(41,948)	(51,751)
Disposal of property and equipment	-	430
Disposal of investment property	-	14,383
Acquisition of intangible assets	<u>(2,756)</u>	<u>(5,370)</u>
Net cash used in investing activities	<u>(44,704)</u>	<u>(42,308)</u>
Cash flows from financing activities:		
Cash dividends paid	(802,547)	(1,011,083)
Principle repayment of lease liabilities	<u>(12,174)</u>	<u>(12,852)</u>
Net cash used in financing activities	<u>(814,721)</u>	<u>(1,023,935)</u>
Increase (decrease) of cash and cash equivalents in current period	607,020	(1,734,146)
Balance of cash and cash equivalents at the beginning of period	<u>10,852,136</u>	<u>11,766,660</u>
Balance of cash and cash equivalents at the ending of period	<u>\$11,459,156</u>	<u>\$10,032,514</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, 2023 and January 1 to September 30, 2022

(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, 2023, the paid-in capital amounted to NT\$ 3,159,633 thousand.

Organization:

The Company has a total of 24 branches, including offices in Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Shalu, Changhua, Yunlin, Chiayi, Tainan, Kaohsiung, Pingtung, Shilin, Yuanlin, Fengshan, Nantou, Zhongli, Lanyang, Xizhi, Shuanghe, Neihu, Fengyuan, Xinzhuang, and international insurance businesses. The branches have a total of 2 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
- (7) Changhua Branch: No. 326, Section 2, Zhongshan Road, Changhua City

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

Tel: (04) 724-2147

- (8) Yunlin Branch: 3F, No. 148, Xincheng 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) Yuanlin Branch: 2F, No. 2, Section 2, Datong Road, Yuanlin Township, Changhua County  
Tel: (04) 835-5151
- (15) Fengshan Branch: Suite 1, 10F, No. 224, Ziyou Road, Fengshan District, Kaohsiung City  
Tel: (07) 745-6131
- (16) Nantou Branch: No. 601-7, Zhongzheng Rd., Caotun Township, Nantou County  
Tel: (049) 232-0203
- (17) Zhongli Branch: Suite A, 9F, No. 121, Huanxi Road, Zhongli City, Taoyuan County  
Tel: (03) 491-1808
- (18) Lanyang Branch: 1F, No. 398, Gongzheng Road, Luodong Town, Yilan County  
Tel: (03) 955-2640
- (19) Xizhi Branch: 13F, Building D, No. 82, Section 1, Xintai 5th Road, Xizhi District, New Taipei City  
Tel: (02) 2696-0606
- (20) Shuanghe Branch: 14F, No. 2, Jianba Road, Zhonghe District, New Taipei City  
Tel: (02) 8226-2620
- (21) Neihu Branch: No. 51, Ln. 258, Ruiguang Road, Neihu District, Taipei City  
Tel: (02) 2627-2026
- (22) Fengyuan Branch: 6F, No. 23 Yuanhuan West Road, Fengyuan District, Taichung City  
Tel: (04) 2529-0748
- (23) Xinzhuang Branch: 4F, No.149, Zhongzheng Road, Xinzhuang District, New Taipei City  
Tel: (02) 2277-0903
- (24) International Insurance Branch: 10F, No. 15, Section 2, Jianguo North Road, Taipei City  
Tel: (02) 2507-5335

2. Financial Reporting Date and Procedures

This financial report was approved by the Board of Directors and released on October 27, 2023.

3. Application of New and Revised Standards and Interpretation

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

1. 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, 2023. 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	Classification of liabilities as current or non-current and postpone of effective date (Amendments to IAS 1)	January 1, 2024
2	Lease liabilities in sale and leaseback (Amendments to IFRS 16)	January 1, 2024
3	Non-current liabilities in contracts (Amendments to IAS 1)	January 1, 2024
4.	Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

(1) 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."

(2) 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.

(3) 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.

(4) Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

In addition to adding an explanation of supplier financing arrangements, this amendment also adds relevant disclosures regarding supplier financing arrangements. °

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

The 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, 2024. Based on the Company's assessment, the new or amended or interpretations do not have material impact on the Company.

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	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025

- (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 the extent when financial risks are not included in the estimated value of future cash flows) related to the future cash flows; and

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

C. 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 2022. This amendment, except for having the effective date postponed for 2 years (that is, postponed from January 1, 2022 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)Lack of Exchangeability (Amendments to IAS 21)

This amendment explains the convertibility and lack of convertibility between currencies, how the exchange rate is determined when a currency lacks convertibility, and adds additional disclosure requirements when a currency lacks convertibility. These amendments are applicable to fiscal years starting after January 1, 2025.

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.

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

2. 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 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.

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

(1) Recognition and measurement of financial assets

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

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

- A. Operating models
- B. Contractual cash flows

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

- A. Before derecognition or reclassification, except for impaired profits or losses and foreign exchange profits or losses that are recognized as gains and losses, the profits and losses of

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

the financial assets are recognized as other comprehensive income.

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

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

#### Financial assets at fair value through profit or loss

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

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

#### (2) Impairment of financial assets

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

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:



(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

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

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

### (3) Derecognition of financial assets

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

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

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

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

other comprehensive income is recognized as gains and loss.

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit and loss

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

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

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

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

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

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

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

Financial 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.

(6) Derivative instruments

The derivative instruments signed by the Company include forward foreign 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

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

B. Gains and losses of such financial assets if designated to comply with IAS 39.

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

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

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

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

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

## 6. Measurement at fair value

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

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

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

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

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

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

The Company 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	5–60 years
Miscellaneous equipment	3–15 years

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

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

8. Investment property

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

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

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

Buildings and structures	10–60 years
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Investment property is derecognized into gains and losses when it is disposed of or will no longer be used and economic benefits out of future disposal are not expected.

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

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

#### 9. Leases

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

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

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

#### The Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

#### The Company as a lesser

The leases are classified into operating and financial ones on the date of contract establishment. A

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

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

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

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

#### 10. Intangible assets

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

The service life of intangible assets is assessed as limited.

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

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

#### 11. Impairment of non-financial assets

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

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

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



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

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.

The amount of the purchased treasury 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 treasury 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.

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

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

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

### 13. Classification of insurance contracts

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

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

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

### 14. Insurance liability

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

#### (1) Unearned premium reserve

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

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

risks of individual insurances.

(2) Loss reserve

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

(3) Special reserves

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

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

Special reserves for catastrophic event

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

For an accident qualified for the major disaster conditions issued by the authority, where the total amount of individual company’s accumulated retained claims for each insurance type amounts to 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

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

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.

(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.

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

18. Insurance premium revenues and acquisition costs

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

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

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

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.

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

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

The Loss reserve is not calculated by discount.

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

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

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

20. Undertaking remnants and subrogation rights

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

21. Reinsurance

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

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

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

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

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

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.

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

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

(asset) occurs, it is listed under other comprehensive income, and immediately recognized in retained surplus. The service cost of previous period is the amount of change in the present value of the defined benefit obligation caused by the planned revision or reduction, and is recognized as an expense on the earlier date of the following two:

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

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

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

## 25. Taxation

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

### Income tax expenses in the current period

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

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

### Deferred tax

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

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

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

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



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

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

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

Insurance policy risk ratio

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

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

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

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

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

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

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

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.

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

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

reasonable estimation of future insurance benefits, premium revenues and related expenses.

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

(3) Reinsurance reserve asset

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

(4) Post-retirement benefit plan

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

6. Major accounting items described

1. Cash and cash equivalents

(1) This item is detailed as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$7,805	\$8,677	\$8,071
Working capital	1,733	1,553	1,643
Check deposit	68,000	87,533	60,609
Demand deposits	730,201	1,362,672	2,665,992
Time deposits	10,651,417	9,391,701	7,056,547
Cash equivalents – Short-term notes	-	-	239,652
Total	<u>\$11,459,156</u>	<u>\$10,852,136</u>	<u>\$10,032,514</u>

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

(3) The company lists the time deposit account with a contract period of more than 12 months under other financial assets, please see Note 6.

2. Accounts receivable

(1) This item is detailed as follows:

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

Item	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$323,548	\$243,559	\$242,714
Notes receivable- Non-performing loans	84	157	71
Less: Allowance for losses	(3,320)	(2,593)	(2,498)
Net amount	<u>\$320,312</u>	<u>\$241,123</u>	<u>\$240,287</u>
Insurance premium receivable	\$1,123,039	\$802,626	\$1,564,083
Insurance premium receivable –			
Non-performing loans	352,378	204,518	220,808
Less: Allowance for losses	(51,582)	(36,405)	(54,141)
Net amount	<u>\$1,423,835</u>	<u>\$970,739</u>	<u>\$1,730,750</u>
Other receivables	\$459,870	\$388,777	\$303,034
Other receivable- Non-performing loans	263	3	13
Less: Allowance for losses	(2,525)	(2,311)	(1,428)
Net amount	<u>\$457,608</u>	<u>\$386,469</u>	<u>\$301,619</u>

(2) The aging analysis of accounts receivable:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable			
Less than 90 days	\$323,561	\$243,644	\$242,714
91–365 days	-	72	71
More than 366 days	71	-	-
Total	<u>\$323,632</u>	<u>\$243,716</u>	<u>\$242,785</u>
Insurance premium receivable			
Less than 90 days	\$1,123,039	\$802,626	\$1,564,083
91–365 days	346,997	184,029	191,292
More than 366 days	5,381	20,489	29,516
Total	<u>\$1,475,417</u>	<u>\$1,007,144</u>	<u>\$1,784,891</u>
Other receivables			
Less than 90 days	\$459,870	\$388,777	\$303,034
91–365 days	263	3	13
More than 366 days	-	-	-
Total	<u>\$460,133</u>	<u>\$388,780</u>	<u>\$303,047</u>

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

- (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, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$875,387	\$2,630,099	\$1,771,728
Stock	3,955,949	3,108,697	3,940,026
Financial bonds	51,146	51,137	51,146
Asset securities	944,403	956,996	992,268
Derivatives	-	232	1,415
<b>Total</b>	<b>\$5,826,885</b>	<b>\$6,747,161</b>	<b>\$6,756,583</b>

Item	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities mandatorily measured at fair value through profit or loss:			
Derivatives	\$222,206	\$249,174	\$543,143

- (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, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Fund	\$875,387	\$2,630,099	\$1,771,728
Stock	3,955,949	3,108,697	3,940,026
Asset securities	944,403	956,996	992,268
<b>Total</b>	<b>\$5,775,739</b>	<b>\$6,695,792</b>	<b>\$6,704,022</b>

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

- (4) During July 1 to September 30, 2023, July 1 to September 30, 2022, January 1 to September 30, 2023 and January 1 to September 30, 2022, 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:

(5)

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Gains (losses) due to applying IFRS 9 to profit or loss	\$22,125	\$(189,883)
(Gains) losses if applying IAS 39 to profit or loss	(226,858)	(56,656)
Gains (losses) on reclassification using overlay approach	\$(204,733)	\$(246,539)
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Gains (losses) due to applying IFRS 9 to profit or loss	\$637,817	\$(1,073,910)
(Gains) losses if applying IAS 39 to profit or loss	(388,617)	(108,025)
Gains (losses) on reclassification using overlay approach	\$249,200	\$(1,181,935)

Due to the adoption of overlay approach, Losses from financial assets at fair value through profit or loss are from loss NT\$193,462 thousand to profit NT\$11,271 thousand and decreased from loss NT\$556,131 thousand to loss NT\$309,592 thousand during July 1 to September 30, 2023 and July 1 to September 30, 2022, respectively; Financial assets at fair value through profit or loss are decreased from profit NT\$273,959 thousand to profit NT\$24,759 and decreased from loss NT\$1,769,358 thousand to loss NT\$587,423 thousand during January 1 to September 30, 2023 and January 1 to September 30, 2022, respectively.

4. Financial assets at fair value through other comprehensive income

- (1) This item is detailed as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Equity instruments measured at fair value through other comprehensive income:			
Unlisted stocks (including OTC)	\$236,129	\$240,217	\$240,217
Preference shares	808,799	818,173	849,277
Debt instruments measured at fair value through other comprehensive income:			
Corporate bonds	295,793	294,382	284,771
Total	\$1,340,721	\$1,352,772	\$1,374,265

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

- (2) The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income during July 1 to September 30, 2023 and 2022, and January 1 to September 30, 2023 and 2022, are as follows:

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Investments still held on the balance sheet date	\$20,958	\$33,831
Related to the investment derecognized in the current period	-	-
	\$20,958	\$33,831
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Investments still held on the balance sheet date	\$40,555	\$54,994
Related to the investment derecognized in the current period	-	-
	\$40,555	\$54,994

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

5. Financial assets at amortized cost

Item	September 30, 2023	December 31, 2022	September 30, 2022
Government bonds	\$522,516	\$525,895	\$526,896
Corporate bonds	9,246,969	8,244,311	7,607,934
Financial bonds	3,282,462	2,913,479	2,970,653
Less: Refundable deposits	(522,430)	(525,822)	(526,820)
Less: Allowance for losses	(10,036)	(7,892)	(7,769)
Total	\$12,519,481	\$11,149,971	\$10,570,894

There was no disposal of financial assets at amortized cost during July 1 to September 30, 2023 and 2022. From July 1 to September 30, 2023, the company disposed of some corporate bonds in advance due to long-term asset allocation considerations and the individual and aggregated amounts were not significant, resulting in a disposal loss of NT\$19,087 thousand. The Company recorded 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.

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

The 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. other financial assets

Item	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	\$300,000	\$-	\$-
Less: Allowance for losses	(211)	-	-
Net amount	<u>\$299,789</u>	<u>\$-</u>	<u>\$-</u>

No guarantee provided for the other financial assets. For details of relevant credit risks, please see Note(VII.)

7. Reinsurance assets

Item	September 30, 2023	December 31, 2022	September 30, 2022
Claims Recoverable from Reinsurers - net	\$306,321	\$228,393	\$263,331
Claims Recoverable from Reinsurers – Non-Performing Loans	16	-	145
Less: Allowance for losses	(3,071)	(2,284)	(2,705)
Net amount	<u>\$303,266</u>	<u>\$226,109</u>	<u>\$260,771</u>
Due from Reinsurers & Ceding Companies	\$822,517	\$596,297	\$615,088
Due from Reinsurers & Ceding Companies – Non-Performing Loans	122,793	42,464	111,300
Less: Allowance for losses	(50,075)	(21,693)	(32,218)
Net amount	<u>\$895,235</u>	<u>\$617,068</u>	<u>\$694,170</u>
Reinsurance reserve assets			
Ceded unearned premium reserve	\$3,349,349	\$2,664,570	\$3,016,953
Ceded Claims reserve	3,338,143	4,007,455	4,246,801
Ceded premium deficiency reserve	-	15,538	11,303
Total	<u>\$6,687,492</u>	<u>\$6,687,563</u>	<u>\$7,275,057</u>



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

8. Property, plant, and equipment

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Miscellaneous equipment	Prepayments for equipment	Total
Costs:					
January 1, 2023	\$748,383	\$490,215	\$457,000	\$35,069	\$1,730,667
Additions	-	-	16,439	25,509	41,948
Disposals	-	-	(11,145)	-	(11,145)
Transfer	-	-	7,858	(11,827)	(3,969)
September 30, 2023	<u>\$748,383</u>	<u>\$490,215</u>	<u>\$470,152</u>	<u>\$48,751</u>	<u>\$1,757,501</u>
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>
Depreciation & impairment:					
January 1, 2023	\$-	\$(226,595)	\$(357,133)	\$-	\$(583,728)
Depreciation	-	(5,926)	(29,938)	-	(35,864)
Disposals	-	-	11,126	-	11,126
September 30, 2023	<u>\$-</u>	<u>\$(232,521)</u>	<u>\$(375,945)</u>	<u>\$-</u>	<u>\$(608,466)</u>
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>
Carrying amount:					
September 30, 2023	<u>\$748,383</u>	<u>\$257,694</u>	<u>\$94,207</u>	<u>\$48,751</u>	<u>\$1,149,035</u>
December 31, 2022	<u>\$748,383</u>	<u>\$263,620</u>	<u>\$99,867</u>	<u>\$35,069</u>	<u>\$1,146,939</u>
September 30, 2022	<u>\$882,476</u>	<u>\$290,715</u>	<u>\$84,857</u>	<u>\$45,254</u>	<u>\$1,303,302</u>

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

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

9. Investment property

(1) This item is detailed as follows:

	Land	Buildings and Constructions	Total
Costs:			
January 1, 2023	\$2,146,513	\$614,607	\$2,761,120
September 30, 2023	<u>\$2,146,513</u>	<u>\$614,607</u>	<u>\$2,761,120</u>
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>\$2,594,253</u>
Depreciation & impairment:			
January 1, 2023	\$(22,608)	\$(176,806)	\$(199,414)
Depreciation	-	(12,803)	(12,803)
September 30, 2023	<u>\$(22,608)</u>	<u>\$(189,609)</u>	<u>\$(212,217)</u>
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>\$(187,492)</u>
Carrying amount:			
September 30, 2023	<u>\$2,123,905</u>	<u>\$424,998</u>	<u>\$2,548,903</u>
December 31, 2022	<u>\$2,123,905</u>	<u>\$437,801</u>	<u>\$2,561,706</u>
September 30, 2022	<u>\$1,989,812</u>	<u>\$416,949</u>	<u>\$2,406,761</u>

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Rental income from investment property	\$18,919	\$19,199
Less: direct operating expenses incurred by investment property that generates rental income in the current period	(338)	(470)
Total	<u>\$18,581</u>	<u>\$18,729</u>

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

	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Rental income from investment property	\$57,281	\$59,000
Less: direct operating expenses incurred by investment property that generates rental income in the current period	(3,626)	(4,752)
Total	\$53,655	\$54,248

- (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, 2023, December 31, 2022 and September 30, 2022, the fair values of the investment property was \$3,100,351 thousand and \$3,100,351 thousand and \$2,865,771 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, 2023	December 31, 2022	September 30, 2022
Discount rate	0.79%~4.71%	0.79%~4.71%	0.75%~3.28%

#### 10. Intangible assets

Item	September 30, 2023	December 31, 2022	September 30, 2022
Computer software cost	\$269,286	\$261,149	\$261,149
Increase in the current period	2,756	7,354	5,370
Transfer in the current period	3,764	783	-
Total	\$275,806	\$269,286	\$266,519
Computer software cost – cumulative amortization	\$(246,440)	\$(233,694)	\$(233,694)
Increase in the current period	(7,740)	(12,746)	(10,197)
Total	\$(254,180)	\$(246,440)	\$(243,891)
Carrying amount:	\$21,626	\$22,846	\$22,628

#### 11. Other assets

- (1) This item is detailed as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Prepayments	\$35,008	\$29,513	\$28,899
Refundable deposits	837,091	699,087	738,675
Other assets - others	57,574	68,248	71,738
Total	\$929,673	\$796,848	\$839,312

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

(2) The refundable deposits are detailed as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Insurance business deposits	\$522,430	\$525,822	\$526,820
Club deposits	37,679	37,679	37,679
Other deposits	292,461	151,065	189,655
Less: cumulative impairment loss	(15,479)	(15,479)	(15,479)
Total	<u>\$837,091</u>	<u>\$699,087</u>	<u>\$738,675</u>

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

12. Accounts Payables

Item	September 30, 2023	December 31, 2022	September 30, 2022
Claims and benefits payable	\$14,948	\$14,984	\$16,139
Commission payable	236,858	269,341	266,354
Due to Reinsurers & Ceding Companies	1,763,598	1,347,387	1,748,662
Other payables	773,129	1,059,499	742,670
Total	<u>\$2,788,533</u>	<u>\$2,691,211</u>	<u>\$2,773,825</u>

13. Insurance liabilities

Item	September 30, 2023	December 31, 2022	September 30, 2022
Unearned premium reserve	\$13,493,767	\$12,537,465	\$12,796,681
Claims reserve	10,705,610	10,824,740	11,115,509
Special reserve	2,087,715	2,036,408	1,974,107
Premium deficiency reserve	-	105,130	123,592
Policy reserve	77	151	176
Total	<u>\$26,287,169</u>	<u>\$25,503,894</u>	<u>\$26,010,065</u>

(1) Unearned premium reserve

① Unearned premium reserve & ceded unearned premium reserve

Item	September 30, 2023		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Fire insurance	\$2,787,513	\$(1,351,899)	\$1,435,614
Marine insurance	486,214	(313,928)	172,286
Motor insurance	6,321,992	(645,654)	5,676,338
Engineering insurance	1,718,188	(871,790)	846,398
Liability insurance	1,254,961	(115,693)	1,139,268
Accident & health insurance	924,899	(50,385)	874,514
Total	<u>\$13,493,767</u>	<u>\$(3,349,349)</u>	<u>\$10,144,418</u>

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

Item	December 31, 2022		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Fire insurance	\$2,064,595	\$(826,761)	\$1,237,834
Marine insurance	449,171	(296,435)	152,736
Motor insurance	6,404,378	(678,902)	5,725,476
Engineering insurance	1,327,832	(732,467)	595,365
Liability insurance	1,165,849	(92,532)	1,073,317
Accident & health insurance	1,125,640	(37,473)	1,088,167
Total	\$12,537,465	\$(2,664,570)	\$9,872,895

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	\$12,796,681	\$(3,016,953)	\$9,779,728

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

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Unearned premium reserve	Ceded unearned premium reserve	Unearned premium reserve	Ceded unearned premium reserve
Opening amount	\$12,537,465	\$2,664,570	\$12,284,374	\$3,042,421
Current deposits	13,493,767	3,349,349	12,796,681	3,016,953
Current recovery	(12,537,465)	(2,664,570)	(12,284,374)	(3,042,421)
Closing amount	\$13,493,767	\$3,349,349	\$12,796,681	\$3,016,953

(2) Claims reserve

① Claims reserve & Ceded Claims reserve

Item	September 30, 2023		
	Claims reserve	Ceded Claims 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)  
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	reinsurance)		
Outstanding losses	\$7,765,058	\$(2,724,918)	\$5,040,140
IBNR	2,940,552	(613,225)	2,327,327
Total	\$10,705,610	\$(3,338,143)	\$7,367,467

December 31, 2022			
	Claims reserve	Ceded Claims reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$8,454,689	\$(3,413,012)	\$5,041,677
IBNR	2,370,051	(594,443)	1,775,608
Total	\$10,824,740	\$(4,007,455)	\$6,817,285

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	\$11,115,509	\$(4,246,801)	\$6,868,708

② Net changes in Claims reserve and Ceded Claims reserve

From January 1 to September 30, 2023						
Item	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	\$7,765,058	\$8,454,689	\$(689,631)	\$2,724,918	\$3,413,012	\$(688,094)
IBNR	2,940,552	2,370,051	570,501	613,225	594,443	18,782
Total	\$10,705,610	\$10,824,740	\$(119,130)	\$3,338,143	\$4,007,455	\$(669,312)

From January 1 to September 30, 2022						
Item	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)

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	September 30, 2023		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,605,591	\$7,292	\$2,612,883
Marine insurance	476,956	75,573	552,529
Motor insurance	2,578,608	1,776,270	4,354,878
Engineering insurance	1,055,010	149,471	1,204,481
Liability insurance	781,867	389,535	1,171,402
Accident & health insurance	267,026	542,411	809,437
<b>Total</b>	<b>\$7,765,058</b>	<b>\$2,940,552</b>	<b>\$10,705,610</b>

Item	December 31, 2022		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,494,519	\$10,352	\$3,504,871
Marine insurance	504,112	70,502	574,614
Motor insurance	2,673,386	1,365,016	4,038,402
Engineering insurance	748,528	59,657	808,185
Liability insurance	806,276	395,030	1,201,306
Accident & health insurance	227,868	469,494	697,362
<b>Total</b>	<b>\$8,454,689</b>	<b>\$2,370,051</b>	<b>\$10,824,740</b>

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
<b>Total</b>	<b>\$8,374,606</b>	<b>\$2,740,903</b>	<b>\$11,115,509</b>

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

Item	September 30, 2023		
	Ceded Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$1,506,940	\$1,094	\$1,508,034
Marine insurance	272,750	44,408	317,158

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

Motor insurance	131,234	439,374	570,608
Engineering insurance	553,159	49,927	603,086
Liability insurance	240,247	39,115	279,362
Accident & health insurance	20,588	39,307	59,895
Total	<u>\$2,724,918</u>	<u>\$613,225</u>	<u>\$3,338,143</u>

December 31, 2022

Ceded Claims reserve

Item	Outstanding losses	IBNR	Total
Fire insurance	\$2,396,803	\$968	\$2,397,771
Marine insurance	305,236	44,707	349,943
Motor insurance	154,409	413,262	567,671
Engineering insurance	300,709	13,059	313,768
Liability insurance	230,456	108,217	338,673
Accident & health insurance	25,399	14,230	39,629
Total	<u>\$3,413,012</u>	<u>\$594,443</u>	<u>\$4,007,455</u>

September 30, 2022

Ceded Claims reserve

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

⑤ Adjustment of changes in Claims reserve and Ceded Claims reserve

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Claims reserve	Ceded Claims reserve	Claims reserve	Ceded Claims reserve
Opening amount	\$10,824,740	\$4,007,455	\$10,318,849	\$4,297,919
Current deposits	10,705,610	3,338,143	11,115,509	4,246,801
Current recovery	(10,824,740)	(4,007,455)	(10,318,849)	(4,297,919)
Closing amount	<u>\$10,705,610</u>	<u>\$3,338,143</u>	<u>\$11,115,509</u>	<u>\$4,246,801</u>

(3) Special reserves

① Special reserve – compulsory automobile liability insurance

Item	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Opening amount	\$342,352	\$170,540
Current deposits	71,265	110,413
Current recovery	(2,421)	(6,749)



(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

Closing amount	\$411,196			\$274,204
② Special reserve – non-compulsory automobile liability insurance				
Liabilities				
From January 1 to September 30, 2023				
Item	Catastrophic event	fluctuation of risk	Property appreciation	Total
Opening amount	\$467,655	\$1,000,552	\$225,849	\$1,694,056
Current deposits	-	-	-	-
Current recovery	(17,537)	-	-	(17,537)
Closing amount	\$450,118	\$1,000,552	\$225,849	\$1,676,519
Liabilities				
From January 1 to September 30, 2022				
Item	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

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. From 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 paragraph 2, Article 148-3 of the “Insurance Act,” from April 1, 2022, 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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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, 2023 and 2022 was a decrease of NT\$17,537 thousand, a decrease of NT\$1,219,751 thousand, an increase of NT\$961,771 thousand, and a decrease of NT\$0.04 per share, respectively; and also 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\$1.5 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, 2023 and 2022 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, 2023 and 2022 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, 2023		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Liability insurance	\$-	\$-	\$-
Accident & health insurance	-	-	-
Total	\$-	\$-	\$-

Item	December 31, 2022		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Liability insurance	\$77,690	\$(15,538)	\$62,152
Accident & health insurance	27,440	-	27,440
Total	\$105,130	\$(15,538)	\$89,592

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

Item	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

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

Item	From January 1 to September 30, 2023						
	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	(3)=(1)-(2)	Deposit	Recovery	(6)=(4)-(5)	(7)=(3)-(6)
	(1)	(2)		(4)	(5)		
Liability insurance	\$-	\$77,690	\$(77,690)	\$-	\$15,538	\$(15,538)	\$(62,152)
Accident & health insurance	-	27,440	(27,440)	-	-	-	(27,440)
Total	\$-	\$105,130	\$(105,130)	\$-	\$15,538	\$(15,538)	\$(89,592)

Item	From January 1 to September 30, 2022						
	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	(3)=(1)-(2)	Deposit	Recovery	(6)=(4)-(5)	(7)=(3)-(6)
	(1)	(2)		(4)	(5)		
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

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

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	premium	Ceded premium	premium	Ceded premium

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

	deficiency reserve	deficiency reserve	deficiency reserve	deficiency reserve
Opening amount	\$105,130	\$15,538	\$-	\$-
Current deposits	-	-	123,592	11,303
Current recovery	(105,130)	(15,538)	-	-
Closing amount	\$-	\$-	\$123,592	\$11,303

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, 2023		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$77	\$-	\$77

Item	December 31, 2022		
	Policy reserve	Ceded policy reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$151	\$-	\$151

Item	September 30, 2022		
	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, 2023					
	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	\$77	\$151	\$(74)	\$-	\$-	\$-

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

Item	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 (1)	Recovery (2)	(3)=(1)-(2)	Deposit (4)	Recovery (5)	(6)=(4)-(5)
Accident & health insurance	\$176	\$199	\$ (23)	\$-	\$-	\$-

③ Adjustment of changes in Policy reserve and Ceded policy reserve

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Policy reserve	Ceded policy reserve	Policy reserve	Ceded policy reserve
Opening amount	\$151	\$-	\$199	\$-
Current deposits	77	-	176	-
Current recovery	(151)	-	(199)	-
Closing amount	\$77	\$-	\$176	\$-

14. 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, 2023 and 2022 were NT\$11,639 thousand and NT\$12,040 thousand, respectively; the expenses for the defined contribution plan recognized for the nine months ended September 30, 2023 and 2022 were NT\$36,096 thousand and NT\$37,730 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, 2023 and 2022 were NT\$681 thousand and NT\$1,017 thousand, respectively; the expenses for the defined benefit plan recognized for the nine months ended September 30, 2023 and 2022 were NT\$2,042 thousand and NT\$3,052 thousand respectively.

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

15. Common stock

As of September 30, 2023, December 31, 2022 and September 30, 2022, All the Company's authorized capital was NT\$5,000,000 thousand, 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.

16. Capital reserve

Item	September 30, 2023	December 31, 2022	September 30, 2022
Share premium	\$50,355	\$50,355	\$50,355
Treasury stock trade	14,213	14,213	14,213
Others	232	232	232
Total	<u>\$64,800</u>	<u>\$64,800</u>	<u>\$64,800</u>

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.

17. 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.
- (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 measures 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 used to issue new shares or distribute cash in proportion to the initial shares subscribed by shareholders. However, according to the Interpretation Decree No. 10202501991 of Jinguanbaocai Zi, cash distribution can be made according to Article 241 of the Company Act on conditions that the Legal reserve must be allocated until its total amount has reached the total paid-in capital according to Article 145-1 of the Insurance Law and other requirements listed in the Decree are also met, before the application for cash distribution from the Legal reserve according to Article 241 of the Company Art is sent to the competent authority for approval.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

- (5) 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, 2023, December 31, 2022, and September 30, 2022, the amount of cumulative reserve was NT\$6,500,736 thousand, NT\$6,500,736 thousand, and NT\$5,667,272 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, 2023, and December 31, 2022, the amount of the cumulative reserve was NT\$4,012 thousand, NT\$4,012 thousand, and NT\$1,929 thousand respectively.

The Company’s shareholders’ meetings on May 25, 2023 and May 27, 2022, respectively, resolved the 2022 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)	
	2022	2021	2022	2021
Legal reserve	\$408,872	\$450,202	\$-	\$-
Special reserve	835,547	787,382	-	-
Common stock cash dividends	802,547	1,011,083	2.54	3.20

Please refer to Note 6.19 for the details of the assessment basis and recognized amounts of the remunerations for employees and directors.

#### 18. Other equity

	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Opening balance	\$435,181	\$1,695,737
Current period		
Unrealized valuation gains and losses on equity instrument investments measured at fair value through other comprehensive income	3,494	(83,336)
Unrealized valuation gains and losses on investments in debt instruments measured at fair value through other comprehensive income	(13,116)	(120,871)
Other comprehensive income (loss) from adoption of overlay approach	249,200	(1,181,935)
Other Comprehensive income in current period	239,578	(1,386,142)
Closing balance	\$674,759	\$309,595

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

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

By functions By attributes	From July 1 to September 30, 2023			From July 1 to September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$107,833	\$326,606	\$434,439	\$153,005	\$331,971	\$484,976
Labor and national health insurance	-	19,981	19,981	-	28,553	28,553
Pension expenses	-	12,320	12,320	-	13,057	13,057
Remuneration to directors	-	13,199	13,199	-	10,886	10,886
Depreciation expenses	-	20,187	20,187	-	20,600	20,600
Amortization expenses	-	5,407	5,407	-	5,232	5,232

By functions By attributes	From January 1 to September 30, 2023			From January 1 to September 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries and wages	\$363,186	\$965,821	\$1,329,007	\$477,705	\$981,678	\$1,459,383
Labor and national health insurance	-	83,631	83,631	-	97,014	97,014
Pension expenses	-	38,138	38,138	-	40,782	40,782
Remuneration to directors	-	51,312	51,312	-	42,308	42,308
Depreciation expenses	-	60,391	60,391	-	61,888	61,888
Amortization expenses	-	16,500	16,500	-	18,298	18,298

The number of employees of the Company in September 30, 2023, December 31, 2022 and September 30, 2022 were 1586, 1645 and 1653, respectively, and among them 10 were directors who did not serve as working employees.

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

According to the Company's profitability from January 1 to September 30, 2023, we estimated the employee remuneration and directors' remuneration at 5.80% and 1.50% of the profit, respectively. The employee remuneration and directors' remuneration were in the amounts of NT\$38,725 thousand and NT\$10,008 thousand, respectively, for the three months ended September 30, 2023, while the employee remuneration and directors' remuneration were in the amounts of NT\$116,175 thousand and NT\$30,023 thousand, respectively, for the nine months ended September 30, 2023. 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 three 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 the nine months ended September 30, 2022, 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 7, 2023 to pay NT\$154,900 thousand and NT\$40,031 thousand in cash as remuneration to employees and directors of 2022, respectively. There is no difference between the amount paid and the amount stated in the expense account of the 2022 financial report.



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

20. Components of other comprehensive income

The components of other comprehensive income From July 1 to September 30, 2023 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	\$(24,316)	\$-	\$(24,316)	\$-	\$(24,316)
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	(23,651)	-	(23,651)	4,714	(18,937)
Other comprehensive income from adoption of overlay approach	(204,733)	-	(204,733)	-	(204,733)
<b>Total</b>	<b>\$(252,700)</b>	<b>\$-</b>	<b>\$(252,700)</b>	<b>\$4,714</b>	<b>\$(247,986)</b>

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)
<b>Total</b>	<b>\$(335,514)</b>	<b>\$-</b>	<b>\$(328,590)</b>	<b>\$6,924</b>	<b>\$(328,590)</b>

The components of other comprehensive income from January 1 to September 30, 2023 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	\$3,494	\$-	\$3,494	\$-	\$3,494
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	(16,404)	-	(16,404)	3,288	(13,116)
Other comprehensive income from adoption of overlay approach	249,200	-	249,200	-	249,200

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

	\$236,290	\$-	\$236,290	\$3,288	\$239,578
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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	\$(1,416,349)	\$-	\$(1,416,349)	\$30,207	\$(1,386,142)

## 21. Income tax

Components of income tax:

### Income tax recognized as profit or loss

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Current income tax expense (benefit):		
Current income tax payable	\$153,087	\$111,044
Current year adjustment of previous years' current income taxes	3	-
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	35,021	29,075
Income tax expense	\$188,111	\$140,119

	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Current income tax expense (benefit):		
Current income tax payable	\$382,295	\$301,564
Current year adjustment of previous years' current income taxes	1,633	-
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	57,382	62,270
Income tax expense	\$441,310	\$363,834

### Income tax expense recognized in other comprehensive income

From July 1 to	From July 1 to

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

	September 30, 2023	September 30, 2022
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	\$(4,714)	\$(6,924)
Other comprehensive income from adoption of overlay approach	-	-
Income tax expense (benefit) relating to components of other comprehensive income	\$(4,714)	\$(6,924)
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) on debt instruments measured at fair value through other comprehensive income	\$(3,288)	\$(30,207)
Other comprehensive income from adoption of overlay approach	-	-
Income tax expense (benefit) relating to components of other comprehensive income	\$(3,288)	\$(30,207)

Approval of income tax declaration

As of September 30, 2023, the Company's declaration of the income tax returns has been approved up to the fiscal year 2020.

22. 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, 2023 and 2022 are as follows:

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Continuing operations	\$995,642	\$563,568
Weighted average number of common shares (in thousands) of basic earnings per share	315,963	315,963
Basic earnings per share (NTD)	\$3.15	\$1.78

Earnings per share in the period from January 1 to September 30, 2023 and 2022 are as follows:

	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Continuing operations	\$2,166,706	\$1,511,379
Weighted average number of common shares (in thousands) of basic earnings per share	315,963	315,963
Basic earnings per share (NTD)	\$6.86	\$4.78

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

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.

23. Expected credit loss (profit)

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Financial assets at fair value through other comprehensive income	\$(77)	\$(98)
Financial assets at amortized cost	(3,143)	(4,493)
Other financial assets	(23)	-
subtotal	<u>(3,243)</u>	<u>(4,591)</u>
Operating expenses: -Expected credit impairment reversal from non-investments		
Receivable	143	346
Insurance premium receivable	3,548	22,560
Other receivables	439	(295)
Claims Recoverable from Reinsurance	728	(1,314)
Due from Reinsurer & Ceding companies	22,001	12,285
subtotal	<u>26,859</u>	<u>33,582</u>
Total	<u>\$23,616</u>	<u>\$28,991</u>
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Financial assets at fair value through other comprehensive income	\$37	\$(45)
Financial assets at amortized cost	2,144	(2,004)
Other financial assets	211	-
subtotal	<u>2,392</u>	<u>(2,049)</u>
Operating expenses: -Expected credit impairment reversal from non-investments		
Receivable	727	(211)
Insurance premium receivable	15,177	25,769
Other receivables	214	(311)
Claims Recoverable from Reinsurance	787	(90)
Due from Reinsurer & Ceding companies	28,382	14,831
subtotal	<u>45,287</u>	<u>39,988</u>
Total	<u>\$47,679</u>	<u>\$37,939</u>

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

24. 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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

The 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, 2023	December 31, 2022	September 30, 2022
Buildings and structures	\$12,879	\$21,398	\$22,235
Other equipment	7,084	11,806	12,785
Total	<u>\$19,963</u>	<u>\$33,204</u>	<u>\$35,020</u>

During January 1 to September 30, 2023 and 2022, the right-of-use assets increased NT\$784 thousand and NT\$13,136 thousand, respectively.

(b) Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Lease liabilities	<u>\$20,458</u>	<u>\$33,836</u>	<u>\$35,669</u>

During July 1 to September 30, 2023 and 2022, the interest expenses of the lease liabilities recognized were NT\$87 thousand and NT\$144 thousand, respectively. During January 1 to September 30, 2023 and 2022, the interest expenses of the lease liabilities recognized were NT\$324 thousand and NT\$443 thousand, respectively.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the maturities of lease liabilities are analyzed as follows:

September 30, 2023

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	<u>\$10,745</u>	<u>\$9,937</u>	<u>\$-</u>	<u>\$20,682</u>

December 31, 2022

	Maturity period			Total
	Less than one year	One to five years	Over five years	
Lease liabilities	<u>\$16,144</u>	<u>\$18,342</u>	<u>\$-</u>	<u>\$34,486</u>

September 30, 2022

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

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.

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

B. Amounts recognized in the consolidated income statement

Depreciation of right-of-use assets

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Buildings and structures	\$2,236	\$2,563
Other equipment	1,574	1,539
Total	<u>\$3,810</u>	<u>\$4,102</u>
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Buildings and structures	\$7,002	\$7,838
Other equipment	4,722	4,689
Total	<u>\$11,724</u>	<u>\$12,527</u>

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

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Short-term leasing expenses	<u>\$2,448</u>	<u>\$4,444</u>
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Short-term leasing expenses	<u>\$7,774</u>	<u>\$10,925</u>

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

The total cash outflows during January 1 to September 30, 2023 and 2022, were NT\$19,948 thousand and NT\$23,777 thousand, respectively.

(2) The Company as a lessor

The Company owned investment properties are disclosed in Note 6.9. 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, 2023	From July 1 to September 30, 2022
Lease income recognized under operating lease		
Fixed lease payments	<u>\$18,919</u>	<u>\$19,199</u>
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Lease income recognized under operating lease		
Fixed lease payments	<u>\$57,281</u>	<u>\$59,000</u>

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

The lease contracts with undiscounted lease payments received and total amounts for remaining years ranged on September 30, 2023, December 31, 2022 and September 30, 2022 were:

	September 30, 2023	December 31, 2022	September 30, 2022
no more than 1 year	\$62,986	\$67,789	\$66,698
over 1 year but no more than 2 years	29,345	47,075	49,895
over 2 years but no more than 3 years	9,391	14,888	21,274
over 3 years but no more than 4 years	4,968	2,754	4,728
over 4 years but no more than 5 years	3,870	1,319	1,611
over 5 years	1,497	2,016	2,326
Total	<u>\$112,057</u>	<u>\$135,841</u>	<u>\$146,532</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.

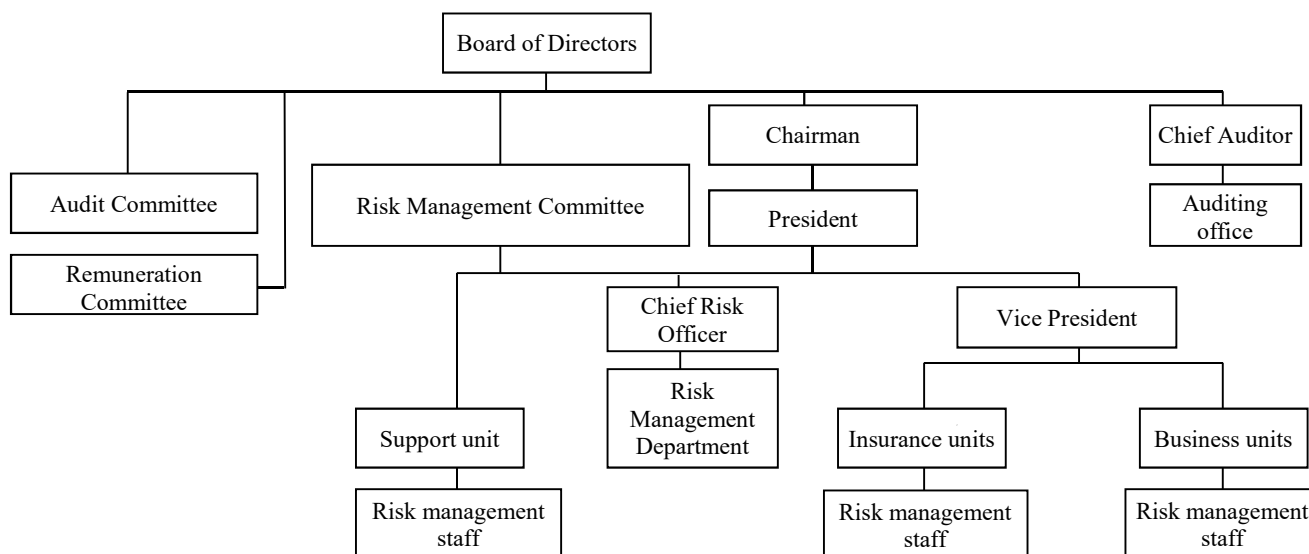
C. Risk Management Department

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)  
 (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.



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

- (5) 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:

Insurance types	2023	2022
A.Fire insurance	\$500,000	\$500,000
B.Marine insurance		
a. Cargo insurance	300,000	300,000
b. Hull insurance	300,000	300,000
c. Fishing vessel insurance	300,000	300,000
C. Casualty Insurance		
a. Engineering insurance	1,000,000	1,000,000
b. Liability insurance	660,000	660,000
c. Accident insurance	1,300,000	1,300,000
d. Health insurance	5,000	5,000
D.Motor insurance		
a. Damage insurance	60,000	60,000
b. Third-party liability insurance	400,000	400,000

2. Management of assets and liabilities

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

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

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

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

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

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

4. Receivables (payables) of insurance contracts

(1) Receivables of insurance contracts

Item	Notes receivable (note)		
	September 30, 2023	December 31, 2022	September 30, 2022
Fire insurance	\$34,278	\$16,270	\$32,816
Marine insurance	54,985	59,705	56,679
Motor insurance	64,750	92,473	80,083
Engineering insurance	136,642	49,867	48,491
Liability insurance	25,699	18,031	17,708
Accident & health insurance	6,030	6,803	6,537
Others	1,164	410	400
Total	323,548	243,559	242,714
Add: non-performing loans	84	157	71
Less: Allowance for losses	(3,320)	(2,593)	(2,498)
Net amount	\$320,312	\$241,123	\$240,287

Note: As of September 30, 2023, December 31, 2022 and September 30, 2022, the notes receivable included non-performing loans of NT\$84 thousand, NT\$157 thousand and NT\$71 thousand, respectively, and accordingly allowances for losses of NT\$84 thousand, NT\$157 thousand and NT\$71 thousand were provided respectively.

Item	Premiums receivable (note)		
	September 30, 2023	December 31, 2022	September 30, 2022
Fire insurance	\$622,315	\$400,607	\$868,756
Marine insurance	181,140	136,370	305,569
Motor insurance	59,126	59,116	78,532
Engineering insurance	145,611	82,036	127,776
Liability insurance	95,359	81,074	100,647
Accident & health insurance	19,488	43,423	82,803
Total	1,123,039	802,626	1,564,083
plus: non-performing loans	352,378	204,518	220,808
Less: Allowance for losses	(51,582)	(36,405)	(54,141)
Net amount	\$1,423,835	\$970,739	\$1,730,750

Note: The insurance premiums receivable on September 30, 2023, December 31, 2022, and September 30, 2022 included the collections of NT\$352,378 thousand, NT\$204,518 thousand, and NT\$220,808 thousand with allowance for losses of NT\$40,352 thousand, NT\$28,379 thousand, and NT\$38,500 thousand appropriated, respectively.

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

Item	September 30, 2023	December 31, 2022	September 30, 2022
	Actually paid	Actually paid	Actually paid
Fire insurance	\$98,523	\$11,999	\$12,081

## (English Translation of Financial Statements Originally Issued in Chinese)

## ShinKong Insurance Co., Ltd.

## Notes to financial statements (Continued)

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

Marine insurance	5,055	6,998	7,358
Motor insurance	156,359	150,293	174,537
Engineering insurance	31,621	13,679	13,530
Liability insurance	4,990	21,018	31,325
Accident & health insurance	9,773	24,406	24,500
Total	306,321	228,393	263,331
Add: non-performing loans	16	-	145
Less: Allowance for losses	(3,071)	(2,284)	(2,705)
Net amount	\$303,266	\$226,109	\$260,771

## (3) Commissions payable for insurance contracts

Item	September 30, 2023	December 31, 2022	September 30, 2022
Fire insurance	\$55,837	\$50,300	\$50,991
Marine insurance	17,932	24,437	22,856
Motor insurance	102,727	106,587	89,280
Engineering insurance	21,854	14,861	20,467
Liability insurance	25,820	35,337	37,203
Accident & health insurance	12,688	37,819	45,557
Total	\$236,858	\$269,341	\$266,354

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

Item	September 30, 2023	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$98,158	\$130,979
AON	327,892	64,998
JOH	42,220	104,026
SWH	71,528	67,602
WIT	141,133	152,299
Others	141,586	1,243,694
Subtotal	822,517	1,763,598
Add: non-performing loans	122,793	-
Less: Allowance for losses	(50,075)	-
Net amount	\$895,235	\$1,763,598

Item	December 31, 2022	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$131,074	\$159,333
CRC	89,003	7,254
ERF	42,011	-
JOH	51,004	162,052

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

Item	December 31, 2022	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
SWH	36,579	52,956
WIL	71,081	52,774
WIT	41,659	161,427
Others	133,886	751,591
Subtotal	596,297	1,347,387
Add: non-performing loans	42,464	-
Less: Allowance for losses	(21,693)	-
Net amount	\$617,068	\$1,347,387

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	139,000	12,303
JOH	49,425	184,507
SWH	133,911	120,851
WIL	46,322	30,982
WIT	55,250	168,826
Others	92,095	1,082,603
Subtotal	615,088	1,748,662
Add: non-performing loans	111,300	-
Less: Allowance for losses	(32,218)	-
Net amount	\$694,170	\$1,748,662

Note: The reinsurance accounts receivable on September 30, 2023, December 31, 2022, and September 30, 2022 included the collections of NT\$122,793 thousand, NT\$42,464 thousand and \$111,300 thousand with the allowance for losses of NT\$42,295 thousand, NT\$15,969 thousand and NT\$26,792 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, 2023				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	\$2,875,785	\$342,456	\$219,993	\$72,595	\$3,510,829
Allowance for loss (expected credit loss)	(25,067)	(6,373)	(36,944)	(42,189)	(110,573)
Total	\$2,850,718	\$336,083	\$183,049	\$30,406	\$3,400,256

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

	December 31, 2022				
	0-90 days	91-180 days	181-365 days	over 366 days	Total
Expected credit loss	0%-1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,056,568	\$283,315	\$117,103	\$49,808	\$2,506,794
Allowance for loss (expected credit loss)	(18,191)	(4,287)	(7,660)	(35,148)	(65,286)
Total	<u>\$2,038,377</u>	<u>\$279,028</u>	<u>\$109,443</u>	<u>\$14,660</u>	<u>\$2,441,508</u>

	September 30, 2022				
	0-90 days	91-180 days	181-365 days	over 366 days	Total
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	<u>\$2,796,460</u>	<u>\$266,721</u>	<u>\$153,202</u>	<u>\$11,214</u>	<u>\$3,227,597</u>

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, 2023				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$64,943	\$-	\$5,299	\$(3)	\$70,238
Marine insurance	16,693	-	-	16	16,709
Motor insurance	387,429	-	64,351	-	451,780
Engineering insurance	33,340	-	-	42	33,382
Liability insurance	48,161	-	-	(1)	48,161
Accident & health insurance	62,738	-	-	-	62,738
Total	<u>\$613,304</u>	<u>\$-</u>	<u>\$69,650</u>	<u>\$54</u>	<u>\$683,008</u>

Item	From July 1 to September 30, 2022				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$67,668	\$-	\$5,496	\$798	\$73,962
Marine insurance	24,253	-	-	14	24,267
Motor insurance	382,033	-	78,853	-	460,886

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

Engineering insurance	25,691	-	-	4	25,695
Liability insurance	57,031	-	-	-	57,031
Accident & health insurance	109,279	-	-	-	109,279
<b>Total</b>	<b>\$665,955</b>	<b>\$-</b>	<b>\$84,349</b>	<b>\$816</b>	<b>\$751,120</b>

From January 1 to September 30, 2023

Item	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$214,384	\$-	\$16,533	\$930	\$231,847
Marine insurance	60,317	-	-	37	60,354
Motor insurance	1,168,322	-	195,646	-	1,363,968
Engineering insurance	86,629	-	-	46	86,675
Liability insurance	151,489	-	-	-	151,489
Accident & health insurance	215,570	-	-	-	215,570
<b>Total</b>	<b>\$1,896,711</b>	<b>\$-</b>	<b>\$212,179</b>	<b>\$1,013</b>	<b>\$2,109,903</b>

From January 1 to September 30, 2022

Item	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
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
Accident & health insurance	333,996	-	-	-	333,996
<b>Total</b>	<b>\$1,981,637</b>	<b>\$-</b>	<b>\$249,675</b>	<b>\$1,691</b>	<b>\$2,233,003</b>

(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, 2023

Item	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims (including indemnity expense)		Net change in Claims reserve	Insurance profit (loss)
					Reinsurance claims	Reinsurance claims		
Fire insurance	\$1,371,057	\$14,220	\$(146,987)	\$(70,239)	\$(856,326)	\$(4,838)	\$818,279	\$1,125,166
Marine insurance	274,127	820	60,864	(16,709)	(40,284)	(19)	(12,932)	265,867
Motor insurance	2,963,826	146,309	75,754	(451,780)	(1,850,506)	(148,205)	(18,685)	716,713
Engineering insurance	392,230	224	(86,869)	(33,382)	(326,083)	(10)	49,935	(3,955)
Liability insurance	446,594	1,217	26,371	(48,160)	(192,339)	(1,904)	(37,461)	194,318
Accident & health insurance	415,491	1,916	116,988	(62,738)	(262,553)	(674)	(33,970)	174,460
<b>Total</b>	<b>\$5,863,325</b>	<b>\$164,706</b>	<b>\$46,121</b>	<b>\$(683,008)</b>	<b>\$(3,528,091)</b>	<b>\$(155,650)</b>	<b>\$765,166</b>	<b>\$2,472,569</b>

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

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	
<b>Total</b>	<b>\$5,615,937</b>	<b>\$180,492</b>	<b>\$44,875</b>	<b>\$(751,120)</b>	<b>\$(2,670,410)</b>	<b>\$(147,730)</b>	<b>\$(38,808)</b>	<b>\$2,233,236</b>	

From January 1 to September 30, 2023

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	\$4,215,749	\$55,029	\$(722,918)	\$(231,847)	\$(1,729,574)	\$(19,020)	\$891,988	\$2,459,407	
Marine insurance	898,328	2,168	(37,043)	(60,354)	(150,739)	45	22,085	674,490	
Motor insurance	8,901,501	434,450	82,386	(1,363,968)	(5,163,569)	(387,326)	(316,476)	2,186,998	
Engineering insurance	1,285,918	482	(390,356)	(86,675)	(660,406)	(98)	(396,296)	(247,431)	
Liability insurance	1,477,123	4,347	(89,112)	(151,489)	(521,569)	(2,462)	29,904	746,742	
Accident & health insurance	1,460,946	6,156	200,741	(215,570)	(848,244)	(1,352)	(112,075)	490,602	
<b>Total</b>	<b>\$18,239,565</b>	<b>\$502,632</b>	<b>\$(956,302)</b>	<b>\$(2,109,903)</b>	<b>\$(9,074,101)</b>	<b>\$(410,213)</b>	<b>\$119,130</b>	<b>\$6,310,808</b>	

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 (including indemnity expense)		Reinsurance claims	Net change in Claims reserve	Insurance profit (loss)
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	
<b>Total</b>	<b>\$17,031,356</b>	<b>\$537,850</b>	<b>\$(512,307)</b>	<b>\$(2,233,003)</b>	<b>\$(8,067,141)</b>	<b>\$(436,073)</b>	<b>\$(796,660)</b>	<b>\$5,524,022</b>	

B. Current profit and loss recognized for purchased reinsurance contracts

## (English Translation of Financial Statements Originally Issued in Chinese)

## ShinKong Insurance Co., Ltd.

## Notes to financial statements (Continued)

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

From July 1 to September 30, 2023						
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	\$(821,397)	\$171,787	\$35,619	\$504,108	\$(531,603)	\$(641,486)
Marine insurance	(135,540)	(25,869)	16,415	18,148	(10,326)	(137,172)
Motor insurance	(280,721)	(12,873)	27,800	254,157	(24,574)	(36,211)
Engineering insurance	(108,782)	7,671	7,463	247,638	(62,865)	91,125
Liability insurance	(44,314)	(5,721)	5,730	27,989	939	(15,377)
Accident & health insurance	(13,661)	(25,064)	566	10,848	5,571	(21,740)
Total	\$(1,404,415)	\$109,931	\$93,593	\$1,062,888	\$(622,858)	\$(760,861)

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)
Fire insurance	\$(648,437)	\$97,970	\$17,248	\$26,150	\$110,939	\$(396,130)
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 January 1 to September 30, 2023						
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	\$(2,530,384)	\$525,138	\$103,784	\$1,117,949	\$(889,737)	\$(1,673,250)
Marine insurance	(488,055)	17,493	51,565	51,999	(32,785)	(399,783)
Motor insurance	(829,833)	(33,248)	90,184	717,644	2,937	(52,316)
Engineering insurance	(419,965)	139,323	25,297	414,778	289,318	448,751
Liability insurance	(173,905)	23,161	17,696	46,974	(59,311)	(145,385)
Accident & health insurance	(101,865)	12,912	4,308	38,311	20,266	(26,068)
Total	\$(4,544,007)	\$684,779	\$292,834	\$2,387,655	\$(669,312)	\$(1,848,051)

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)



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

Total	\$(3,723,794)	\$(25,468)	\$220,210	\$1,712,608	\$(51,118)	\$(1,867,562)
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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	\$4,215,776	69.77%	\$210,789	\$84,269
Marine insurance	898,328	70.57%	44,916	20,513
Land and air insurance	7,462,873	65.62%	373,144	361,553
Liability insurance	1,123,610	71.10%	56,180	48,865
Engineering Guarantee	1,308,393	62.88%	65,420	44,319
Other property insurance	331,039	62.15%	16,552	15,275
Accident insurance	1,450,227	62.93%	72,511	67,418
Health insurance	10,718	65.22%	536	536
Automobile liability	1,438,628	Not applicable	Not applicable	Not applicable
Total	\$18,239,592		\$840,048	\$642,748

Note: The data period is from January to September 2023; fire insurance premiums are not covered in long-term fire insurance.

According to the data from January to September 2023, although the assumed increase of expected loss rate by 5% have a certain degree of impact on the profit or loss, with the reinsurance arrangement, however, the impact from the change in expected loss rate can be reduced, thereby spreading the risks, and the sensitivity can be maintained within a reasonable range.

7. Explanation of concentrated insurance risks

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

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

The insurance contracts underwritten by the company are spread across different types of insurance without concentration on a single type of insurance, and the highest proportion is attributed to automobile insurance, which accounted for 51.59% and 53.25% of the total underwriting during July 1 to September 30, 2023 and 2022, and 49.81% and 51.99% of the total underwriting during January 1 to September 30, 2023 and 2022, 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, 2023		From July 1 to September 30, 2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$1,385,277	22.98%	\$1,203,392	20.76%
Marine insurance	274,947	4.56%	278,669	4.81%
Motor insurance	3,110,135	51.59%	3,086,450	53.25%
Engineering insurance	392,454	6.51%	282,708	4.88%
Liability insurance	447,811	7.43%	397,782	6.86%
Accident & health insurance	417,407	6.93%	547,428	9.44%
Total	\$6,028,031		\$5,796,429	

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

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$4,270,778	22.79%	\$3,582,428	20.39%
Marine insurance	900,496	4.81%	806,295	4.59%
Motor insurance	9,335,951	49.81%	9,133,981	51.99%
Engineering insurance	1,286,400	6.86%	930,846	5.30%
Liability insurance	1,481,470	7.90%	1,381,181	7.86%
Accident & health insurance	1,467,102	7.83%	1,734,475	9.87%
Total	<u>\$18,742,197</u>		<u>\$17,569,206</u>	

B. Retention ratios

The car insurance has the highest retention ratios, which accounted for 61.19% and 61.30% of its total premiums during July 1 to September 30, 2023 and 2022, and 59.91% and 59.56% of its total premiums during January 1 to September 30, 2023 and 2022, 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, 2023		From July 1 to September 30, 2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$563,880	12.20%	\$554,955	12.20%
Marine insurance	139,407	3.01%	158,552	3.49%
Motor insurance	2,829,415	61.19%	2,788,100	61.30%
Engineering insurance	283,672	6.14%	152,911	3.36%
Liability insurance	403,496	8.73%	367,147	8.07%
Accident & health insurance	403,746	8.73%	527,416	11.58%
Total	<u>\$4,623,616</u>		<u>\$4,549,081</u>	

Item	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage	Amount	Percentage
Fire insurance	\$1,740,394	12.26%	\$1,784,253	12.88%
Marine insurance	412,441	2.90%	399,814	2.89%
Motor insurance	8,506,118	59.91%	8,246,587	59.56%
Engineering insurance	866,435	6.10%	525,762	3.80%
Liability insurance	1,307,565	9.21%	1,260,901	9.11%
Accident & health insurance	1,365,237	9.62%	1,628,095	11.76%
Total	<u>\$14,198,190</u>		<u>\$13,845,412</u>	

## (English Translation of Financial Statements Originally Issued in Chinese)

## ShinKong Insurance Co., Ltd.

## Notes to financial statements (Continued)

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

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

Item	From July 1 to September 30, 2023			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$1,371,057	\$14,220	\$(821,397)	\$563,880
Marine insurance	274,127	820	(135,540)	139,407
Motor insurance	2,963,826	146,309	(280,721)	2,829,414
Engineering insurance	392,230	224	(108,782)	283,672
Liability insurance	446,594	1,217	(44,314)	403,497
Accident & health insurance	415,491	1,916	(13,661)	403,746
Total	\$5,863,325	\$164,706	\$(1,404,415)	\$4,623,616

Item	From July 1 to September 30, 2022			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium 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

Item	From January 1 to September 30, 2023			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$4,215,749	\$55,029	\$(2,530,384)	\$1,740,394
Marine insurance	898,328	2,168	(488,055)	412,441
Motor insurance	8,901,501	434,450	(829,833)	8,506,118
Engineering insurance	1,285,918	482	(419,965)	866,435
Liability insurance	1,477,123	4,347	(173,905)	1,307,565
Accident & health insurance	1,460,946	6,156	(101,865)	1,365,237
Total	\$18,239,565	\$502,632	\$(4,544,007)	\$14,198,190

Item	From January 1 to September 30, 2022			
	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

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

	\$17,031,356	\$537,850	\$(3,723,794)	\$13,845,412
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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					2023.09.30 Cumulative		IBNR claims	Claims reserve
	2019.12.31	2020.12.31	2021.12.31	2022.12.31	2023.09.30	settled claims	Outstanding claims		
≤2018							\$359,719		
2019	\$8,069,856	\$8,686,669	\$8,618,981	\$8,395,432	\$8,410,144	\$8,306,504	103,640		
2020		9,736,071	10,213,567	10,287,953	10,055,761	9,046,427	1,009,334		
2021			8,570,248	8,799,772	8,797,416	8,056,380	741,036		
2022				9,898,831	10,691,137	8,616,966	2,074,171		
2023					6,798,071	3,742,815	3,055,256		
Total							<u>\$7,343,156</u>	<u>\$1,899,260</u>	<u>\$9,242,416</u>

Accident Year	Assessment date					2022.12.31 Cumulative		IBNR claims	Claims reserve
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31	settled claims	Outstanding claims		
≤2017							\$358,848		
2018	\$7,005,283	\$7,378,153	\$7,256,705	\$7,244,168	\$7,220,826	\$7,153,153	67,673		
2019		8,069,856	8,686,669	8,618,981	8,395,432	8,229,260	166,172		
2020			9,736,071	10,213,567	10,287,953	8,438,010	1,849,943		
2021				8,570,248	8,799,772	7,494,500	1,305,272		
2022					9,898,831	5,579,426	4,319,405		
Total							<u>\$8,067,313</u>	<u>\$1,360,029</u>	<u>\$9,427,342</u>

Accident Year	Assessment date					2022.09.30 Cumulative		IBNR claims	Claims reserve
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.09.30	settled claims	Outstanding claims		
≤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>

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

C. Cumulative reported claims

D.

Accident Year	Assessment date					2023.09.30 Cumulative			
	2019.12.31	2020.12.31	2021.12.31	2022.12.31	2023.09.30	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2018							\$120,824		
2019	\$6,383,975	\$6,586,879	\$6,575,205	\$6,562,893	\$6,556,438	\$6,499,307	57,131		
2020		6,976,044	7,297,107	7,359,338	7,354,457	7,162,578	191,879		
2021			7,164,861	7,380,765	7,403,530	6,926,437	477,093		
2022				8,496,275	8,646,935	7,607,413	1,039,522		
2023					6,095,494	3,285,680	2,809,814		
Total							<u>\$4,696,263</u>	<u>\$1,712,563</u>	<u>\$6,408,826</u>

Accident Year	Assessment date					2022.12.31 Cumulative			
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31	settled claims	Outstanding claims	IBNR claims	Claims reserve
≤2017							\$116,299		
2018	\$5,824,992	\$6,079,736	\$6,030,322	\$5,976,778	\$5,962,692	\$5,913,109	49,583		
2019		6,383,975	6,586,879	6,575,205	6,562,893	6,472,872	90,021		
2020			6,976,044	7,297,107	7,359,338	7,050,555	308,783		
2021				7,164,861	7,380,765	6,541,024	839,741		
2022					8,496,275	5,174,219	3,322,056		
Total							<u>\$4,726,483</u>	<u>\$1,169,941</u>	<u>\$5,896,424</u>

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							<u>\$4,408,300</u>	<u>\$1,458,476</u>	<u>\$5,866,776</u>

Note: The above figures do not include policy-based insurances (i.e. automobile compulsory insurance, residential earthquake insurance, nuclear energy insurance) and the insurances with IBNR reserves not provided based on the "Loss Development Triangles." 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)  
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

9. Types of financial instruments

Financial instruments	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$5,826,885	\$6,747,161	\$6,756,583
Financial assets at fair value through other comprehensive income			
Financial assets at amortized cost:	1,340,721	1,352,772	1,374,265
Cash and cash equivalents (excluding cash on hand and working capital)	11,449,618	10,841,906	10,022,800
Financial assets at amortized cost	12,519,481	11,149,971	10,570,894
Other financial assets	299,789	-	-
Accounts receivable	2,201,755	1,598,331	2,272,656
Refundable deposits	837,091	699,087	738,675
Subtotal	<u>27,307,734</u>	<u>24,289,295</u>	<u>23,605,025</u>
Total	<u>\$34,475,340</u>	<u>\$32,389,228</u>	<u>\$31,735,873</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$222,206	\$249,174	\$543,143
Financial liabilities at amortized cost:			
Accounts Payables	2,788,533	2,691,211	2,773,825
Lease liability	20,458	33,836	35,669
Subtotal	<u>2,808,991</u>	<u>2,725,047</u>	<u>2,809,494</u>
Total	<u>\$3,031,197</u>	<u>\$2,974,221</u>	<u>\$3,352,637</u>

10. Financial risk management objectives and policies

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

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

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

(1) Market risk

A. Exchange rate risk

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

The Company 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 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:

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

Credit risk ratings	Indicators	Expected credit loss measurement method	Loss rates		
			September 30, 2023	December 31, 2022	September 30, 2022
Low credit risk	Credit rating above	12-month expected	0.0164%~	0.0104%~	0.0140%~
	Baa3	credit loss	0.1822%	0.0714%	0.0714%
Credit risk increased significantly	Credit rating below	Lifetime expected	1.1048%~	0.7700%~	1.2885%~
	Ba1	credit loss	3.3914%	3.2083%	3.2024%

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 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



(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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, 2023

Financial assets	Taiwan	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	11,449,618	-	-	11,449,618
Financial assets at fair value through profit or loss	51,146	-	-	51,146
Financial assets at fair value through other comprehensive income	-	295,793	-	295,793
Financial assets at amortized cost (Note 2)	9,104,410	3,180,374	757,127	13,041,911
Other financial assets	299,789	-	-	299,789
Total	20,904,963	3,476,167	757,127	25,138,257
Regional proportion to overall	83%	14%	3%	100%

December 31, 2022

Financial assets	Taiwan	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	10,841,906	-	-	10,841,906
Financial assets at fair value through profit or loss	51,137	-	-	51,137
Financial assets at fair value through other comprehensive income	-	294,382	-	294,382
Financial assets at amortized cost (Note 2)	7,609,652	3,246,653	819,488	11,675,793
Total	18,502,695	3,541,035	819,488	22,863,218
Regional proportion to overall	81%	15%	4%	100%

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

September 30, 2022

Financial assets	Taiwan	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	11,097,714
Total	16,963,219	3,643,832	849,380	21,456,431
Regional proportion to overall	79%	17%	4%	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, 2023

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	1,449,618	-	-	-	1,449,618
Financial assets at fair value through profit or loss	51,146	-	-	-	51,146
Financial assets at fair value through other comprehensive income	-	-	-	295,793	295,793
Financial assets at amortized cost (Note 2)	6,425,098	-	2,316,781	4,300,032	13,041,911
Other financial assets	299,789	-	-	-	299,789
Total	18,225,651	-	2,316,781	4,595,825	25,138,257
Regional proportion to overall	73%	-	9%	18%	100%

December 31, 2022

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	10,841,906	-	-	-	10,841,906
Financial assets at fair value through profit or loss	51,137	-	-	-	51,137
Financial assets at fair value through other comprehensive income	-	-	-	294,382	294,382
Financial assets at amortized cost (Note 2)	5,457,742	-	2,045,258	4,172,793	11,675,793
Total	16,350,785	-	2,045,258	4,467,175	22,863,218
Regional proportion to overall	72%	-	9%	19%	100%

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

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
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%

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, 2023

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	11,449,618	-	11,449,618
Financial assets at fair value through profit or loss	51,146	-	51,146
Financial assets at fair value through other comprehensive income	295,793	-	295,793
Financial assets at amortized cost (Note 2)	13,041,911	-	13,041,911
Other financial assets	299,789	-	299,789
Total	25,138,257	-	25,138,257

December 31, 2022

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	10,841,906	-	10,841,906
Financial assets at fair value through profit or loss	51,137	-	51,137
Financial assets at fair value through other comprehensive income	294,382	-	294,382
Financial assets at amortized cost (Note 2)	11,675,793	-	11,675,793
Total	22,863,218	-	22,863,218

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

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
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

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, 2023				
	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	\$12,681,021	\$150,909	\$-	\$-	\$12,831,930
Financial assets at fair value through other comprehensive income	380,132	-	-	-	380,132
Other financial assets	302,414	-	-	-	302,414
	December 31, 2022				
	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	\$11,540,949	\$150,822	\$-	\$-	\$11,691,771
Financial assets at fair value through other comprehensive income	377,440	-	-	-	377,440
	September 30, 2022				
	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	\$10,786,860	\$150,910	\$-	\$-	\$10,937,770
Financial assets at fair value through other comprehensive income	381,771	-	-	-	381,771

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

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

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

	12-month expected credit loss		Lifetime expected credit loss
	Measured at fair value through other comprehensive income	Measured at amortized cost	Measured at amortized cost
January 1, 2023	\$177	\$3,927	\$3,965
Derecognition	-	(251)	-
Originated or purchased	-	998	-
Change of model /risk parameters	37	1,322	286
September 30, 2023	\$214	\$5,996	\$4,251
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

(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 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, 2023

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$542,894	\$24,021	\$543,525	\$29,320	\$545,061

December 31, 2022

	Equity	Bond	Domestic Assets	Foreign Assets	Total VaR
Component VaR	\$605,076	\$26,370	\$606,077	\$30,830	\$605,620

September 30, 2022

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

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

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

caused by changes in specific risk factors.

b. Scenario Analysis

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

i. Historical scenarios:

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

ii. Hypothetical scenarios:

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

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

September 30, 2023

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(568,637)
Interest rate risk (yield rate curve)	+100bp	(57,115)
Exchange rate risk (exchange rate)	-5%	(14,387)

December 31, 2022

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(523,208)
Interest rate risk (yield rate curve)	+100bp	(58,445)
Exchange rate risk (exchange rate)	-5%	(13,853)

September 30, 2022

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

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.

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

- B. The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in active markets are determined by reference to market quotes (including beneficiary certificates, listed stocks and bonds).
- C. The fair values of derivatives are based on public quotes. When public quotes are not available, the fair values of non-option derivatives are calculated with the applicable lifetime yield curve by discounted cash flow analysis, while the fair values of option derivatives are calculated by the option pricing model.
- D. The fair values of other financial assets and financial liabilities are determined based on the discounted cash flow analysis, where the assumptions such as interest rates and discount rates are mainly based on the information of similar instruments and applicable lifetime yield curves.

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

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

	Book value		
	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets			
Financial assets at amortized cost	\$12,519,481	\$11,149,971	\$10,570,894
Refundable deposits – by government bonds	522,430	525,822	526,820
Fair value			
	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets			
Financial assets at amortized cost	\$11,555,465	\$10,381,659	\$9,633,627
Refundable deposits – by government bonds	509,078	511,395	501,204

(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, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				



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

Stock	\$4,900,352	\$4,513,299	\$-	\$387,053
Bonds	51,146	-	-	51,146
Fund	875,387	875,387	-	-
Financial assets at fair value through other comprehensive income				
Stock	1,044,928	808,799	-	236,129
Bonds	295,793	295,793	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Swap and forward exchange contracts	222,206	-	222,206	-
Financial instruments measured at fair value		December 31, 2022		
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss				
Stock	\$4,065,693	\$3,722,505	\$-	\$343,188
Bonds	51,137	-	-	51,137
Fund	2,630,099	2,630,099	-	-
Swap and forward exchange contracts	232	-	232	-
Financial assets at fair value through other comprehensive income				
Stock	1,058,390	818,173	-	240,217
Bonds	294,382	294,382	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Swap and forward exchange contracts	249,174	-	249,174	-
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

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

Fund	1,771,728	1,771,728	-	-
Swap and forward exchange contracts	1,415	-	1,415	
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	-

The assets and liabilities measured at repetitive fair value during January 1 to September 30, 2023 and 2022, 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, 2023	\$394,325	\$240,217
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”)	-	12,868	12,868
Recognized as other comprehensive income (under “Other comprehensive income reclassified with overlay approach”)	43,865	-	43,865
disposal/settlement	-	(16,956)	(16,956)
September 30, 2023	\$438,199	\$236,129	\$674,328
	Assets		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total

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

	value through profit or loss	through other comprehensive income	
January 1, 2022	\$376,100	\$270,647	\$646,747
Recognized total profits (losses):			
Recognized as gains and losses (under “Profit or loss on Financial Assets and Liabilities at Fair Value through profit or loss”)	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	<u>\$394,334</u>	<u>\$240,217</u>	<u>\$634,551</u>

Among the above recognized total profits (losses), those related to the assets held during July 1 to September 30, 2022 and 2020, and January 1 to September 30, 2023 and 2022, respectively, are as follows:

	From July 1 to September 30, 2023	From July 1 to September 30, 2022
Total profits (losses)		
Recognized in the profit or loss	\$10	\$9
Recognized in the other comprehensive income	43,563	(12,363)
	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Total profits (losses)		
Recognized in the profit or loss	\$9	\$9
Recognized in the other comprehensive income	54,495	2,274

(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, 2023	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	Liquidity and	0-30%	The higher liquidity and

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

	approach	minority share discount	Note	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.

December 31, 2022

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

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

September 30, 2022

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

value through other  
comprehensive income

Unlisted stocks

Market  
approach,  
income  
approach,  
asset  
approach

Liquidity  
discount

0-30%

The higher liquidity  
discount, the lower fair value  
estimate

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

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

	September 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$11,555,465	\$9,817,219	\$-	\$1,738,246
Refundable deposits – by government bonds	509,078	509,078	-	-
Investment property (see Note 6.9)	3,100,351	-	-	3,100,351
December 31, 2022				
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets at amortized cost	\$10,381,659	\$8,643,892	\$-	\$1,737,767
Refundable deposits – by government bonds	511,395	511,395	-	-
Investment property (see Note 6.9)	3,100,351	-	-	3,100,351
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 6.9)	2,865,771	-	-	2,865,771

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(Note)
Waibel Enterprise Inc.	Other related parties

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

Shin Kong Life Insurance Co., Ltd.	Other related parities
Shin Kong Mitsukoshi Department Store CO., LTD.	Other related parities
Shin Kong Synthetic Fibers Corporation	Other related parities
Shin Kong Textile Co., Ltd.	Other related parities
Shin-Po Express Co., Ltd.	Other related parities
The Ambassador Hotel CO., LTD.	Other related parities
Shin-Kong Life Real Estate Service Co.,Ltd	Other related parities
Great Taipei Broadband Co.,Ltd	Other related parities(Note)
Others	Directors, supervisors, chairman,president, managers, their spouses, and the relatives within 2nd degree of kinship

Note:This company has not been a related party of the company since May 25, 2023.

(2) Major transactions with related parties:

1. Premium revenues

Name	From July 1 to September 30, 2023		From July 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$4,922	0.08%	\$4,058	0.07%

Name	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$56,470	0.31%	\$46,606	0.27%

2. Claims

Name	From July 1 to September 30, 2023		From July 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$-	-	\$5,389	0.19%

Name	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$-	-	\$11,182	0.13%

3. Operating expenses

Name	From July 1 to September 30, 2023		From July 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$3,198	0.36%	\$7,776	0.84%

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

Name	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$15,527	0.59%	\$10,103	0.38%

4. Lease

Property investment gains and losses – rental income

Name	From July 1 to September 30, 2023		From July 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$118	0.62%	\$75	0.31%

Name	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$269	0.47%	\$225	0.35%

Advance rent

Name	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$-	-	\$1	0.00%	\$76	0.06%

Right-of-use assets

Name	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$5,244	26.27%	\$8,871	26.72%	\$10,304	29.42%

Lease liability

Name	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$5,347	26.14%	\$8,977	26.53%	\$10,415	29.20%

Interest expenses

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

Name	From July 1 to September 30, 2023		From July 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$19	0.07%	\$37	0.10%

Name	From January 1 to September 30, 2023		From January 1 to September 30, 2022	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parities	\$75	0.13%	\$86	0.11%

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

5. Remunerations of key management staff:

	From July 1 to September 30, 2023	From July 1 to September 30, 2022	From January 1 to September 30, 2023	From January 1 to September 30, 2022
Short-term employee benefits	\$30,014	\$28,529	\$131,025	\$97,020
Retirement benefits	929	1,270	58,269	60,647
Total	\$30,943	\$29,799	\$189,294	\$157,667

9. Pledged assets

As of September 30, 2023, December 31, 2022 and September 30, 2022, respectively, the details of pledged and guarantee assets are as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Government bonds – insurance deposits	\$522,430	\$525,822	\$526,820
Time deposit – performance bond	204,872	86,872	78,436

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



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

15. Employee pension information

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, 2023, December 31, 2022 and September 30, 2022, respectively, are as follows:

Item	September 30, 2023	December 31, 2022	September 30, 2022
Cash and cash equivalents	\$68,921	\$97,618	\$1,046,460
TWSE (Taiwan Stock Exchange) listed/OTC stocks	232,563	108,763	397,682
Total	<u>\$301,484</u>	<u>\$206,381</u>	<u>\$1,444,142</u>
Discretionary contract limit:			
New Taiwan Dollars (NTD)	<u>\$200,000</u>	<u>\$200,000</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

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

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

Item	September 30, 2023		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Cash and cash equivalents	\$11,459,156	\$-	\$11,459,156
Accounts receivable	2,201,755	-	2,201,755
Investment	5,826,885	16,708,894	22,535,779
Reinsurance contract assets (net)	-	7,885,993	7,885,993
Property and equipment (net)	-	1,149,035	1,149,035
Right-of-use assets.	-	19,963	19,963
Intangible assets	-	21,626	21,626
Deferred income tax assets	-	210,259	210,259
Other assets	49,940	882,733	929,673
Total assets			<u>\$46,413,239</u>
Accounts Payables	\$2,788,533	\$-	\$2,788,533
Current income tax liabilities	171,260	-	171,260
Financial liabilities	222,206	-	222,206
Lease liability	10,663	9,795	20,458
Insurance liability	-	26,287,169	26,287,169
Reserve for liabilities	-	46,872	46,872
Deferred tax liabilities	-	89,020	89,020
Others	143,998	10,031	154,029
Total liabilities			<u>\$29,779,547</u>
Item	December 31, 2022		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Cash and cash equivalents	\$10,852,136	\$-	\$10,852,136
Accounts receivable	1,598,331	-	1,598,331
Investment	6,747,161	15,064,449	21,811,610
Reinsurance contract assets (net)	-	7,530,740	7,530,740
Property and equipment (net)	-	1,146,939	1,146,939
Right-of-use assets.	-	33,204	33,204
Intangible assets	-	22,846	22,846
Deferred income tax assets	-	212,032	212,032
Other assets	143,186	653,662	796,848
Total assets			<u>\$44,004,686</u>
Accounts Payables	\$2,691,211	\$-	\$2,691,211
Current income tax liabilities	168,798	-	168,798
Financial liabilities	249,174	-	249,174

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

Lease liability	15,932	17,904	33,836
Insurance liability	-	25,503,894	25,503,894
Reserve for liabilities	-	47,837	47,837
Deferred tax liabilities	-	36,699	36,699
Others	232,617	10,665	243,282
Total liabilities			<u>\$28,974,731</u>

Item	September 30, 2022		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
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>

2. Derivative instruments

As of September 30, 2023, December 31, 2022 and September 30, 2022, the derivatives not conformable to the hedge accounting and not expired yet are as follows:

SWAP and forward exchange contracts

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

September 30, 2023

Financial products	Contract amounts	Fair value	Transaction	Contract
	(Nominal principal)	(NTD)	date/Expiration date	exchange rate (NTD)
Forward exchange contracts	USD 10,000	\$(954)	2023.09.26/2023.10.31	32.082
Forward exchange contracts	USD 2,000	(191)	2023.09.26/2023.10.31	32.082
Forward exchange contracts	USD 1,000	(95)	2023.09.26/2023.10.31	32.082
Forward exchange contracts	USD 9,000	(42,717)	2021.10.20/2023.10.23	27.440
Forward exchange contracts	USD 8,000	(18,551)	2023.04.13/2023.10.17	29.894
Forward exchange contracts	USD 8,000	(18,551)	2023.04.13/2023.10.17	29.894
Forward exchange contracts	USD 2,000	(4,638)	2023.04.13/2023.10.17	29.894
Forward exchange contracts	USD 10,000	(18,406)	2023.04.26/2024.04.30	29.573
Forward exchange contracts	USD 8,000	(14,725)	2023.04.26/2024.04.30	29.573
Forward exchange contracts	USD 10,000	(18,406)	2023.04.26/2024.04.30	29.573
Forward exchange contracts	USD 7,000	(12,884)	2023.04.26/2024.04.30	29.573
Forward exchange contracts	USD 7,000	(12,884)	2023.04.26/2024.04.30	29.573
Forward exchange contracts	USD 10,000	(22,771)	2023.04.17/2023.10.19	29.928
Forward exchange contracts	USD 10,000	(22,771)	2023.04.17/2023.10.19	29.928
Forward exchange contracts	USD 6,000	(13,662)	2023.04.17/2023.10.19	29.928

December 31, 2022

Financial products	Contract amounts	Fair value	Transaction	Contract
	(Nominal principal)	(NTD)	date/Expiration date	exchange rate (NTD)
Forward exchange contracts	USD 7,000	\$(19,826)	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 7,000	(19,826)	2021.10.27/2023.04.28	27.525
Forward exchange contracts	USD 4,000	(9,529)	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 4,000	(9,529)	2021.09.28/2023.09.28	27.439
Forward exchange contracts	USD 8,000	(23,798)	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 10,000	(29,748)	2021.10.27/2023.01.31	27.656
Forward exchange contracts	USD 8,000	(496)	2022.12.12/2023.01.17	30.614
Forward exchange contracts	USD 2,000	(230)	2022.12.14/2023.01.17	30.561
Forward exchange contracts	USD 4,000	(138)	2022.12.28/2023.03.31	30.404
Forward exchange contracts	USD 10,000	(147)	2022.12.26/2023.03.28	30.430

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

Forward exchange contracts	USD 10,000	(2,059)	2022.12.15/2023.01.19	30.457
Forward exchange contracts	USD 2,000	(412)	2022.12.15/2023.01.19	30.457
Forward exchange contracts	USD 4,000	(9,567)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 6,000	(14,350)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 5,000	(11,959)	2021.08.12/2023.08.16	27.571
Forward exchange contracts	USD 9,000	(21,283)	2021.09.13/2023.09.15	27.498
Forward exchange contracts	USD 1,000	29	2022.12.01/2023.01.05	30.734
Forward exchange contracts	USD 7,000	203	2022.12.01/2023.01.05	30.734
Forward exchange contracts	USD 8,000	(327)	2022.12.13/2023.01.17	30.628
Forward exchange contracts	USD 10,000	(2,059)	2022.12.15/2023.01.19	30.457
Forward exchange contracts	USD 6,000	(1,236)	2022.12.15/2023.01.19	30.457
Forward exchange contracts	USD 2,000	(29)	2022.12.26/2023.03.28	30.430
Forward exchange contracts	USD 10,000	(147)	2022.12.26/2023.03.28	30.430
Forward exchange contracts	USD 7,000	(21,330)	2022.01.26/2023.01.31	27.578
Forward exchange contracts	USD 10,000	(30,472)	2022.01.26/2023.01.31	27.578
Forward exchange contracts	USD 9,000	(20,677)	2021.10.20/2023.10.23	27.440

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)	2022.10.27/2023.04.28	27.525
Forward exchange contracts	USD 7,000	(25,753)	2022.10.27/2023.04.28	27.525
Forward exchange contracts	USD 4,000	(12,684)	2022.09.28/2023.09.28	27.439
Forward exchange contracts	USD 4,000	(12,684)	2022.09.28/2023.09.28	27.439
Forward exchange contracts	USD 2,000	(7,756)	2022.10.25/2023.10.27	27.827
Forward exchange contracts	USD 8,000	(30,059)	2022.10.27/2023.01.31	27.656
Forward exchange contracts	USD 10,000	(37,574)	2022.10.27/2023.01.31	27.656
Forward exchange contracts	USD 2,000	(7,824)	2022.11.12/2023.11.16	27.751
Forward exchange contracts	USD 8,000	(31,385)	2022.12.10/2023.12.14	27.656
Forward exchange contracts	USD 4,000	(12,714)	2022.08.12/2023.08.16	27.571
Forward exchange contracts	USD 6,000	(19,071)	2022.08.12/2023.08.16	27.571
Forward exchange contracts	USD 5,000	(15,892)	2022.08.12/2023.08.16	27.571
Forward exchange contracts	USD 9,000	(28,385)	2022.09.13/2023.09.15	27.498
Forward exchange contracts	USD 10,000	(39,200)	2022.10.22/2023.10.26	27.786

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

Forward exchange contracts	USD 1,000	(1,779)	2023.08.02/2023.11.04	29.914
Forward exchange contracts	USD 10,000	1,415	2023.09.26/2023.12.28	31.674
Forward exchange contracts	USD 10,000	(26,875)	2023.04.13/2023.10.17	29.035
Forward exchange contracts	USD 5,000	(13,438)	2023.04.13/2023.10.17	29.035
Forward exchange contracts	USD 4,000	(7,596)	2023.07.27/2023.10.31	29.8
Forward exchange contracts	USD 7,000	(16,297)	2023.04.29/2023.11.04	29.364
Forward exchange contracts	USD 8,000	(14,500)	2023.08.11/2023.11.15	29.855
Forward exchange contracts	USD 7,000	(26,843)	2023.01.26/2023.01.31	27.578
Forward exchange contracts	USD 10,000	(38,348)	2023.01.26/2023.01.31	27.578
Forward exchange contracts	USD 10,000	(39,280)	2022.11.15/2023.11.17	27.732
Forward exchange contracts	USD 6,000	(23,568)	2022.11.15/2023.11.17	27.732
Forward exchange contracts	USD 9,000	(27,885)	2022.10.20/2023.10.23	27.44

3. As of September 30, 2023, December 31, 2022 and September 30, 2022, the financial assets and liabilities in foreign currencies with major impacts are as follows:

September 30, 2023			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$154,970,456	32.220	\$4,993,148
December 31, 2022			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$172,227,875	30.660	\$5,280,507
September 30, 2022			
	Foreign currencies (in dollars)	Exchange rate	NTD (in thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$172,286,396	31.700	\$5,461,479

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, 2023 and 2022, were NT\$182,985 thousand and NT\$361,706

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

thousand, and January 1 to September 30, 2023 and 2022, were NT\$253,606 thousand and NT\$733,915 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, 2023, December 31, 2022 and September 30, 2022, the net worth ratios from equity divided by total assets excluding investment-linked insurance accounts were 35.84%, 34.16% and 32.56%, respectively.

6. Operations information

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

24. Property insurance information

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

Shareholder's Name		
Shin Kong Textile Co., Ltd.	51,539,530	16.31%
Shin Kong Life Insurance Co., Ltd.	18,698,000	5.91%
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.

## 26. Reserve for unqualified reinsurance

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

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

### 1. Abstracts and types of unqualified reinsurance contracts:

September 30, 2023

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 Asia Capital Reinsurance Group Pte Ltd	Accident insurance, , inland transportation insurance, cargo transportation insurance, inland transportation insurance, cargo transportation insurance, engineering 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, 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 Asia Capital Reinsurance Group Pte Ltd	Accident insurance, inland transportation insurance, cargo transportation insurance One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat



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

Milli Reasurans T.A.S. Singapore Branch	insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance Inland transportation insurance, cargo transportation insurance
S-Square Insurance Company, Inc.	One-year commercial fire insurance, commercial earthquake insurance, typhoon & flood insurance

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, inland transportation insurance, cargo transportation insurance, fishing boat insurance, engineering 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
S-Square Insurance Company, Inc.	One-year commercial fire insurance, commercial earthquake insurance, typhoon & flood insurance

2. Unqualified reinsurance premium expenses:

The unqualified reinsurance premiums expenses during July 1 to September 30, 2023 and 2022, and January 1 to September 30, 2023 and 2022, were NT\$0 thousand, NT\$17,080 thousand, NT\$12,289 thousand and NT\$17,080 thousand, respectively.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Ceded unearned premium reserve	\$6,145	\$8,540	\$8,540
Settled claims recoverable from reinsurers			
within 9 months of overdue payment	297	40	87
Ceded outstanding losses claims	4	660	660
Total reserve for unqualified reinsurance	<u>\$6,446</u>	<u>\$9,240</u>	<u>\$9,287</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	Premium revenues (1)	Reinsurance premium income (2)	Reinsurance premiums ceded (3)	Retained premium revenues (4)=(1)+(2)-(3)
Compulsory insurance	\$1,438,628	\$434,450	\$598,022	\$1,275,056
Non-compulsory insurance	16,800,937	68,182	3,945,985	12,923,134
Total	\$18,239,565	\$502,632	\$4,544,007	\$14,198,190

Item	Direct underwriting unearned premium reserve		Assumed reinsurance unearned premium reserve		Net changes in unearned premium reserve (9)=(5)-(6)+(7)-(8)	Ceded reinsurance unearned premium reserve		Net change in ceded unearned premium reserve (12)=(10)-(11)	Retained premium (13)=(4)-(9)+(12)
	Allocation (5)	Recovery (6)	Allocation (7)	Recovery (8)		Allocation (10)	Recovery (11)		
Compulsory insurance	\$810,850	\$879,139	\$343,555	\$351,452	\$(76,186)	\$486,600	\$527,566	\$(40,966)	\$1,310,276
Non-compulsory insurance	12,293,993	11,251,213	45,368	55,661	1,032,487	2,862,748	2,137,004	725,744	12,616,391
Total	\$13,104,843	\$12,130,352	\$388,923	\$407,113	\$956,301	\$3,349,348	\$2,664,570	\$684,778	\$13,926,667

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	Insurance claims (including claim expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claims (4)=(1)+(2)-(3)
Compulsory insurance	\$969,887	\$387,326	\$571,764	\$785,449
Non-compulsory insurance	8,104,214	22,887	1,815,891	6,311,210
Total	\$9,074,101	\$410,213	\$2,387,655	\$7,096,659

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Notes to financial statements (Continued)

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

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

Item	Amount		Item	Amount	
	Current period	Previous period		Current period	Previous period
<b>Assets</b>			<b>Liabilities</b>		
Cash and Bank Deposits	\$1,829,656	\$1,767,570	Claims and benefits payable	\$14,948	\$16,139
Notes receivable	1,216	1,326	Due to Reinsurers & Ceding Companies	130,979	148,590
Insurance premium receivable	12,107	14,574	Unearned premium reserve	1,154,405	1,233,745
Claims Recoverable from Reinsurers - net	107,584	120,999	Loss reserve	1,331,687	1,395,001
Due from Reinsurers & Ceding Companies	98,157	99,085	Special reserve	411,196	274,204
Ceded unearned premium reserve	486,600	531,639	Temporary credit and amount to be carried down		13,023
Ceded Reserve for Claims	504,496	537,114			
Temporary debit and amount to be carried down	3,399	8,395			
<b>Asset Total</b>	<b>\$3,043,215</b>	<b>\$3,080,702</b>	<b>Liability Total</b>	<b>\$3,043,215</b>	<b>\$3,080,702</b>

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	\$996,558	\$1,112,639	Insurance claims	\$969,887	\$1,119,507
Reinsurance premium income	434,450	450,559	Reinsurance claims	387,326	431,132
Premium revenues	1,431,008	1,563,198	Less: Losses recovered from reinsurers	(571,764)	(662,086)
Less: Reinsurance premiums ceded	(598,022)	(667,663)	Retained claims payments	785,449	888,553
Net changes in unearned premium reserve	35,220	6,613	Net change in loss reserve	61,431	(41,327)
Retained earned premium	868,206	902,148	Special reserve net change	68,844	103,664
Interest revenue	3,936	1,275			
<b>Total Operating revenues</b>	<b>\$872,142</b>	<b>\$903,423</b>	<b>Total Operating Cost</b>	<b>\$915,724</b>	<b>\$950,890</b>

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	0	0	0	0	50,000	(50,000)	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	11,859	3,952	0	15,811	44,565	(28,754)	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	285,290	222	0	285,512	604,446	(318,934)	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 inland transportation insurance, cargo transportation insurance, engineering insurance
4	172TRSG001	MILI REASURANS T.A.S. SINGAPORE BRANCH	A.M.Best	C	No		FP Marine	No	0	0	0	348	85	0	433	433	(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	12,289,129	245,784	6,144,565	0	0	0	6,144,565	8,539,822	(2,395,257)	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								12,289,129	245,784	6,144,565	297,497	4,259	0	6,446,321	9,239,266	(2,792,945)		